



U.S. Foreclosure Filings Set Third Record-High in Five Months

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By Dan Levy



Aug. 13 (Bloomberg) -- Foreclosure filings in the U.S. climbed to a record for the third time in five months in July as falling home prices and the recession left more homeowners unable to keep up payments or refinance.

A total of 360,149 properties received a default or auction notice or were seized last month, according to data seller [RealtyTrac Inc.](#) One in 355 households got a filing, the highest monthly rate in RealtyTrac [records](#) dating to January 2005, the Irvine, California-based company said in a statement.

"We're in a deep hole," [Diane Swonk](#), chief economist at Chicago-based Mesirow Financial Inc., said in an interview. "There is a whole new wave of foreclosures tied to the cyclical dynamics of the economy."

[Foreclosures](#) increased as the U.S. recorded another 247,000 [job losses](#) in July and home prices fell, leaving an increasing number of mortgage holders owing more than their properties were worth. The median price of an existing single-family house dropped 15.6 percent to \$174,100 in the second quarter, the most in records dating to 1979, the National Association of Realtors said yesterday. Almost one-quarter of U.S. mortgage holders are underwater, property data firm Zillow.com said Aug. 11.

"There are a slew of factors showing fundamental weakness on the demand side: tighter underwriting, job loss, investors who've been badly burned," said [Stuart Gabriel](#), director of the UCLA Ziman Center for Real Estate in Los Angeles. "We have not seen the bottom of the housing market."

Nevada, California

July's foreclosure filings rose 32 percent from a year earlier and 6.7 percent from June, RealtyTrac said.

Nevada had the highest foreclosure rate for the 31st consecutive month as one in 56 households there got a filing, more than six times the national average. Auctions and bank seizures both rose 20 percent from the previous month.

[California](#) had the second-highest filing rate at one in 123 households, three times the U.S. average, and initial defaults were up 15 percent from June, RealtyTrac said. Arizona was third at one in 135 households as scheduled auctions rose 25 percent from the previous month.

Unemployment was 9.4 percent in July, the Labor Department reported Aug. 8.

More than 126,000 U.S. consumers filed for bankruptcy in July, 34 percent more than a year earlier, according to the American Bankruptcy Institute. The number may reach 1.4 million by the end of the year as employers cut payrolls and banks restrain lending, the institute said Aug. 4.

Loan Modifications

About 235,000 troubled borrowers have begun modifying their property loans under the government's Making Home Affordable Program, compared with a target population of 4 million, according to an Aug. 4 Treasury Department report. About 15 percent of eligible borrowers were offered loan modifications and 9 percent entered

trial agreements.

Bank of America Corp. modified about 4 percent of its qualifying loans and Wells Fargo & Co. changed 6 percent, making them the two worst performers in the program among the biggest U.S. banks, Treasury said. Citigroup Inc. modified 15 percent of its eligible loans and JPMorgan Chase & Co. changed 20 percent.

"It has been more profitable to put a home in foreclosure than restructure the loan," Swonk said. "The only thing that helps is forgiveness of principal, and there is little willingness to do that."

Florida, Utah, Idaho, Georgia, Illinois, Colorado and Oregon accounted for the other states with the top 10 highest rates of foreclosure filings.

Four states accounted for almost 57 percent of total filings, with California leading at 108,104, or 50 percent more than a year earlier.

Top 10

Florida ranked second with 56,486 filings, up 23 percent, and Arizona was third at 19,694, up 48 percent. Nevada was fourth at 19,535, a 94 percent increase, RealtyTrac said.

Texas, Georgia, Ohio, Michigan and New Jersey rounded out the top 10 states with the most filings.

New Jersey had the 18th highest rate and 6,467 filings, a 40 percent increase from a year earlier. Connecticut ranked 29th and had 1,569 filings, a 22 percent drop. New York had the 38th highest rate and 5,954 filings, down 3.5 percent.

Las Vegas had the highest foreclosure rate among metropolitan areas with a population 200,000 or more. One in 47 households got a notice, up 89 percent from a year earlier and up 6 percent from the previous month.

California had seven cities among the top 10. Stockton and Modesto ranked second and third; Merced, Riverside-San Bernardino, Bakersfield and Vallejo-Fairfield were fifth through eighth; and Sacramento was 10th.

Cape Coral-Fort Myers was fourth and Phoenix-Mesa-Scottsdale was ninth, according to RealtyTrac, which collects data from more than 2,200 counties representing 90 percent of the U.S. population.

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