Report: Foreclosure Inventory Hits Record Level in June

By PAUL JACKSON
July 29, 2009 8:45 AM CST

The nation's housing markets are clearly developing a bi-polar disorder all their own: fresh evidence of a possible recovery is consistently tempered with equally fresh evidence of continuing trouble ahead. A new report released Wednesday morning by Jacksonville-based **Lender Processing Services, Inc**. presents the latest mixed bag of results, with fresh evidence that housing might be turning the corner.

Put the emphasis on *might*.

In particular, roll rates — which measure the volume of loans moving from good to bad, and from bad to worse — improved during June, with new delinquencies dropping to their second lowest level in the last year, the firm said. The percentage of delinquent loans moving from bad to worse declined across all product types, as well. Which is at least some good news for a market that has been in dire need of *something* positive for the better part of two years running.

But for the nascent improvements now being seen, there remain numerous hurdles that suggest the nation's housing market isn't really out of the woods just yet. In particular, foreclosures soared to new record highs in June, LPS found: The national foreclosure inventory rate during June was 2.86%, up 2.5% from one month earlier and a huge increase of 86.1% from year ago levels. Total delinquencies rose as well, to 8.58%, up 44% from one year earlier.

Reflecting the mortgage crisis' evolution away from all things subprime, prime jumbo mortgages continue to fare the worst, comparatively: foreclosures among good-credit borrowers with high loan balances are up a whopping 580% since Jan. 2008, LPS said.

And it's not just the overall inventory of foreclosures that is increasing, either: New foreclosures are on the rise, as well. "Foreclosure starts in June increased 1.6 percent to the second highest level on record, while reinstatement and recidivism rates are not yet showing signs of improvement," LPS said in a statement. Backing this sort of logic up, July ABX remittance data released Tuesday found that modification rates had actually *declined* slightly during the month among most of the tradeable indexes. (The ABX is a synthetic tradeable index referencing a basket of 20 subprime mortgage-backed securities.)

In other words: fewer borrowers appear to be getting in trouble with their mortgages, and those that are in trouble are moving into foreclosure at a decreased rate. Nonetheless, the number of foreclosures is still growing as servicers begin to work through a backlog of troubled borrowers–which shouldn't surprise, as *HousingWire*'s key sources have long suggested such a ramp-up in foreclosure activity would be the outcome of various moratoria put into place earlier this year.

So, is housing in for a recovery in the months ahead? These days, the answer depends upon where you look.

Paul Jackson is the editor-in-chief of the HousingWire.com news service and HousingWire Magazine.

http://www.housingwire.com/2009/07/29/report-foreclosure-inventory-hits-record-level-in-june/