Record number of US homes seized by banks

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More US homes were repossessed by banks in August—more than 95,000—than in any other month in history, according to realtytrac.com, a real estate marketplace. The company expects 1.2 million bank repossessions this year, a level 12 times higher than in 2005, when there were only 100,000.

Every month, the company releases a summary of all foreclosure actions, which includes bank repossessions. Realtytrac said that the number of foreclosures increased 4 percent last month, but was down by 5 percent compared with a year earlier.

The University of Michigan index of consumer sentiment unexpectedly dropped to its lowest level since 2009, according to results published Friday. The preliminary September reading of the index fell to 66.6, down from 68.9 in August.

And they have reason to feel that way, given the most recent economic developments. The news came as more companies announced layoffs, and economic figures continued to darken.

Meanwhile, the Philadelphia Federal Reserve's index of Mid-Atlantic manufacturing showed that factory activity again contracted, disappointing analysts, who had expected it to plateau.

"Regional manufacturing activity has stalled over the past two months," observed the bank. "The broadest indicators of growth—general activity, new orders, and shipments—have all remained slightly negative for at least the last two months."

Fedex, the second-largest package shipping company in the United States, announced Thursday that it would cut 1,700 jobs, in line with a gloomy projection for US business.

"We expect a phase of somewhat slower economic growth going forward," said CEO Fred Smith in the company's second-quarter conference call on Friday. "Slower growth is consistent with historical business cycles," he said.

The number of people putting in new claims for unemployment benefits remained basically unchanged last week, at 450,000, the same level as nine months ago, and nearly double the pre-recession level.

In short, all indicators point to a protracted economic slump, with little, if any, improvement in housing prices. The bad housing market will further hurt families burdened by falling wages and high unemployment. According to figures released by the US Census Bureau on Friday, one in seven Americans is now living below the poverty level, and the total number living in poverty, nearly 44 million, is the highest since the 1960s.

The Bureau of Labor Statistics said Friday that real average hourly earnings for production and non-supervisory workers fell again in August. A 0.3 percent increase in prices wiped out a 0.2 percent increase in average hourly wages, leaving these workers with a 0.1 percent fall in average hourly earnings.

Housing prices are down 28 percent since 2006, leaving nearly one quarter of mortgaged houses "underwater," or valued at less than what their owners owe on them. In some states, the majority of homes are in this condition.

In Nevada, for instance, 68 percent of homes were under water, with the total value of mortgages being more than double the total value of houses.

Meanwhile Corelogic, a California-based real estate tracker, said that housing prices in some cities, such as Detroit and Las Vegas, will not return most homeowners to positive equity for another 10 years. And in a separate interview with Bloomberg radio, Fannie Mae chief economist Sam Khater said that there are 7 million US homes that are either vacant or in some stage of foreclosure.

Economists expect prices to drop—some by up to 10 percent, before the US housing market begins a lasting rebound. There had been a temporary resurgence in home values earlier in the year, but this ran out of steam as the Obama administration withdrew a tax credit to encourage first-time homebuyers in May.

Fannie Mae, the home mortgage company, said in a report issued Thursday that the expiration of the tax credit “suggests weakening home prices” in the coming period, and that the company projects a 7 percent decline in home sales in 2010, putting even more homeowners underwater.

The latest figures underscore the critical absence of any government programs to create jobs or alleviate the plight of families in foreclosure.

The “Home Affordable Modification Program,” which the Obama administration promised would help up to 8 million people adjust their mortgages, has to date offered permanent mortgage modification to only 422,000 homeowners. This figure is miniscule compared to the 10 million home foreclosures that are expected through 2012. But even this small assistance has taken the form of an adjustment to borrowers’ monthly payments, and not the total amount that they have to pay.

Instead of helping workers and homeowners, the administration has recently announced a program that would further extend tax credits for businesses, including write-offs for research and capital investments.