

Marketplace Statistics

UPDATE



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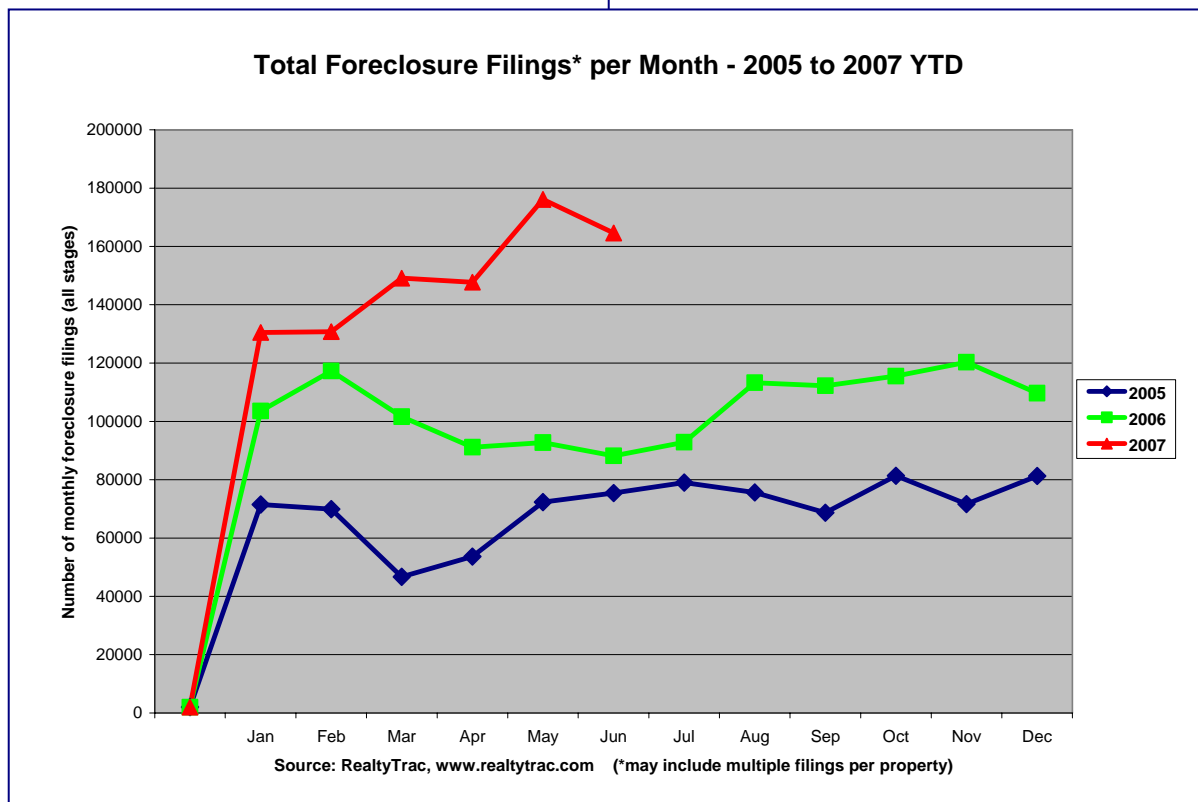
Foreclosures Escalate in 2007

RealtyTrac®, an online marketplace for foreclosure properties, has released its Midyear U.S. Foreclosure Market Report for the first half of 2007, indicating that 573,397 properties nationwide entered some stage of foreclosure, a 30 percent increase from the previous six-month period and more than 55 percent higher than the same period in 2006.¹

The total number of filings reported of all types of foreclosure activity, including default notices, auction sale notices, and bank repossessions, was 925,986. Multiple filings per property are common and average 1.6 filings per property.

This year's data includes the unique property numbers. Previous years' data only provided the total number of filings, many of which were multiple filings of some type on the same properties. The monthly total of all foreclosure filings since January 2005 are shown in the graph below.

