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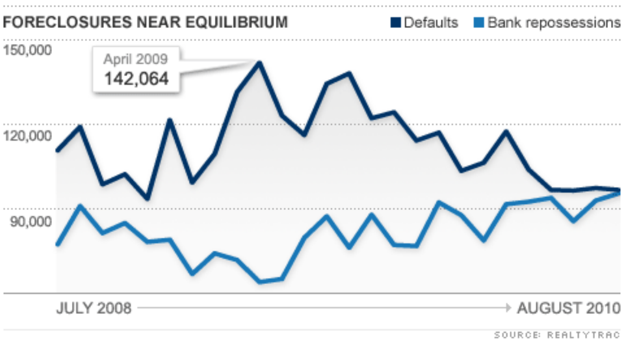
# Foreclosure rates hold steady




By Les Christie, staff writer

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NEW YORK (CNNMoney.com) -- The foreclosure crisis has entered a new phase: The number of properties entering the foreclosure process has dropped, and now nearly matches the number of repossessions.

The number of homeowners falling enough behind on their loans to attract initial notices of default was down 30% in August, RealtyTrac said Thursday. Eventually, that should translate into fewer people losing their homes.

But lenders repossessed more than 95,000 homes -- a record -- and that was up from 76,000 a year ago.

RealtyTrac spokesman, Rick Sharga, said the initial default rate should be higher, given the numbers of borrowers who have missed one or two payments. Normally, when a third payment is missed, lenders take immediate action.

"It appears that lenders are allowing delinquencies to go on longer before they issue notices of default," he said.

Lenders may delay filing for a couple of reasons. In some cases, a notice of default puts lenders on the clock; regulations force them to foreclose within a certain time frame, sometimes before they want to.

Second, borrowers might vacate their homes when they receive default notices, leaving the houses empty, subject to vandalism, and forcing lenders to take over the expense of maintaining them.

However, once lenders have begun the initial foreclosure process, they are moving quickly to repossession.

That's in part because as housing markets have improved, as it has in California, lenders are able to resell foreclosed homes more quickly and avoid further losses.

In other markets, according to Sharga, they may take homes back but not necessarily put them on the market again right away. That may represent a deliberate effort to manage the flow of foreclosures to prevent further erosion of home prices.

Not only would a flood of properties and lower prices hurt lenders' profits, it would leave more mortgage borrowers owing more than their homes are worth. As more homeowners plunge underwater, more would default, causing a new round of home price drops and still more foreclosures.

For the 44th straight month, Nevada led all states in the rate of foreclosure filings. One in every 84 households there received some kind of filing during the month, more than four times the national average.

The other "sand states," Florida (one in 155 households), Arizona (one in 165) and California (one in 194) followed in a familiar foreclosure pecking order.

All of the top 10 metro area hot spots recorded drops in foreclosure activity during August. In the worst hit city, Las Vegas, filings dropped 25% year-over-year but still came to one for every 73 households.

Modesto and Stockton, both medium-sized cities in California's Central Valley, closely trailed Las Vegas in filing rate. Rounding out the first five metro areas were Cape Coral and Miami.

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