More Foreclosures to Come!
by Jim Willie, CB

The tragedy of home foreclosures continues unabated except by moratoriums imposed. The national tragedy continues. Federal modification programs continue to be intentionally inadequate. The key is mortgage bond fraud cover-up. Forecasts call for much worse foreclosures in the current 2010 year.

RealtyTrac data showed home loan defaults and repossessions have been streaming at over 300 thousand per month since February. ***An incredible one million American families lost their homes in the fourth quarter of 2009***, while mindless U.S. government and U.S. bank leaders talk of recovery. The fragile U.S. economy is nowhere near ready for an exit strategy from 0% prevailing interest rates. The economic forecasting group at Moody's expects another 2.4 million homes to suffer default or enter foreclosure this year. Still 21% to 22% of U.S. households remain in negative equity status.

Take Atlanta, Georgia, for instance. Foreclosure notices in metro Atlanta leaped 27% in February versus. January. They were up 34% when compared to February 2009, according to data released from Equity Depot. Barry Bramlett is president of Equity Depot, based in northern suburban Atlanta. He said, *"Residential foreclosures basically run across the board in every price range. Commercial properties are clearly on the rise."* In all, 10,357 foreclosure notices were published in February in the 13-county metro area, compared with 8,181 in January and 7,701 in February 2009. The nation in general and Atlanta in particular are NOT in recovery.

RealtyTrac reported that the number of U.S. families facing foreclosure in January of this year surged a shocking 15% higher than January 2009. Banks repossessed more than 87 thousand homes in January alone, a staggering 31% increase over January a year ago. A historical record 2.8 million households entered the foreclosure process last year. RealtyTrac expects that number to surge to 3.5 million this year, a nightmarish 40% increase, worse than the Moody's forecast! The numbers are tragic. U.S. foreclosure filings exceeded 300 thousand for the 11th consecutive month as modification programs continue to fail. A total of 315,716 properties received a notice of default, auction, or bank seizure last month in January, or one in 409 households.

Filings did drop 10% since December though. Modifications fell short, as only 66 thousand delinquent home loans were permanently modified as of December 31st under the Home Affordable Modification Program, out of a targeted four million by 2012, according to the U.S. Department of Treasury. Basic forces of unemployment and negative home equity, where loan balances exceed properties value, contribute to the ongoing foreclosure total. As for foreclosures by state, Nevada had the highest rate for the 37th straight month, with Arizona ranked second. Utah, Idaho, Michigan, Illinois, Oregon, and Georgia rounded out the Top 8.

The **commercial mortgage delinquency rate**, on CMBS conduit and fusion loans increased by more than 50 basis points in January - bringing to 5.42% the overall delinquency rate. The total delinquent loan balance is more than $36 billion, a $3 billion increase in a single month. The crash and debt write downs are coming in full force. The Moody's Delinquency Tracker exposes the sectors.

The **retail delinquency rate** rose 72 basis points and stands at 5.24% currently. That increase was 50% greater than any increase in the history of retail. The office delinquency rate rose 34 base points to 3.53%, the lowest of the five major sectors.

The **multi-family delinquency rate** now stands at 8.77%, a 63 base point increase.

The **hotel delinquency rate** increased 75 base points to the 9.82% level. Hotels and multi-families are in the worst position. Common vacancy rates are what are seen nowadays in delinquency rates. Banks are positioning themselves for commercial losses by shifting as much residential loser loans to Fannie Mae as possible.

Further Decline in Home Prices and a
Second Stage of Economic Recession
David Rosenberg is chief economist and strategist at Gluskin, Sheff & Assoc in Toronto. He is one of my very few respected economists. He forecasts 50% Of U.S. households will be insolvent on home loans by 2011. He said, *"Watching the situation in Europe, it is not even clear that the root cause of problems here at home has been solved. We still have a very fragile situation. Household balance sheets, [home loan] delinquencies, defaults, and home prices are still vulnerable to another down leg. People think because you finish one chapter in this post-bubble credit collapse that the book is done. We are in a post-bubble credit collapse and there are going to be periods of calm and stormy weather. Investors will have to navigate through the volatility. Unfortunately, I think we are still in the early stages.* ***<u>The next recession will happen more quickly than people think.</u>****"*

Rosenberg expects a further decline in housing prices of 10% to 15% over the next few years. He cites the nine million residential housing units in inventory for sale across the country, a very high home vacancy rate, and unresolved home loans despite futile attempts of U.S. government modification. An estimated 21.4% of the U.S. population holding home mortgages has negative equity, owing more than the home value. The figure peaked at 23.0% in the second quarter of 2009, but foreclosures close the book, like a jobless man dying, no longer jobless.

He expects that figure to continue to rise in tragic fashion. Rosenberg estimates the insolvent household rate to reach 50% across the country by 2011, with respect to their mortgage loans. My view is that if Fannie Mae & Freddie Mac embark on a grand national purchase plan with volume over $1 trillion, the distortion on U.S. government ownership could forestall the housing price decline. A plank to communism could be the price for home price stability.

Home prices in the U.S. are due to resume their decline, most analysts believe with a gradual pace. Without extraordinary measures, the downward pace could be faster. The home purchase tax credits are coming to an end. The mortgage loan rates are creeping up. The brick walls that obstruct home loan refinance continue, like insolvency and joblessness. Nationwide, home values fell 5% in fourth quarter of 2009 versus. the fourth quarter a year ago. Home values fell 0.5% from the third quarter of 2009. One in five housing markets entered a second leg of home price declines in late 2009, according to Zillow.com, a real estate website.

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