



Powered by

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

# Foreclosure plague: No cure yet

## The housing market is still sick, with a record number of foreclosure filings posted in July.

By Les Christie, CNNMoney.com staff writer  
Last Updated: August 13, 2009: 7:33 AM ET

NEW YORK (CNNMoney.com) -- The foreclosure plague continued to devastate last month.

There were more than 360,000 properties with foreclosure filings -- including default notices, scheduled auctions and bank repossessions -- an increase of 7% from June and 32% from July 2008, according to RealtyTrac, an online marketer of foreclosed homes. In fact, one in every 355 U.S. homes had at least one filing during July.

"July marks the third time in the last five months where we've seen a new record set for foreclosure activity," said James J. Saccacio, chief executive officer of RealtyTrac. "Despite continued efforts by the federal government and state governments to patch together a safety net for distressed homeowners, we're seeing significant growth in both the initial notices of default and in the bank repossessions."

The jump occurred as several foreclosure moratoriums phased out. They were initiated by many states to give the administration's foreclosure-prevention efforts time to work. But for many help did not come: The modification and refinancing programs have met with less success than

hoped.

"It's starting to reach more and more people, but we have to do better and make sure the program reaches the millions of folks we intended it to reach," said Jared Bernstein, an economics adviser to vice president Biden.

The picture would be even worse, however, without the programs.

"Each of these programs nips away at the problem of excess supply," said Doug Duncan, chief economist for Fannie Mae, "and fights against declining prices. ... The hope is that the aggregated programs will result in less loss than would happen in the free market."

Out of their homes

RealtyTrac statistics revealed that more than 87,000 properties were repossessed by lenders, effectively sending many families out of their homes. There have been a total of 464,058 repossessions -- or REOs in industry parlance -- so far this year (through the end of July).

"We're seeing more option ARM resets, triggering defaults and more prime loans, which are failing due to job losses," said RealtyTrac spokesman Rick Sharga.

That is resulting in more filings on higher priced homes, for two reasons: 1. option ARMs were typically used for more expensive properties; 2. borrowers using prime loans generally had better credit and were able to afford more expensive houses.

Best and worst

The worst hit areas continue to be in the "sand states," with California posting the highest number of total filings, 108,104, and Nevada posting the highest rate of foreclosure at one for every 56 homes.

The other hardest hit states are Arizona, at one filing for every 135 homes, and Florida, at one for every 154. Las Vegas, with one for every 47 homes, had the highest rate among metro areas. That's Sin City's 31st consecutive month topping the list.

These were bubble states, where home prices soared and banks financed mortgages for anyone who could fog a mirror.

"We're seeing the highest levels of foreclosures in the markets that had the highest appreciation [during the boom] and the worst lending practices," said Sharga. ■

First Published: August 13, 2009, 3:41 AM ET