Foreclosures still on the rise

Even those with good credit get hit

By Alan Zibel
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WASHINGTON — The foreclosure crisis likely will persist well into next year as high unemployment pushes more people out of homes, pulls down housing prices and raises concerns about the broader economic recovery.

The latest evidence was a report Thursday that a rising proportion of fixed-rate home loans made to people with good credit are sinking into foreclosure. That's a shift from last year, when riskier subprime loans drove the housing crisis.

The report from the Mortgage Bankers Association also found that 14 percent of homeowners with a mortgage were either behind on payments or in foreclosure at the end of September. It was a record-high figure for the ninth straight quarter.

The data suggest the housing market and the broader recovery will remain under pressure from the surge in home-loan defaults, especially as unemployment keeps rising.

Lost jobs are the main reason homeowners are falling behind on their mortgages.

After three years of plunging prices, the housing market started to rebound this summer. That lifted hopes for the overall economy. But analysts say there are too many foreclosed homes that have yet to be dumped on the market and expect further price declines.

Among states, the worst damage is still concentrated in the states hardest hit from the start: Florida, Nevada, California and Arizona. Together, they accounted for 43 percent of new foreclosures. One in four mortgages in Florida were either past due or in foreclosure, the most in the U.S. Nevada was close behind at 23 percent.

"There's no indication in this data that foreclosures are going to abate anytime soon," said Mark Zandi, chief economist at Moody's Economy.com, who projects that nationwide home prices will fall up to 10 percent before bottoming next fall.