

US home foreclosures top one million mark

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The number of US homes in foreclosure topped the one million mark for the first time ever, according to figures released this week by federal agencies. The continued deepening of the housing crisis is being driven by the relentless economic squeeze on working people, confronted with declining wages and persistent and growing mass unemployment.

While millions are facing the loss of their jobs and their homes, corporate profits have reached their highest levels in five years.

The number of prime-rate mortgage borrowers in default doubled from a year earlier, according to figures released Monday by the Office of Thrift Supervision (OTS) and the Comptroller of the Currency (OCC). The portion of such “prime” mortgages in serious delinquency reached 3.6 percent in the third quarter, up 19 percent from three months before.

The report surveyed the 34 million home loans made by banks under the purview of the OTS and OCC, which amount to about 65 percent of all mortgages issued in the US. Given that the figures only covered this share of US mortgages, the real number of foreclosures is undoubtedly well over 1 million.

The total percentage of “nonperforming” mortgage loans climbed for the sixth straight quarter, reaching 13 percent of all mortgages in the survey. The percentage of mortgages that are “seriously delinquent” reached 6.2 percent, while 3.2 percent of all mortgages were in foreclosure.

Extrapolating from the survey of all US mortgages, 6.8 million of US households were behind on their mortgage payments in the third quarter. These figures do not count those families who have already lost their homes. A loss rate of 3.2 percent on the \$6 trillion in loans measured by the report would represent write-downs of some \$192 billion.

Meanwhile, the study found that despite mortgage modification programs promoted by the US

government, homeowners whose banks modified their mortgage terms continued to default at extremely high rates. Nearly half of all participants in such programs still went on to default on their mortgages.

This is partly due to the fact that the overwhelming majority of such modifications have been temporary. The Obama administration reported this month that while 700,000 three-month trial modifications were issued as part of its “Home Affordable Modification Program,” only 31,382 had been made permanent as of November.

The report followed findings by First American CoreLogic, a real estate information firm, that the number of foreclosed homes about to go on the market has reached 1.7 million. The backlog of such homes has grown by 55 percent in the year to September, according to a report issued last week by the California-based company.

The flood of foreclosed homes has pushed down home prices, with the average selling price of a previously occupied home falling to \$172,600 last month, a 4.3 percent decrease from a year ago, according to the CoreLogic report. In separate figures, the Federal Housing Finance Agency said its index of housing prices was down 10.8 percent from its peak in April 2007.

Plummeting home prices, together with extensive government tax incentives, helped push up the number of existing home sales by 7.4 percent last month, to a three-year high, according to a survey released Tuesday by the National Association of Realtors. Lawrence Yun, the association’s chief economist, said that the jump was due to “a rush of first-time buyers” who wanted to take advantage of the Obama administration’s tax credit before it was set to expire last month.

On November 7, the White House extended the program that provides new homebuyers with up to

\$8,000 in tax credits, to April of next year. Economists warn that home sales will likely plunge following the program's expiration.

Meanwhile, the employment situation, which has become the principal cause of the housing crisis, remains dire. The *Washington Post* reported Tuesday that in 25 states unemployment benefit programs have already run out of money due to record numbers of people losing their jobs. The state's unemployment insurance programs have had to borrow \$24 billion from the federal government to continue functioning.

By 2011, according to government figures, 40 states will have exhausted their benefit pools and will need to borrow an additional \$90 billion from the federal government to keep afloat.

The Obama administration has explicitly denied states' requests for further aid, forcing them to consider cuts to benefit payments that are already too low to cover essential needs. The shortfall has brought calls for cuts to unemployment benefits, with a state panel in Kentucky recommending last week that the state reduce its benefits for the jobless by about 9 percent.

Virginia has borrowed \$89 million from the US government to cover benefit payments, and Maryland owes the government \$85 million. South Carolina, which has a 12 percent unemployment rate, owes the federal government \$649 million for unemployment payments.

Meanwhile, the rate of US economic growth in the third quarter was once again revised downward this week, to 2.2 percent. The figure was originally reported as 3.5 percent by the US Commerce Department, but was lowered to 2.8 percent last month. The US economy shrank at a rate of 0.7 percent in the second quarter.

Corporations, however, are reaping the benefits of the so-called recovery. In its latest report, the Commerce Department revised third-quarter corporate profits upward, from 10.6 percent to 10.8 percent, representing the largest gain in over five years.

Far from signaling any amelioration of the economic conditions confronting the broad mass of working people, the rise in profits has been driven by reduced labor costs stemming from layoffs and increased productivity. During the last quarter, labor costs fell at a rate of 2.5 percent, the steepest 12-month decline in seven years.

This decline is a function of stagnant and declining wages, along with the threat of unemployment being used to intensify the exploitation of those still on the job. Productivity has risen by 8.1 percent, the highest rate in six years.



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