# Foreclosures hitting more people with prime loans

## Delinquencies and foreclosures set 9th straight record in 3rd quarter as layoffs keep rising

- By Alan Zibel, AP Real Estate Writer
- On 10:41 am EST, Thursday November 19, 2009

WASHINGTON (AP) -- A rising proportion of fixed-rate home loans made to people with good credit are sinking into foreclosure, adding to concerns about the strength of the economic recovery.

Driven by rising unemployment, such loans accounted for nearly 33 percent of new foreclosures last quarter. That compares with just 21 percent a year ago, when high-risk subprime loans made during the housing boom were the main reason for default.

At the same time, the proportion of homeowners with a mortgage who were either behind on their payments or in foreclosure hit a record-high for the ninth straight quarter.

The Mortgage Bankers Association's report Thursday suggests the housing market and broader recovery could be thwarted by the continuing surge in home loan defaults, especially as the unemployment rate keeps rising. Lost jobs, rather than the shady loans made during the housing boom, are now the main reason homeowners fall behind on their mortgages.

After three years of plunging prices, the housing market started to rebound this summer. While optimists hope the worst is over, pessimists say there are simply too many foreclosed properties that have yet to be dumped on the market and expect further price declines.

About 4 million homeowners were either in foreclosure or at least three months behind on their mortgage payments as of September, according to the mortgage bankers group. Even if a quarter of those borrowers are able to stay in their homes, "there's a lot of potential inventory coming into the market next year," said Jay Brinkmann, chief economist with the Mortgage Bankers Association.

Those foreclosures will push home prices downward, especially in the hardest-hit California and Florida cities, places that are also coping with soaring unemployment, he said.

The record-high foreclosure numbers are being driven by borrowers with traditional fixed-rate mortgages, rather than the high-risk subprime loans with adjustable rates that triggered the mortgage crisis.

Subprime loans with adjustable rates have fallen to 16 percent of new foreclosures from 35 percent a year earlier.

Loans backed by the Federal Housing Administration also show increasing signs of trouble. More than 18 percent of FHA borrowers are at least one payment behind or in foreclosure.

Among states, the worst of the trouble is still concentrated in California, Nevada, Arizona and Florida, which accounted for 44 percent of new foreclosures in the country. Nearly 13 percent of all loans in Florida were in foreclosure, the highest in the U.S., followed by Nevada at more than 9 percent.

http://finance.yahoo.com/news/Foreclosures-hitting-more-apf-24626172.html?x=0&sec=topStories&pos=1&asset=&ccode=