Comparing the total number of foreclosure filings to the total number of U.S. households yielded a ratio of one foreclosure filing of some type for every 134 U.S. households for the first half of the year. The monthly total numbers of foreclosure filings for the second quarter were



2007 Foreclosures – on the rise

147,708 in April, 176,137 in May, and 164,644 in June,² following record monthly highs in the first quarter of 2007 which were 130,786 in January, 130,786 in February, and 149,150 in March.³

The year-end data from the 2006 U.S. Foreclosure Market Report showed more than 1.2 million foreclosure filings were reported nationwide, up 42 percent from 2005. The number of total foreclosure filings rose from about 885,000 in 2005 to 1,259,118 in 2006. James J. Saccacio, chief executive officer of RealtyTrac said, "Based on the rate of foreclosure activity in the first half of 2007, we could easily surpass 2 million foreclosure filings by the end of the year, which would represent a year-over-year increase of over 65 percent."⁴

A year ago it was predicted that the states with the fastest growing markets, Florida, Colorado, and California, would be among the most likely to see high foreclosure numbers as the markets cooled.⁵ This prediction has proved to be accurate as California and Florida are numbers one and two and Colorado is number eight in foreclosures in the first six months of 2007.⁶

California's foreclosure filings and unique property count were both the highest among all the states in the first half of 2007. Florida reported the second highest totals, with 102,213 foreclosure filings on 64,250 properties. Florida's foreclosure rate — one foreclosure filing for every 81 households — ranked fifth highest among all the states.

Texas reported unique property counts with 41,592 foreclosed properties in the first half of 2007. Ohio reported 44,594 foreclosed properties. Other states with foreclosure totals among the nation's 10 highest were Michigan, Georgia, Illinois, Colorado, New Jersey and Arizona.⁷

As a result of the escalation in foreclosures, several mortgage lenders have downsized and closed, and several have declared bankruptcy, including the latest, American Home Mortgage. The mortgage lenders' troubles started in subprime mortgages, which are designed for buyers with marginal credit histories, but has spread into other credit markets. Delinquencies have surged after the housing decline, which

has strained lenders who granted the loans. American Home Mortgage specialized in so-called Alt-A mortgages, which are offered to more creditworthy borrowers than subprime loans, but they often have adjustable rates and sometimes require little or no documentation.⁸

According to Dale Vermillion, a prominent mortgage industry trainer and consultant, a "perfect storm" is occurring in the mortgage and housing industry. In the current situation, rates are increasing, property values are decreasing, and regulatory pressures are mounting. Vermillion identifies the common factor in many of the foreclosure statistics as loans that were not designed to sustain the borrowers' financial success in the future. Loans with low initial rates provided the desirable home, affordable payments, and perhaps cash, but were only affordable on a temporary basis. The subsequent higher adjusted rates have been a major factor for many, if not most, of the delinquency, default, and foreclosure statistics.⁹

A mortgage consultant with a strong Christian perspective, Vermillion will be introducing a new book in the near future to provide guidance from the consumer's perspective for the many families caught in this vicious storm.



Crown Financial Ministries provides many free calculator tools on its Web site, including mortgage calculators for mortgage pre-payment, 15 versus 30 year loans comparisons, and adjusted (ARM) versus fixed rate mortgage comparisons. Click on <http://www.crown.org/Tools/Calculators/>.

The information in this UPDATE was adapted from the original articles by Bette Noble, Crown Sr. R&D Specialist, Global Strategic Research and Innovation. Quotes or statistics must reference the original source.

¹ RealtyTrac Press Release, July 30, 2007, www.realtytrac.com.

² RealtyTrac Press Releases, February 11, March 23, and April 29, 2007, www.realtytrac.com.

³ RealtyTrac Press Release, April 25, 2006, www.realtytrac.com.

⁴ Foreclosure activity up over 55 percent in first half of 2007, RealtyTrac Press Release, July 29, 2006, www.realtytrac.com.

⁵ Foreclosures are back, by Michael Pollick, Sarasota Herald Tribune, July 7, 2006, www.heraldtribune.com.

⁶ Ibid. RealtyTrac Press Release, July 29, 2006.

⁷ Ibid. RealtyTrac Press Release, July 29, 2006.

⁸ American Home Mortgage files for bankruptcy, by John Spence, MarketWatch, August 6, 2007, www.marketwatch.com.

⁹ Navigating the "Perfect Storm", by Dale Vermillion, Broker Magazine, April 2007, www.dalevermillion.com.