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## Mortgages in arrears up; state ranks 26th

BY ARKANSAS DEMOCRAT-GAZETTE STAFF AND WIRE REPORTS

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LITTLE ROCK — Americans fell behind on their mortgage payments at a record

pace in the second quarter, the Mortgage Bankers Association said Thursday.

The share of loans with one or more payments overdue rose to a seasonally adjusted 9.24 percent of all mortgages, an all-time high, from 9.12 percent in the first quarter.

The inventory of homes in foreclosure increased to 4.3percent, the most in three decades of data, and loans overdue by at least 90 days, the point at which foreclosure proceedings typically begin, rose to 7.97 percent, the highest on record.

"We've seen a significant drop in the problem with subprime loans, and we've moved now to a problem with prime fixed-rate loans," Jay Brinkmann, the Washington-based trade group's chief economist, said in an interview. "Job losses are driving it, and we expect that to continue into next year."

Arkansas ranked 26th in delinquencies in the country, 44th in the percentage of total foreclosures and 41st in foreclosures started in the second quarter, the Mortgage Bankers Association said.

In Arkansas, 7.88 percent, or about 24,500 of mortgages, were at least 30 days past due. That delinquency rate, which does not include loans in the process of foreclosure, was up 0.74 percentage point from the first quarter this year. But mortgage delinquency rates typically drop in the first quarter and rise again in the second quarter on the basis of a variety of seasonal factors, the mortgage bankers said.

The percentage of loans in Arkansas on which foreclosures were started was 0.72 percent, or about 2,200 loans. The percentage of loans in foreclosure was 1.84 percent, or about 5,700.

The cause for increased delinquencies and for the foreclosures is Arkansas' growing unemployment rate, said Kathy Deck, director of the Center for Business and Economic Research at the University of Arkansas in Fayetteville.

"As we see the unemployment rate rise, we will continue to see that be the primary pressure on the housing market," Deck said.

"That's what will have to be overcome in order for the housing market to recover."

Companies have shed 5.7 million jobs since January 2008, the biggest employment loss since the Great Depression. The median U.S. home price fell 16 percent in the second quarter from a year earlier, the steepest drop on record, according to the National Association of Realtors.

Nationally, the percentage of loans on which foreclosure actions were started was 1.36 percent, down from 1.37 percent in the first quarter, driven by the decline in subprime loans. New foreclosures on prime loans increased to 1.01 percent from 0.94 percent, while new foreclosures on subprime loans - loans made to applicants with poor credit - dropped to 4.13 percent from 4.65 percent, Brinkmann said.

The delinquency rate for prime loans rose to 6.41 percent from 6.06 percent, and the share of prime loans in foreclosure increased to 3 percent from 2.49 percent.

The number of people filing claims for jobless benefits unexpectedly rose last week, the Labor Department said Thursday in Washington. Applications increased to 576,000 from a revised 561,000 the week before.

While the recession, measured by the nation's total economic output, is likely over, most

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economists expect layoffs and foreclosures to keep rising for many months as companies remain in cost-cutting mode.

"Their confidence has been shattered," said Brian Bethune, chief U.S. financial economist at IHS Global Insight.

"They are going to be very conservative. They don't want to be blind-sided by a false dawn economy."

U.S. banks raised requirements for all types of loans in the second quarter and said they expect to maintain strict criteria on lending until at least the second half of 2010, according to the Aug. 17 Federal Reserve senior loan officer survey.

None of the 51 respondent banks eased standards on prime mortgages in the latest survey, and 39 said demand for home loans was about the same, moderately stronger or substantially stronger.

Housing starts unexpectedly fell in July, pulled down by multifamily dwellings, while singlefamily starts that make up 75 percent of the industry rose to the highest level since October, a Commerce Department report showed this week.

The 1 percent decline in starts to an annual rate of 581,000 was the first drop in three months and followed a 587,000 rate in June. Construction of singlefamily houses rose 1.7 percent to a 490,000 rate.

Information for this article was contributed by Kathleen M. Howley of Bloomberg News, David Smith of the Arkansas Democrat-Gazette and Alan Zibel of The Associated Press.

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Front Section, Pages 1, 9 on 08/21/2009

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