A threat to the economy



AP

This new home in Houston is near completion. New home sales have fallen 2.2 percent to a record low amid stormy weather and a weak economy, analysts say.

Housing market's revival seems at risk

Foreclosures up; sales falling

By Alan Zibel
THE ASSOCIATED PRESS

WASHINGTON — The revival of the housing market is at risk of collapsing. Home sales are sliding, prices are stalling and foreclosures are rising. And mortgage rates are likely to go up after next week, when the Federal Reserve ends a program that has driven them down.

The trend could threaten the broader economy, economists warn. People whose home equity is stagnant or shrinking are less likely to spend freely.

In a move that'll help at least some homeowners avoid foreclosure, Bank of America unveiled a $3 billion plan Wednesday to help some of its most troubled borrowers. It said it will forgive up to 30 percent of total mortgage balances. About 45,000 borrowers are expected to qualify.

The plan is part of a 2008 deal the bank made with state attorneys general involving high-risk loans made by Countrywide Financial Corp. before Bank of America acquired it. Still, it's the first time a lender has offered a broad plan to cut mortgage principal when home values fall well below the amount owed.

Bank of America collects more U.S. home loan payments than any other company.

Only a few months ago, the housing market had been showing signs of strength as it recovered from the most painful downturn in decades.

But much of the improvement came from government programs that held down mortgage rates and provided tax breaks for buyers. Since the fall, sales have sunk. And government support is running out.

The latest sour news came Wednesday, when the Commerce Department reported that sales of new homes fell last month to their lowest point on record.