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U.S. Home Foreclosures Jump 90% as Mortgages Reset (Update5)

By Sharon L. Lynch



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Feb. 26 (Bloomberg) -- Bank seizures of U.S. homes almost doubled in January as property owners failed to make higher payments on adjustable-rate mortgages. Repossessions rose 90 percent to 45,327 last month from the same period a year

ago, according to RealtyTrac Inc., a seller of foreclosure statistics that has a database of more than 1 million properties. Total foreclosure filings, which include default and auction notices as well as bank seizures, increased 57 percent.

"The most troubling thing is that we are seeing more and more of these properties actually going all the way through the process and going back to the banks," Rick Sharga, executive vice president of Irvine, California-based RealtyTrac, said.

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Defaults among subprime borrowers and those unable to meet rising payments on adjustable-rate loans drove foreclosure filings to the highest since August and the second-highest since RealtyTrac started keeping records three years ago. About \$460 billion of adjustable mortgages are scheduled to reset this year, raising minimum payments for borrowers, according to New York-based analysts at Citigroup Inc.

About \$190 billion in subprime adjustable mortgages are slated to reset this year, according Mark Zandi, chief economist of Moody's Economy.com.

More than 233,000 properties were in some stage of default last month. Total filings increased 8 percent in January from December, RealtyTrac said today in a statement.

Bush Plan

President George W. Bush's proposal to help 1 million subprime borrowers avoid foreclosure with tax-exempt bonds is doing little to slow the increase in defaults.

State housing agencies are turning away many applicants because their homes have lost too much value or they've accumulated too much debt, according to estimates from Geoffrey Cooper, emerging markets director at a unit of MGIC Investment Co., the country's biggest mortgage insurer.

Home prices in 20 U.S. metropolitan areas fell in December by the most on record, according to the S&P/Case-Shiller home-price index released today. The measure dropped 9.1 percent from a year earlier. Nationwide, home prices fell 8.9 percent in the fourth quarter from a year earlier, the biggest decline in 20 years of Case-Shiller records.

With the collapse in housing values, many of these homeowners realize there's

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no chance they will ever be a true owner of the home," Zandi said. ``They are just handing the keys back to the bank."

Nevada, California and Florida recorded the highest foreclosure rates among the 50 states, RealtyTrac said.

Nevada, California

The rate of foreclosure filings in Nevada continued to lead the nation, with 6,087 properties in default or having been repossessed. That's 95 percent more than in January 2007 and 45 percent less than in December.

California had the highest total number of default and foreclosures with 57,158 properties facing possible seizure last month. That was more than double the year-earlier figure and was up 7 percent from December.

Florida had the second-highest number of homes in default or foreclosure with 30,178 in January, more than double the figure for the prior year and 3 percent less than in December.

Arizona, Colorado, Massachusetts, Georgia, Connecticut, Ohio and Michigan rounded out the top 10 states worst off in terms of missed payments and property seizures, RealtyTrac said.

Cape Coral-Fort Myers, Florida, had the highest January foreclosure rate among 229 metropolitan areas. Stockton, California, had the second highest, followed by the Riverside-San Bernardino area.

New Jersey ranked 18th in terms of the proportion of households at some stage of default or seizure, with 0.15 percent. New York was 30th with 0.06 percent of households facing possible foreclosure.

More Foreclosures

Banks may be forced to resell as many as 1 million foreclosed properties this year, adding to a glut of inventory and forcing prices down even further, Sharga said.

January was the sixth straight month with more than 200,000 foreclosure filings, RealtyTrac said. The fourth-quarter total of 642,150 filings was the most since the company began records in January 2005. More than 1 percent of U.S. households were in some stage of foreclosure during 2007.

U.S. home prices fell last year for the first time since the Great Depression. That made it more difficult for homeowners to sell or refinance properties encumbered by mortgages higher than the value of the houses themselves. Sales of existing homes fell last month to the lowest in at least nine years, the National Association of Realtors said yesterday.

Prices Fall

The median price of an existing home fell 4.6 percent to \$201,100 from January 2007. The median for a single-family home dropped 5.1 percent to \$198,700, and condominium and co-op prices fell 1 percent to \$220,400.

Mortgage companies including Fannie Mae and HSBC Finance have joined a U.S. Treasury Department-led effort to offer 30-day foreclosure freezes to give delinquent borrowers more time to arrange payment plans.

Citigroup Inc., JPMorgan Chase & Co., Bank of America Corp., Wells Fargo & Co., Washington Mutual Inc. and Countrywide Financial Corp. have initially agreed to participate in the effort.

To contact the reporter on this story: Sharon L. Lynch in New York at

silynych@bloomberg.net .

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