4 million home loans are delinquent

By Les Christie, CNNMoney.com staff writer
Mortgage lenders say the flood of foreclosures has not yet crested. Highwater mark should come this fall.
Last Updated: August 20, 2009: 5:46 PM ET

NEW YORK (CNNMoney.com) -- The number of Americans who have fallen at least 30 days behind on their home loan payments jumped 44% in the second quarter from a year ago, according to an industry report.

That puts delinquencies at a record 9.24% of mortgages, according to the National Delinquency Report from the Mortgage Bankers Association (MBA). That represents more than 4 million of the 45 million borrowers covered by the report.

What the rate does not include, however, are loans already in foreclosure. Some 4.3% of all the mortgages are in that stage, up from 3.85% three months earlier and 1.55 percentage points from one year ago.

The combined percentage of loans past due and those already in foreclosure hit 13.16% during the quarter, the highest ever recorded by the MBA survey

"There was a major drop in foreclosures on subprime ARM loans," said Jay Brinkmann, chief economist for the MBA, in a prepared statement. "The drop, however, was offset by increases in the foreclosure rates on the other types of loans, with prime fixed-rate loans having the biggest increase."

Indeed, the MBA survey reported that prime, fixed-rate mortgages accounted for nearly one in every three foreclosure starts. That's way up from a year ago, when only one of every five foreclosure start involved a prime loan.

That bodes ill for the future health of the mortgage market. Prime loans make up two-thirds of the mortgage market, and if delinquencies among these mortgages continue to proliferate, the number of foreclosures will soar.

Brinkmann forecasts continued delinquency and foreclosure increases until the economy starts to recover. He predicts that job losses will peak by mid-2010, as will delinquencies, and foreclosures will start to fall about six months later.

Problem areas

The so-called "sand states" continue to contribute disproportionately to the mortgage meltdown. Four states -- California, Florida, Arizona and Nevada -- accounted for 44% of all foreclosure starts during the quarter.

"Issues related to the deteriorating economy and deteriorating home prices in those states have driven their delinquency problems]," said Brinkmann

In Florida, 12% of mortgages were somewhere in the process of foreclosure, the highest in the nation; another 5% were at least 90 days past due as of the end of June.

Adding in 30 days and 60 days past due and Florida's total delinquency rate comes to 22.8% -- almost twice the national percentage. The next highest states are Nevada at 21.3%, Arizona at 16.3% and Michigan at 15.3%. California stood at 15.2%, but because it is such a large state, that represents nearly 900,000 mortgage borrowers.

"It's hard to look at a national recovery," Brinkmann said. "We could have multiple bottoms with some markets recovering much faster than others." ■

First Published: August 20, 2009: 10:35 AM ET
http://money.cnn.com/2009/08/20/real_estate/Mortgage_delinquenciies_keep_rising/index.htm