# Home loss crisis could ease

## Fewer homeowners falling behind on mortgages

By Alan Zibel
THE ASSOCIATED PRESS

WASHINGTON — The end of the foreclosure crisis is finally in sight. For the first time in almost three years, the number of homeowners falling behind on their loans is declining.

The drop means the number of people losing their homes will start to fall. But some pain from the crisis is sure to persist. Because millions of people are already in foreclosure, deeply discounted houses will put pressure on home prices for years.

"Housing is on a path to recovery," said Mike Larson, a real estate analyst with Weiss Research. "It's going to be a very long, gradual process."

In high-foreclosure cities like Las Vegas, Phoenix and Miami, homes have lost roughly half their values from their peaks. But a report Friday from the Mortgage Bankers Association showed Nevada, Arizona and Florida had some of the biggest declines in new delinquencies.

The figures probably mark "the beginning of the end" of the crisis, said Jay Brinkmann, the trade group's chief economist.

However, more than 15 percent of homeowners with a mortgage have missed at least one payment or are in foreclosure, a record. Worse, nearly half of all delinquent borrowers were at least three months behind on their payments, up from a typical level of less than 20 percent.

"The bad news is that we still have a big problem," Brinkmann said. "The good news is it looks like it may not get much bigger."

That's because the percentage of borrowers who missed just one payment on their home loans fell to 3.6 percent in the October-to-December quarter from 3.8 percent in the third quarter, according to the Mortgage Bankers Association. That decline was even more surprising because delinquencies usually rise at that time of year due to higher heating bills and holiday spending.

In another encouraging sign, the number of borrowers who had missed at least one payment but were not yet in foreclosure also fell for the first time since the beginning of 2007.

Banks are delaying the foreclosure process, traditionally between four and

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six months, as they evaluate borrowers for help under the Obama administration's $75 billion mortgage-relief effort. It lowers borrowers payments to as low as 2 percent for five years and extends loan terms to as long as 40 years.

But experts warn that hundreds of thousands of borrowers will not be eligible or will not complete the process. So far, only 116,300 borrowers out of 1 million who enrolled have had the terms of their mortgages changed permanently.

Despite the government's efforts, there may be 6 million foreclosed homes that are put on the market over the next three years, according to Barclays Capital.

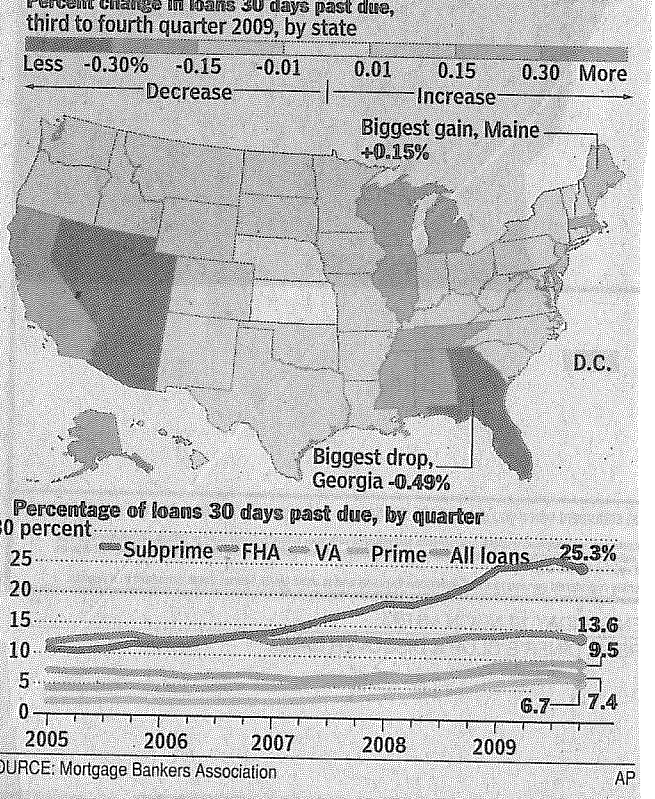
Timing is key. If banks unload them suddenly, "it will be much more detrimental to the housing recovery than if it's a slow, gradual bleed," said Michelle Meyer, a Barclays economist.

On Friday, Obama announced that housing agencies in the five hardest-hit states of Arizona, California, Florida, Michigan and Nevada will receive $1.5 billion in financial rescue money.

It will go to local programs to help unemployed homeowners, "under water" borrowers who owe more than their home is worth, or to give lenders incentives to assist borrowers with second mortgages. The programs will need to be approved by the Treasury Department.

## Mortgages: fewer lag behind in U.S.

For the first time in three years, number of borrowers who fell behind on their mortgages fell in the fourth quarter of last year. That was true in most states, 42, but not all. Compared with the third quarter, the delinquency rate dropped for loan types.







SOURCE: Mortgage Bankers Association

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