Foreclosures rise after bank settlement

Andre Damon
13 July 2012

Foreclosure notifications increased for the second consecutive month in June, as lenders rushed to foreclose homes in the wake of the Obama administration's settlement with the largest banks on mortgage fraud.

RealtyTrac, the online foreclosure marketplace, said that 311,010 properties started foreclosure during the second quarter of the year, a 9 percent increase from the previous quarter and a 6 percent increase from the second quarter of 2011. The company said in its 2012 midyear report that this was the first year-over-year increase in quarterly foreclosure starts since the fourth quarter of 2009.

Daren Blomquist, Vice President of Realtytrac, told the WSWS in a telephone interview that the growth in foreclosure starts is largely attributed to the bank fraud settlement. “We expected that the settlement to loosen up the logjam of delayed foreclosures; that's what happened in April as it was finalized and in May and June we saw two months of increasing starts.”

“The settlement involves the nation’s five biggest lenders; but others are looking at it as something to live by,” he added. “It is freeing up lenders to move forward more confidently; as long as they abide by those guidelines they won’t be accused of improperly foreclosing.”

In the fall of 2010 it emerged that the largest banks were engaged in a practice known as “robo-signing,” in which employees would fraudulently claim to have seen foreclosure documents in order to speed along foreclosures with missing paperwork.

This prompted a coordinated investigation by the 50 state attorney generals into the practice. In January 2012, the Obama administration worked out a settlement with the five biggest banks that put an end to the states’ investigations in exchange for a pitiful cash settlement.

Under the terms of the deal, 750,000 foreclosed homeowners might receive a check for $1,500 to $2,000, if they can show that they were improperly evicted.

Banks started foreclosures on 12 percent of delinquent loans in June, the highest level since early 2009, according to separate data from Fitch ratings.

California, which was the center of the real estate bubble and subsequent collapse, saw the biggest increase in foreclosure starts, which increased 18 percent over the previous year, according to Realtytrac. This boosted California’s foreclosure rate to the highest in the nation.

The midyear report from Realtytrac report showed that one in 126 housing units had at least one foreclosure filing in the first six months of the year.

May was the first time in 28 months that there was a year-over-year increase in foreclosure starts, and June continued the trend. Some 109,999 properties started the foreclosure process in May. That was up 12 percent from the previous month and 16 percent from May of 2011. This was the highest number of foreclosure starts since October 2011.

In May, New Jersey had a 64 percent increase in foreclosure activity. Indiana had a 45 percent increase, and Pennsylvania had a 32 percent increase compared to the previous six months.

© World Socialist Web Site

Blomquist said that the wave of delayed foreclosures would have a negative effect on the housing market: “In the short term it will continue to weigh down housing prices as these properties are listed.”

The continuing impact of home foreclosures was amply demonstrated when the city of San Bernardino, California, filed for bankruptcy Tuesday, becoming the second-largest US city to do so. San Bernardino has been devastated by the collapse of the housing bubble, and has consistently had among the highest foreclosure rates in the country.

The city had 2,527 properties in foreclosure this month, amounting to 3.5 percent of all housing units, according to Realtytrac. This is over triple the national average of 1.02 percent.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site