Bank seizures of US homes reach record high

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Banks repossessed almost three times as many American homes last month as in July of 2007, while foreclosures jumped 55 percent over the same period, according to a report issued Thursday by RealtyTrac, a California-based seller of foreclosure data.

More than 272,000 properties, or one for every 464 US households, were in "some stage of foreclosure" last month, according to the report. The number of foreclosures in July jumped 8 percent to 272,171 from June, slightly lower than the record 273,001 foreclosures in May.

Even these staggering figures represent an "artificial depression" in foreclosures, Rick Sharga, a RealtyTrac vice president, told *Bloomberg News*, due to the fact that a number of states—including New York and California—implemented foreclosure moratoriums last month. Most of the affected properties will go into foreclosure in later months, Sharga said.

Bank repossessions grew significantly as a percentage of all foreclosure activity, "posting a 184 percent year-over-year increase, compared to a 53 percent year-over-year increase in default notices and an 11 percent year-over-year increase in auction notices," according to James J. Saccacio, CEO of RealtyTrac.

When foreclosed properties fail to sell at county auctions, they are repossessed by banks pending their sale. Bank repossessions constituted only 16 percent of foreclosure activity a year ago, but they now make up some 28 percent, according to the report. While banks owned 224,000 foreclosed properties in 2006 and 445,000 in 2007, they owned 775,244 through July of this year.

The sheer mass of foreclosed homes is depressing real estate markets and steeply driving down prices, leading to more foreclosures. Foreclosed properties now represent approximately 17 percent of the inventory of existing homes for sale, according to the RealtyTrac report.

US Treasury Secretary Henry Paulson said two months ago that 1.5 million foreclosures started in 2007, and that as many as 2.5 million could begin in 2008. But, by all indications, even these figures constitute only a fraction of the homes yet to be foreclosed.

Some 6.5 million US properties are set to fall into foreclosure by the end of 2012, according to a report circulated last April by Credit Suisse. Some 12.7 percent of mortgage borrowers, or 8.4 percent of all US homeowners, stand to lose their properties in the next five years, according to the report.

Credit Suisse expects that housing prices will fall by ten percent in 2008 and five percent in 2009, precipitating what it refers to as "a wave of foreclosures." It further predicts that some 63 percent of subprime borrowers will have negative equity by 2009, compared to only about 30 percent last year.

Nearly one third of Americans who bought homes since 2003 have negative equity—that is, they owe more on their homes than their current value—according to Zillow.com, a property valuation company. Zillow also found that 45 percent of those who bought at the peak of the housing market in 2006 are under water.

Home values have fallen 15.8 percent in the year to May, according to the S&P Case-Schiller index, which tracks home values in 20 major cities. Moreover, nearly one quarter of home sales in the past year were at a loss to the sellers. Such circumstances raise the incentives to foreclose, driving property values lower and precipitating a downward economic spiral.

Zillow also found staggering negative equity rates in cities most affected by the housing downturn. Four cities in California—Stockton, Modesto, Merced, and Vallejo-Fairfield—had more than 90 percent of homeowners underwater. Five more cities had negative equity percentages of more than 80 percent. Half of the sales in Stockton and Modesto were foreclosed properties, compared to 15 percent nationwide.

Figures released this week by the National Association of Realtors are similarly bleak. The association found that existing home sales fell to their lowest levels since 1998, falling six percent in the past year alone. The report also notes that the median price among single-family homes fell by almost eight percent in the past year, from $223,500 to $206,500.

California cities were among the worst hit. Home values in Sacramento, the state’s capital, fell by 36 percent in the past year, while those in Riverside/San Bernadino fell by 32.7 percent and in Los Angeles fell 30 percent.

These cities, consequently, had among the highest foreclosure rates, with more than one in every 90 homes in some stage of foreclosure during the month. All in all, one in every 182 California homeowners received a foreclosure notice in July.

Cape Coral-Ft. Myers, Florida had the highest metro foreclosure rate in the country, with one in every 64 households receiving a foreclosure filing in last month.

In addition to fueling a massive social crisis, the vicious cycle of falling home values and foreclosures will drag down economic growth and fuel unemployment, as the US ruling class seeks to purge the excesses out of its financial system by writing down billions of dollars in bad debt.

While throwing open the Federal Reserve Board and the US Treasury to Wall Street speculators, the government has done next to nothing to assist the millions of people having their lives uprooted. The housing bill recently passed by Congress assists at most 400,000 homeowners, representing only six percent of the 6.5 million people estimated to fall into foreclosure by 2012.