

U.S. Foreclosure Filings Top 300,000 as Bank Seizures Loom

By Dan Levy

June 11 (Bloomberg) -- U.S. foreclosure filings surpassed 300,000 for the third straight month in May and may hit a record 1.8 million by the first half of the year, **RealtyTrac Inc.** said.

A total of 321,480 properties received a default or auction notice or were repossessed last month, up **18 percent** from a year earlier, the Irvine, California-based seller of default data said today in a statement. One in 398 U.S. households received a filing last month.

"The foreclosure bucket is filling faster than it's emptying," **Jay Brinkmann**, chief economist of the Washington-based Mortgage Bankers Association, said in an interview. "It will continue through next quarter at least."

Job losses and falling property prices are delaying the housing recovery as more homeowners are unable to pay the mortgage or have difficulty selling or refinancing. The unemployment rate climbed to 9.4 percent in May, the highest since 1983, the Labor Department said last week. Prices in 20 U.S. cities dropped 18.7 percent in March, according to the S&P/Case-Shiller home-price index.

More home loans originated in 2005 or before are likely to default as unemployment climbs, said **Rick Sharga**, executive vice president for marketing at RealtyTrac.

A record 1.37 percent of all loans entered the foreclosure process in the first quarter, with 29 percent tied to borrowers with **prime**, fixed-rate mortgages, the MBA reported May 28. Homes in foreclosure totaled 3.85 percent of all loans in the quarter, up from 2.47 percent a year earlier, MBA said.

Balance Sheets Worsen

"The numbers are getting bigger and that's what is bothering me," said **Patrick Newport**, economist at IHS Global Insight in Lexington, Massachusetts. "You have banks holding these toxic loans, which means bank balance sheets are in even worse shape with the increase in delinquencies."

Additional U.S. home foreclosures will probably total 6.4 million by mid-2011, and inventories of **foreclosed** homes awaiting sale will probably peak in mid-2010 at about 2 million properties, JPMorgan Chase & Co. analysts led by John Sim wrote in a June 5 report. U.S. prices will likely drop 39 percent on average, they said.

The May total was the third-highest in RealtyTrac records dating to January 2005.

Nevada had the highest foreclosure rate, one in every 64 households, more than six times the national average. California ranked second at one in 144 households.

Florida had the third-highest rate at one in 148 households. Arizona ranked fourth with one in 158 and Utah was fifth with one filing per 316 households, RealtyTrac said.

Other states among the top 10 highest rates were Michigan, Georgia, Colorado, Idaho and Ohio.

California Leads

California had the highest total number of filings at 92,249, 23 percent more than a year earlier. Scheduled auctions rose 18 percent from the previous month while bank seizures fell 1 percent and defaults fell 18 percent.

Florida had the second-highest total with 58,931 filings, up 50 percent from May 2008. Nevada was third with 17,157 filings, up 83 percent, as bank seizures there rose 23 percent from the previous month.

Arizona, Michigan, Ohio, Illinois, Georgia, Texas and Virginia rounded out the top 10, which accounted for 77 percent of total U.S. filings, according to RealtyTrac.

New Jersey had the 24th highest rate, one in 794 households, and 4,408 filings. Connecticut ranked 33rd, with one in every 1,301 households in some stage of default. The state had 1,106 filings. New York was 37th, with one in 1,646 households getting a filing for a total of 4,825.

Vegas Still Climbing

Las Vegas had the highest foreclosure rate among metropolitan areas with a population 200,000 or more. One in 54 households got a notice, up 78 percent from a year earlier and up 4 percent from the previous month.

California had six cities among the top 10. Stockton, Modesto, Riverside-San Bernardino and Merced ranked second through fifth, respectively, Bakersfield was seventh and Vallejo-Fairfield was ninth.

Florida had three cities in the top 10: Cape Coral-Fort Myers ranked sixth, Orlando-Kissimmee was eighth and Miami-Fort Lauderdale-Pompano Beach was tenth, according to RealtyTrac, which collects data from more than 2,200 counties representing 90 percent of the U.S. population.

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