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# Foreclosures fall 6 percent in May

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Associated Press

WASHINGTON — The number of U.S. households on the verge of losing their homes dipped in May from April, and the annual increase was the smallest in three years.

But as layoffs, rather than risky mortgages, become the main reason that borrowers default on their home loans, foreclosures likely will remain elevated this year and into 2010. Many economists expect unemployment, now at 9.4 percent nationwide, to rise as high as 10 percent, and some project it will exceed the post-World War II record of 10.8 percent.

Foreclosure filings fell 6 percent in May from April, according to RealtyTrac Inc. More than 321,000 households received at least one foreclosure-related notice last month — 18 percent more than a year earlier — but the smallest annual gain since June 2006.

Despite the drop from April, it was the third-highest monthly rate since Irvine, Calif.-based RealtyTrac began its report in January 2005, and the third straight month with more than 300,000 households receiving a foreclosure filing.

One in every 398 U.S. homes received a foreclosure filing last month, according to the foreclosure listing firm's report.

The mortgage industry has resumed cracking down on delinquent borrowers after foreclosures were temporarily halted by mortgage finance companies Fannie Mae and Freddie Mac and other lenders.

"It would not be a huge surprise to see the numbers level off a little bit at this point," said Rick Sharga, RealtyTrac's senior vice president for marketing.

Banks repossessed about 65,000 homes in May, up from 64,000 in April, due to big increases in several states including Michigan, Arizona and Nevada.

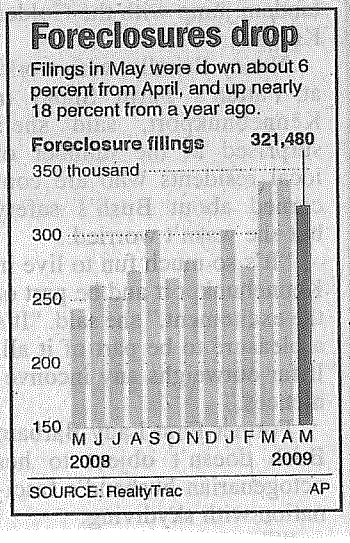
The Obama administration announced a plan in March to provide $50 billion from the financial industry rescue fund as an incentive for the mortgage industry to modify loans at lower monthly payments.

But the effectiveness of the relief plan remains unclear, with questions lingering about how much the lending industry will cooperate. Many housing counselors say it hasn't made much of a difference so far.

After banks take over foreclosed homes, they usually put them up for sale at deep discounts, pulling down prices for other sellers. Nationwide, sales of foreclosures and other distressed properties made up about 45 percent of the market in April, according to the National Association of Realtors.

The supply of new foreclosures had diminished in recent months as banks held off on taking back properties, but it's starting to surge again, said Gary Kent, a San Diego real estate broker who focuses on the foreclosure market.

"Everything I've got that's priced right is just flying off the shelves," he said.




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