



Posted on Fri, Jan. 14, 2011

Rise forecast in housing foreclosures, but Phila. area mostly unscathed

By Alan J. Heavens
Inquirer Real Estate Writer

The number, though not unexpected, is still staggering: 1.2 million U.S. homes likely will be repossessed by lenders this year, 20 percent more than in 2010, RealtyTrac of Irvine, Calif., which tracks foreclosures nationwide, reported Thursday.

Not unexpected because in September, many lenders - including the nation's seven largest - called a halt to foreclosures in process after questions arose about document handling and so-called "robo-signing." At the time, RealtyTrac economist Rick Sharga said the gaffes would probably delay foreclosures 60 to 90 days, and "once that's done, we'll probably see an escalation of . . . activity."

But while those prospective 1.2 million repossessions - and the one million homes taken back last year - represent real pain to homeowners in dire financial straits even as the economy is righting itself, some observers say the 2011 number doesn't signify a new housing apocalypse, either.

Economist Patrick Newport of IHS Global Insight in Lexington, Mass., said foreclosures were likely to remain horribly high for a year or two because so many homes - 23 percent nationally - are deeply underwater, meaning that more is owed on them than they are worth.

"Is the worst behind us? I think it is. The Fed and RealtyTrac do not," Newport said. "My gut tells me they are too pessimistic."

Some lenders have been holding off on repossessions and subsequent sales of those properties, said economist Kevin Gillen of Econsult Corp. in Philadelphia, because "workouts and loan modifications are typically less costly to the lender than foreclosure, and further auctions will only increase already bloated inventories of homes for sale."

In a normal year, "around 500,000 properties received foreclosure filings nationwide - what we saw in 2005 - compared to 2.9 million in 2010," RealtyTrac spokesman Daren Blomquist said.

In 2005, that was 0.58 percent of all U.S. housing units. In 2010, it was 2.23 percent of all units.

Pennsylvania, which has maintained one of the lowest foreclosure rates since the housing bubble burst in 2006, will share some of that pain. But "we won't see the situation become severe enough to put it in the top 10" among the states, Blomquist said. Even though foreclosure filings in Pennsylvania rose 15 percent from 2009 to 2010, it still ranks 36th

nationwide.

In 2003, Pennsylvania had a foreclosure rate of 0.85 percent, eighth among states, according data from the Mortgage Bankers Association. Today, the rate is 0.93 percent.

Elsewhere, especially in the Sun Belt, things got much worse, because prices skyrocketed during the real estate boom, then plummeted.

"The numbers continue to indicate that the Philadelphia area will continue to underperform most other U.S. metros in both foreclosures and housing devaluations," Gillen said. "And, for once, we should be grateful for our underperformance."

New Jersey, which ranked 14th in foreclosure filings in 2010, will face more severe problems, Blomquist said, but still not as many as Florida, "where we've seen the biggest decrease in [foreclosure] processing because of the moratorium."

In Florida, as in Pennsylvania and New Jersey, lenders trying to foreclose must sue homeowners, and suspected irregularities in document processing brought the system to a standstill.

On Dec. 20, the Chancery Division of New Jersey Superior Court ordered six major lenders to show cause why uncontested foreclosures should not be suspended and sheriff's sales stayed. Those lenders have been ordered to respond by Wednesday, according to legal documents.

The judicial-foreclosure process is a lengthy one - sometimes as long as three years. And foreclosure filings don't automatically result in a home's repossession.

Still, even with the spike in foreclosures anticipated this year, foreclosures in Pennsylvania and New Jersey - and especially in the eight-county Philadelphia region - will not approach the levels expected in the "sand states": Florida, Nevada, Arizona, and California.

Two factors are at work, said Freddie Mac chief economist Frank Nothaft:

The number of homeowners with negative equity, or mortgage debt exceeding home value. Just 7.3 percent of Pennsylvania homeowners with mortgages have negative equity, and in New Jersey, the figure is 15.4 percent. The national figure is 23 percent; in Florida, it's 46 percent.

The cumulative home-price decline in the United States. Since 2006, prices have plunged 21 percent, with the biggest drops in states with excess vacant homes for sale. Pennsylvania prices fell into the category of minus-2 percent to plus-2 percent; New Jersey's category was minus-10 percent to minus-20 percent (as was Delaware's).

Nothaft, who believes that "markets with excess supply will have prices bottom after 2011," said 58.3 percent of U.S. borrowers in delinquency in 2009 had cited unemployment or loss of income as the reason.

Newport, of IHS Global Insight, said a November labor survey showed that the number of Americans losing their jobs because of layoff or firing had not yet returned to prerecession levels.

"Since the loss of a job is behind many - perhaps most - foreclosures today, I am expecting better foreclosure numbers in 2011 than in 2010," he said.

Contact real estate writer Alan J. Heavens at 215-854-2472, aheavens@phillynews.com or Twitter: [@alheavens](https://twitter.com/alheavens).

Find this article at:

http://www.philly.com/philly/business/20110114_Rise_forecast_in_housing_foreclosures__but_Phila__area_mostly_unscathed.html

Check the box to include the list of links referenced in the article.

© Copyright | Philly Online, LLC. All Rights Reserved. Any copying, redistribution or retransmission of any of the contents of this service without the express written consent of Philly Online, LLC is expressly prohibited.