

Unemployment spreads distress in U.S. home loans

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By [Lynn Adler](#)

NEW YORK, July 30 (Reuters) - Cities in the U.S. Sun Belt states of California, Florida, Nevada and Arizona dominated the record foreclosure spree in the first half of the year, but distress in other regions emerged as joblessness spread, RealtyTrac said on Thursday.

Metro areas with populations of at least 200,000 in those four states accounted for 35 of the 50 highest foreclosure rates.

Mortgages have failed the fastest in the areas with the greatest overbuilding, purchases by speculators and reliance on riskier loan products to improve affordability.

But the source of the mortgage trouble has swung from lax lending standards to unemployment.

Some of the areas with the most severe foreclosure activity have started to show improvement as price cuts and first-time buyer tax credits lure purchasers.

With the unemployment rate near a 26-year high and many employers cutting wages, more consumers in areas that were initially spared in the foreclosure explosion are now behind in their home loan payments.

More than 20 percent of areas with above-average foreclosure activity were in Oregon, Idaho, Utah, Arkansas, Illinois and South Carolina in the first half of the year. That shift points to growing unemployment more than to fallout from subprime and adjustable-rate loans, RealtyTrac said in its midyear metropolitan foreclosure market report.

While total foreclosure activity kept rising, "some of the markets that had the highest saturation of foreclosures over the past few years have seen declining rates, while new markets like Provo, Utah, and Boise, Idaho, have seen large increases," James J. Saccacio, chief executive officer of RealtyTrac, said in a statement.

"As unemployment rates increase in different parts of the country, it's very likely that we'll see similar patterns develop elsewhere," he said.

Home prices through May plunged more than 32 percent from their mid-2006 peak, with losses varying sharply depending on region, according to Standard & Poor's/Case-Shiller indexes.

A rise in foreclosure properties pressure prices of other homes for sale.

"As unemployment rises, we are seeing a change in the financial profile of the people seeking our help," Suzanne Boas, president of Consumer Credit Counseling Service of Greater Atlanta, said this week.

"We are serving an increasing number of people who work in professional services and skilled trades," she said. "These people have maintained solid incomes their entire lives, but are now in financial trouble and are reaching out for counseling to help avoid foreclosure."

In June, 72 percent of homeowners who got foreclosure prevention counseling from the agency, which serves all 50 states, were either unemployed or reported a drop in income.

RealtyTrac this month reported a record 1.9 million foreclosure filings on more than 1.5 million properties in the first six months of this year. The pace picked up after various temporary freezes ended in March. For details, see [ID:nN15368203].

The company forecasts 4 million filings for the year.

SOME LIGHT AT TUNNEL'S END

Las Vegas, Nevada, had the highest metro foreclosure rate, with 7.45 percent, or one of every 13 households with a loan, getting at least one filing in the first half of the year. Filings include notice of default and auctions.

Cape Coral-Fort Myers area in Florida had the second highest rate and Merced, California was third. Both reported a slight decrease in

foreclosure activity from the previous six months but a higher pace than the first half of 2008.

Other metro areas in the top 10 were the California cities of Riverside-San Bernardino-Ontario, Stockton, Modesto, Bakersfield and Vallejo-Fairfield; the Phoenix metro area and Orlando, Florida, metro area.

Foreclosure activity rose in all but Stockton and Modesto from the prior six months and from the first half of 2008.

Stockton had a 4 percent drop in the first half from the prior six months and a nearly 13 percent fall from the first half of 2008.

Other hard-hit areas showed declining foreclosure activity in the first half, including Detroit and Cleveland, RealtyTrac said. (Editing by Kenneth Barry)

<http://www.reuters.com/article/economicNews/idUSN2927878020090730?sp=true>