

US home foreclosures at record high as jobs crisis deepens

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The number of home loans in the US that are either in foreclosure or at least one payment past due reached one in seven last month, a record high, according to a survey released Thursday by the Mortgage Bankers Association.

The survey found that nearly 10 percent of mortgage holders were at least one payment behind on their mortgages, while 4.47 percent of were in foreclosure. Both of these are the highest figures on records dating back to 1972. About 7 million households are behind on payments or in foreclosure.

These figures present just one indicator of the worsening conditions facing US workers caught up in the longest economic downturn since the Great Depression. The number of people behind on their mortgage payments has doubled since last year, as has the percentage in foreclosure, according to the survey.

The foreclosures were spread throughout all borrower categories, with high-quality, fixed-rate mortgages showing the fastest growth in delinquencies, not the sub-prime mortgages that initiated the foreclosure crisis.

LPS Applied Analytics, which also recently released a survey of late mortgage payments, found similar figures. The LPS survey found that the number of people three months behind on their payments, but not yet in foreclosure, reached 3.4 percent of US households, up from 1.5 percent 12 months before.

Unemployment is now a primary cause of home foreclosures. MBA chief economist Jay Brinkmann told Reuters: "It is all about unemployment, everything else is secondary. We expect unemployment to keep rising into the first quarter of 2010, which means we will most likely see even higher rates of delinquencies and foreclosures."

New unemployment claims stayed at 505,000 last

week, according to figures released Thursday by the Labor Department. Economists were expecting a decrease in the number of new filings, but this did not materialize. The official US unemployment rate reached 10.2 percent in October, while the "real" unemployment rate, which includes involuntary part-time workers and those who have left the labor market, soared to 17.5 percent.

Home construction starts likewise showed an unexpected slump last month, falling 10.6 percent from September. There were 529,000 new housing construction projects last month, significantly lower than the 600,000 expected by analysts. "As we look out to 2010, we are expecting difficult conditions to continue," said Richard Dugas, chief executive of Pulte Homes, the largest US homebuilder.

The White House extended its first-time homebuyer tax credit this month to April 2010. Once this measure expires analysts expect a further deterioration in housing prices. Average real estate prices doubled in the first six years of this decade, but have fallen by 30 percent since 2006, with no recovery yet in sight.

The slew of bad data led several economists to revise their estimates for the fourth quarter growth downward. Macroeconomic Advisors, for example, revised its forecast down from 3.2 percent to 3 percent.

Companies continued to announce mass layoffs this week. America Online announced plans on Thursday to cut one third of its 6,900-person workforce ahead of its planned spinoff from Time Warner, Inc. At its height, the company employed 20,000 people. Aetna, the health insurer, announced Wednesday that it plans to lay off 3.5 percent of its 35,000 employees.

Those workers who have not been laid off are facing speedups and higher workloads. A survey of employers released Wednesday showed that half of employees

report an increased workload over the previous six months, which contributed to a quarter of employees reporting “low morale.”

While the Confidence Board’s leading indicator, which estimates future economic growth, increased for the seventh month in a row, the rate of its growth slowed significantly in October. The index grew by 0.3 last month, down from 1 percent in September.

As the number of unemployed continues to increase, benefits are becoming harder to come by. A program passed this year that subsidizes healthcare for unemployed people is set to expire December 1st for the first people to take advantage of it. The subsidy, which paid for 65 percent of health-insurance costs for nine months, has not yet been extended. People who lose medical coverage for 63 days or more may not be covered for pre-existing conditions when they reapply for insurance.

Federal Reserve chairman Ben Bernanke highlighted the devastating impact of the crisis in a speech before the National Economic Club Monday, warning of continued loan defaults and high unemployment. Bernanke noted that the number of people working part-time involuntarily has more than doubled since the beginning of the recession, while the average workweek for manufacturing workers has fallen to the lowest level in postwar history.

The Fed chairman noted the impact of the cost-cutting programs being put into effect by US companies, saying that, “together with the reduction in hours worked, slower wage growth has led to stagnation in labor income.” He summed up the conditions facing workers: “The best thing we can say about the labor market right now is that it may be getting worse more slowly.”

High unemployment is in fact a deliberate policy of the Obama administration, which is seeking to drive down the conditions of the working class in order to restore profitability of American companies. Obama has rejected any serious jobs program or further stimulus measures.

Meanwhile, Wall Street profits are likely to set a new record this year, according to a report released Tuesday by New York State Comptroller Thomas P. DiNapoli. The report noted that Goldman Sachs, Merrill Lynch, Morgan Stanley and a section of JPMorgan Chase are

set to make \$22.5 billion this year, compared to losses of \$40.3 billion last year. There is every likelihood that the year-end bonuses at these banks will be equally unprecedented.



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