# US foreclosures soar, housing prices slump

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The number of completed home foreclosures rose to 245,000 in the third quarter, according to a report from bank regulators that covers only two thirds of all US home mortgages, those held by national banks and savings & loan institutions.

The figure was reported in the quarterly mortgage report filed by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision, which regulate banks and S&Ls respectively.

The overall number of foreclosures completed in the July-September period is likely well over 300,000, making it virtually certain that total foreclosures will top one million in 2010. The total number of foreclosures in process increased to 1.2 million, up 4.5 percent from the second quarter and up 10.1 percent from the third quarter of 2009.

Newly initiated foreclosures jumped to 382,000 in the third quarter, a rise of 31.2 percent compared to the second quarter and 3.7 percent above the third quarter of 2009. The larger number of initiated foreclosures compared to completed foreclosures means that the number of foreclosures can be expected to rise sharply in the coming year.

Other figures in the OCC and OTS report showed widespread distress among homeowners. Slightly more than one in eight homeowners with a mortgage was behind in payments or in foreclosure, 12.6 percent, compared to 12.8 percent one year ago. About half of these, or 5.8 percent of the total, were at least 90 days behind in payments, while 3.6 percent were actually in foreclosure.

The glut of foreclosed homes continues to depress the housing market, with home prices falling 1.3 percent in October, according to the widely followed Case-Shiller index, and home prices in several major cities falling 20 percent or more.

Distressed sales—where the homeowner is either in foreclosure or behind on payments—account for about one-third of all US home sales according to RealtyTrac, and these sales were only made based on an average drop of 27 percent in the purchase price.

At least one published estimate, from Moody’s Analytics, said that total foreclosures would reach 1.8 million for this year, bringing the total number of foreclosures since the subprime mortgage crisis exploded in 2007 to more than 5.5 million.

Moody’s estimated that 2.1 million families would be foreclosed in 2011, and the Mortgage Bankers Association, the industry trade group, said that the total number threatened with losing their homes is four million.

That would bring the total number who lost or will lose their homes over the five-year period, 2007-2011, under the combined impact of financial collapse and economic slump, to a staggering nine million families.

An additional 10.9 million families are “under water” on their homes, meaning that they owe more in mortgage debt than the home can be sold for in the current depressed market.

Adding to the potential financial impact is the $426 billion in second mortgages on the balance sheets of just four banks: Bank of America, JPMorgan Chase, Wells Fargo and Citigroup.

In a single California county, Contra Costa County in the Bay Area, the number of foreclosures has exploded from 777 in 2000 to more than 12,200 in 2010, according to a profile this week in the *New York Times*. The city of Richmond, the poorest in Contra Costa County, reported in April that more than 2,000 homes and apartments were in foreclosure. In a single ZIP code, 94801, almost half of all homes were “in foreclosure or financed with subprime mortgages and thus at risk for foreclosure.”

In the face of this colossal social crisis, the Obama administration program to assist distressed homeowners is a complete failure. According to the bank regulators’

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report, only 470,000 homeowners received loan assistance under the Home Affordable Modification Program (HAMP) during the third quarter. The total number aided through the life of the program is now estimated at 700,000 to 800,000, less than one in ten of those threatened with foreclosure.

The actual shortfall is much greater, since, perversely, only homeowners with the smallest gap between mortgage debt and ability to pay have received any support. The Obama administration initially pledged $75 billion for the loan modification program, but the Treasury has paid out less than $800 million and the total cost is now estimated at $4 billion.

The stinginess towards families facing foreclosure and eviction is in sharp contrast to the hundreds of billions lavished on the banks and other financial institutions that benefited from the Wall Street bailout.

The Obama administration intervened aggressively on only one mortgage-related issue: the widespread calls for a moratorium on foreclosures in early October, when Bank of America, JP Morgan Chase, Ally Financial and other big mortgage lenders admitted that they had falsified hundreds of thousands of foreclosure documents filed with state courts around the country.

Numerous congressional Democrats, and many state officials of both parties, called for a temporary halt to foreclosures, and the sheriff of Cook County, Illinois, which includes Chicago, suspended enforcement of eviction orders.

Shaun Donovan, the secretary of Housing and Urban Development, opposed a moratorium on foreclosures and evictions, saying it would “do more harm than good.” He and other top officials warned that the result would be a loss of confidence in the US mortgage market on the part of Wall Street and international investors.

The major banks resumed foreclosure proceedings after a brief halt and are on course to accelerate their efforts in the new year.

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