



New Foreclosure Wave is Coming

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Despite a seasonal slowdown in overall **foreclosure activity**, and a process still bogged down and backed up by the "robo-signing" processing scandal, the U.S. real estate market is about to be hit by another surge of bank repossessions, according to a new report from the online foreclosure sale site RealtyTrac. As banks resubmit millions of documents and courts begin hearing cases again, the backlog of over four million delinquent loans will start surging through the pipeline again.

"November's numbers suggest a new set of incoming foreclosure waves, many of which may roll into the market as REOs [bank repossessions] or short sales sometime early next year," said James Saccacio, co-founder of RealtyTrac. "Overall foreclosure activity is down 14 percent from a year ago, the smallest annual decrease over the past 12 months, and some bellwether states such as California, Arizona and Massachusetts actually posted year-over-year increases in foreclosure activity in November."

Foreclosure auctions, where the property is sold at the courthouse either to an investor or in most cases back to the bank, reached a nine-month high in November, which corresponds to a recent surge in default notices, the first stage in the foreclosure process, back in August. Troubled borrowers will get a reprieve over the holidays, as mortgage giant Fannie Mae says they will not evict anyone until after the new year. A spokeswoman, however, stressed that foreclosure processing would continue through the holidays, so as not to slow the system down any more than it already is.

Nevada is still in the number one spot nationally for its foreclosure rate, despite artificially low activity caused by a new state law that changes the process, requiring more documentation. It has held that dubious honor for 59 straight months. Both Georgia and Utah saw substantial monthly increases in their foreclosure rates, lifting them into the nation's top five in November. Nine out of the nation's 10 highest foreclosure rates among metropolitan areas with a population of 200,000 or more were in California, according to RealtyTrac, with just Las Vegas making its way into the number six spot.

Other states, like New York and New Jersey, are still seeing huge delays in the foreclosure process--986 and 984 days respectively, says RealtyTrac, but they too are starting to ramp up, as various moratoria have been lifted and judges have made rulings that will kick-start the process. That will mean more distressed properties surging into an already troubled housing market. Foreclosure starts outnumber sales by three to one, and 45 percent of foreclosure starts in October were repeat foreclosures, according to Lender Processing Services.

While overall inventories of homes for sale have been dropping somewhat steadily over the past year, these new distressed properties will put increasing downward pressure on home prices nationally. The hope is that there are enough investors at the ready to buy these properties quickly, as they seek to take advantage of a growing rental market. Government agencies are considering a plan to sell repossessed homes from Fannie Mae and Freddie Mac in bulk to investors, but there has been little movement of late. **Bank of America**, which took over the troubled loans of Countrywide Financial, is setting a plan in motion to sell its repossessed homes to investors, who would then rent them back to the original borrowers. Both government and the private sector know that until the backlog of distressed properties is cleared, the housing market will have little chance of regaining a solid footing.

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