

Why Foreclosures Could Be Set to Rise Again

By [THE ASSOCIATED PRESS](#) Posted 6:34 AM 04/14/11



Lender processing delays reduced the number of U.S. homes taken back by banks in the first three months of the year and contributed to a sharp drop in properties entering the foreclosure process.

But March foreclosure data suggest foreclosure activity may be starting to creep higher, as lenders make progress tackling a backlog of pending foreclosure cases.

Banks repossessed 215,046 homes in the January to March quarter, down 6 percent from the fourth quarter and down 17 percent versus the same period last year, foreclosure listing firm RealtyTrac Inc. said Thursday.

The number of properties receiving a notice of default for the first time also declined, falling 17 percent from the fourth quarter and 35 percent from the first three months of last year, the firm said.

The drop-off in foreclosure activity stems from foreclosure documentation problems that came to light last fall. Many banks have since revisited thousands of foreclosure cases, delaying the processing of new foreclosures. The logjam has been compounded by court delays in states such as Florida, New York, and New Jersey, where foreclosures must be approved by a judge.

Still, between February and March, the number of properties repossessed by banks rose 13 percent, the highest increase in a year. And homes receiving their first notice of default climbed 16 percent.

"The bottleneck is opening up a little bit and we're starting to see the first inklings that we might be getting back to more normal levels of foreclosures," said Rick Sharga, a senior vice president at RealtyTrac.

By normal levels, Sharga means the elevated pace of foreclosure activity that led to more than 1 million homes being taken back by lenders last year.

Roughly 5 million borrowers are at least two months behind on their mortgages, by some estimates. And many of the factors that have contributed to the foreclosure crisis are likely to

continue driving foreclosures this year, including high unemployment, a weak housing market, falling home values and tighter lending standards.

The foreclosure processing delays remain most pronounced in states where judges play a role in the foreclosure process.

In Florida, for example, foreclosure activity has fallen 47 percent since the fourth quarter, and it's taking nearly 17 months from the time a property receives its initial notice of default until it is put up for auction. That process normally takes about four months, Sharga said.

In New Jersey and New York, other states where judges play a role in foreclosures, the process is taking nearly 27 months.

"The timelines have extended across the country as the foreclosure problem has spread, but those are probably the most egregious examples," Sharga said.

In states where judges aren't part of the process, home repossessions rose by 9 percent in the first quarter versus the fourth quarter, RealtyTrac said.

The firm has predicted between 1 million and 1.2 million homes will be taken back by lenders this year, but that forecast may have to change if the pace of repossessions doesn't pick up in coming months.

Lenders foreclosed on 215,046 properties during the quarter, between 60,000 and 90,000 short of the pace needed to achieve RealtyTrac's full-year forecast.

Sharga expects that backed-up court calendars and the backlog of foreclosures lenders are working to process will continue to slow foreclosure activity overall for at least another quarter.

That may provide some relief to the real estate market by limiting the number of new foreclosed homes being put up for sale. Foreclosures often sell at a steep discount, which can contribute to bring down the value of nearby homes.

In all, some 681,153 homes received a foreclosure-related notice in the first quarter, down 15 percent from the fourth quarter and down 27 percent from a year earlier. That translates to one in every 191 U.S. households, RealtyTrac said.

The firm tracks notices for defaults, scheduled home auctions and home repossessions - warnings that can lead up to a home eventually being lost to foreclosure.

At a state level, Nevada registered the highest foreclosure rate in the nation, with one in every 35 households receiving a foreclosure notice in the first quarter.

Arizona posted the second-highest foreclosure rate, thanks in part to a 26 percent spike in home repossessions. While California ranked third, with one in every 80 households receiving a foreclosure notice during the quarter.

Declines in foreclosure activity in states like Florida helped boost Utah to the No. 4 spot, followed by Idaho.

Rounding out the top 10 states with the highest foreclosure rate in the first quarter were: Georgia, Michigan, Florida, Colorado and Illinois.

See full article from DailyFinance: <http://srph.it/fWhgaB>