

# U.S. home foreclosures reach record high in second quarter

Bank repossessions increased 38% in the second quarter from the same period a year earlier for a record total of 269,952, according to data to be released Thursday by RealtyTrac.

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J Pat Carter, Associated Press

The number of U.S. homes taken back by banks through foreclosure hit a record high in the second quarter, even as lenders delayed more homes from entering the process through short sales and loan modification efforts, according to data to be released Thursday.

This growing supply of lender-owned properties could set back the nation's housing recovery but probably won't sink it completely if the nation's employment situation doesn't deteriorate further and the economy begins to pick up steam, experts said. Sales of homes have faltered nationally in recent months with the expiration of government tax incentives for buyers.

U.S. bank repossessions increased 38% in the second quarter from the same period a year earlier for a record total of 269,952, according to Irvine research firm RealtyTrac. That was also a jump of 5% from the previous quarter. If that pace continues through the year, the number of homes taken by banks is likely to top 1 million by the end of 2010, said Rick Sharga, RealtyTrac senior vice president.

"It is almost a certainty that we will see over a million over the course of the year, and that would definitely be a record," he said. "It's serious, but it doesn't appear to be that

these levels will crater the housing market if the economy at least stabilizes and we do start to see some job creation."

A total of 895,521 foreclosure notices were filed on U.S. properties during the second quarter, an increase of less than 1% from the same quarter a year earlier and a 4% decrease from the first quarter, according to RealtyTrac. Notices of default — the first stage of the foreclosure process — were down 19% from the same quarter a year earlier and 11% from the first quarter.

"What is happening is that the number of loans that are going into delinquency is abating, but the number of loans that are moving through the foreclosure process is rising," said Mark Zandi, chief economist for Moody's Economy.com. "This is because many loans got piled up in the foreclosure process as mortgage servicers tried to figure out all the various loan modification plans and policy efforts to mitigate foreclosure activity. Now, at this point, servicers are figuring out these programs and are starting to push loans through the process."

Because housing has stabilized and banks have improved their financial positions since the start of the financial crisis, regulators are pressing them to get rid of their troubled loans.

"There is growing pressure on the banks to get problem residential loans worked out one way or another," said Bert Ely, an independent banking consultant. "And the sense is that, in most markets, we are through the worst of it to the extent the economy improves at all."

California homes received a total of 192,422 foreclosure filings in the second quarter, a 24% decrease from the same quarter a year earlier and an 11% drop from the first three months of the year. Notices of default were down 43% from the same quarter a year earlier and 15% from the first three months of the year.

California also appears to be bucking the trend in bank seizures, with that number up only 1% at the end of the second quarter from the year-earlier quarter and down 1.5% from the first quarter. That relatively moderate increase in home seizures in the Golden State is probably because banks are purposely postponing the auctions of homes to keep a flood of properties off the market, Sharga said, and will not last forever.

"California might be too saturated, in terms of what the banks are willing to put on their books right now," he said. "You will definitely see it coming later."

"Because of how out of control the prices and lending practices got during the boom, and now because of high levels of unemployment, California is probably going to be at the center of the foreclosure crisis until it's over," Sharga said.

[alejandro.lazo@latimes.com](mailto:alejandro.lazo@latimes.com)