Foreclosures may have crested

Latest data show fewer delinquent home loans, but recovery's slow

By Julie Schmit
USA TODAY

Fewer U.S. home loans are going delinquent and new problem loans have hit three-year lows, possible signs that a five-year wave of foreclosures is starting to recede.

Almost 8% of U.S. home loans were at least 30 days past due in April but not yet in foreclosure. That was up slightly from March but down 16% from a year ago, says LPS Applied Analytics, which tracks the mortgage market.

Seriously delinquent loans — those more than 90 days past due or already in foreclosure — also accounted for almost 8% of loans in April. That was down slightly from March and down 11% from a year ago, LPS says.

Fewer new delinquencies will eventually set up the housing market's recovery, but that is a long way off. About 4.2 million loans are seriously delinquent or in foreclosure. At current sales rates, it'll take four years to absorb that inventory, LPS says.

"There's still a lot of water in the boat, but at least we've plugged some of the leaks," says Herb Blecher, LPS senior vice president. "Now we can get to the business of bailing it out."

Almost 4 million homes have been repossessed by lenders since the housing market began to tank in 2006.

Falling home prices are likely to drive more delinquencies. "There's a lot of incentive for people to walk away from their homes," says IHS Global Insight economist Patrick Newport.

Yet other factors could curb delinquencies, including:

▶ **Fewer new problem loans.** For every 100 loans that were current in November, 1.28% were 60 days past due in April, LPS data show. That's the lowest percentage in at least three years and down from the peak of almost 3% in January 2009. Rates for new problem loans are highest in Nevada, Arizona and Florida.

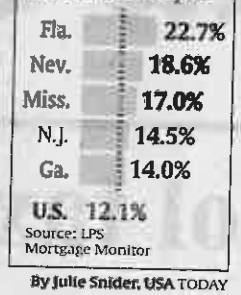
▶ **Loan modifications.** In April, 22.5% of loans that were more than 90 days delinquent a year ago had become current. That figure was 12.6% in April 2010, LPS says. Last year, almost 1.8 million homeowners got a home loan modification, up 42% from 2009, says the Hope Now alliance of mortgage servicers, investors and others. Loan modifications often include lower interest rates or longer loan terms.

▶ **Higher-quality loans.** Lenders have tightened lending standards so borrowers who get loans are less likely to default.

In April, fewer than 2% of loans made in 2010 were delinquent after 12 payments. At the same age, more than 6% of loans made in 2007 and 2008 had gone delinquent, LPS data indicate.

Troubled mortgages

States with the highest share of mortgages that were delinquent or in foreclosure in April:



Source: LPS Mortgage Monitor

By Julie Snider, USA TODAY