



Mortgage Delinquencies Rise to Record as U.S. Home Prices Fall

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By Kathleen M. Howley

Aug. 20 (Bloomberg) -- Americans fell behind on their **mortgage** payments at a record pace in the second quarter as job losses and falling real estate **prices** thwarted government efforts to stabilize the housing market.

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 Mortgage Bankers Association said in a report today. The inventory of homes in **foreclosure** increased to 4.3 percent, 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."

Homeowners fall behind on their mortgage payments when they lose their jobs, and falling prices mean they can't sell and pay off their loans, Brinkmann said. 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.

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 subprime loans dropped to 4.13 percent from 4.65 percent, Brinkmann said.

Lending Standards

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, while 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 **single-family** 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 single-family houses rose 1.7 percent to a 490,000 rate.

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