

For Immediate Release

Contact:

Sofia Gutierrez
ForeclosureS.com
916-781-0648
sofia@halldinpr.com

U.S. FORECLOSURE INDEX: 11% Drop in 2nd Quarter Foreclosures

SACRAMENTO, Calif. – Foreclosures headed downward across the country in the second quarter as moratoriums, bailouts, reforms, and negotiations help strapped homeowners hang on to their properties, according the latest U.S. Foreclosure Index from property information specialists ForeclosureS.com.

Nationally foreclosures dropped 11% in the second quarter (205,031) over the first quarter this year, with the decline in some regions even stronger. In the Northeast, 32% fewer homeowners lost their properties to foreclosure.

Nationally, pre-foreclosures fell 10% in the second quarter to 494,078, with the biggest quarterly drop--42%--in the Midwest, the U.S. Foreclosure Index shows.

Foreclosures.com *Nationwide REO's	Q1, 2009		Q2, 2009		Change
Region	Filings	Per Household	Filings	Per Household	
<u>Midwest</u>	36,580	0.25%	34,036	0.23%	-7%
<u>Southeast</u>	63,417	0.36%	53,489	0.31%	-16%
<u>Northeast</u>	20,590	0.11%	14,052	0.08%	-32%
<u>Southwest</u>	109,976	0.41%	103,197	0.38%	-6%
<u>Other States</u>	373	0.06%	257	0.04%	-31%
Nationwide	230,936	0.30%	205,031	0.26%	-11%

Foreclosures.com Nationwide Preforeclosures	Q1, 2009		Q2, 2009		Change
Region	Filings	Per Household	Filings	Per Household	
<u>Midwest</u>	61,957	0.51%	36,025	0.30%	-42%
<u>Southeast</u>	157,995	0.87%	150,071	0.83%	-5%

Northeast	47,368	0.27%	49,731	0.29%	5%
Southwest	281,232	1.06%	256,231	0.96%	-9%
Other States	2,019	0.35%	2,020	0.35%	0%
Nationwide	550,571	0.74%	494,078	0.66%	-10%

Both foreclosures and pre-foreclosures—which can include notice of default and/or notice of foreclosure auction against a property—fell month over month, too, with June’s numbers reflecting record lows for the year, as reflected by U.S. Foreclosure Index analysis. June’s 61,573 foreclosures as measured by the number of REO filings—properties repossessed by lenders following foreclosure—dropped 13% from May, and more than 24% from February’s high. Pre-foreclosures in June (132,529 filings) fell 24% from May, and off nearly 35% from March’s high.

“These huge drops—double-digit in many parts of the nation—are a sigh of relief for the economy and housing markets as they bump along toward recovery,” says Alexis McGee, real estate specialist, educator, author, and president of ForeclosureS.com. “Despite higher unemployment rates, industry and government stimuli are making a difference. Housing oversupplies are dropping to levels that demand new construction, and home sales—and some home prices—are on the rise as affordability and tax credits fuel buyers. And it’s not just depressed properties that are selling anymore.”

“The real surprise was the 2-3% overall drop in new filings from 2009 year to date versus 2008 in both foreclosures and preforeclosures. This may not be a big drop, but the fact is, 2009 has not seen a total increase in new filings as everyone has expected” continued Ms. McGee.

Foreclosures.com *Nationwide REOs	YTD 2008		YTD 2009		Change
Region	Filings	Per Household	Filings	Per Household	
Midwest	93,841	0.60%	70,804	0.55%	-25%
Southeast	106,890	0.63%	120,840	0.74%	13%
Northeast	17,410	0.12%	34,726	0.22%	99%
Southwest	237,252	0.87%	213,951	0.82%	-10%
Other States	572	0.10%	636	0.11%	11%
Nationwide	455,965	0.61%	440,957	0.62%	-3%

Foreclosures.com Nationwide	YTD 2008	YTD 2009	Change
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Region	Filings	Per Household	Filings	Per Household	
Midwest	108,908	0.95%	97,982	0.86%	-10%
Southeast	348,402	2.04%	308,066	1.79%	-12%
Northeast	124,976	0.73%	97,099	0.59%	-22%
Southwest	478,716	1.80%	537,463	2.12%	12%
Other States	2,514	0.43%	4,039	0.69%	61%
Nationwide	1,063,516	1.46%	1,044,649	1.47%	-2%

“Also contributing to the foreclosure slowdown, are lenders with already bulging portfolios of REOs (properties repossessed following foreclosure), simply slowing down their own foreclosures. Instead, they’re taking a wait and see approach implementing the both Federal and State administration reforms,” adds McGee. “Every foreclosure, after all, costs banks and lenders thousands and sometimes even tens of thousands of dollars.”

“Indicative of ongoing changes, just this week mortgage finance companies Fannie Mae and Freddie Mac announced under the Making Homes Affordable Plan that they will now refinance up to 125 percent of a home's value, lifting the current 105 percent loan-to-value cap that had been in place,” McGee adds.

McGee cautions, however, that foreclosures are far from over.

“In areas like the Midwest, for example, foreclosures have slowed in part due to Illinois’ up to 90-day moratorium. That went into effect in early April so we’re seeing its effects now,” McGee said. “June REOs in Illinois were off nearly 45%, yet pre-foreclosures in the state were up more than 88% in June over May. This year’s second quarter REO numbers also were up nearly 17% from 2nd quarter 2008. When this and other moratoriums expire we’ll likely see more uptick in foreclosures and pre-foreclosures as homeowners run out of options.”

“But hopefully, other parts of the housing markets will be on their way to recovery and lessen the overall effect of higher numbers of foreclosures,” says McGee. “It’s already happening in some areas of the country. In California, which leads the nation in numbers of REOs, 2nd quarter 2009 REOs (48,615) are down more than 26% from a year-ago. Florida and Arizona, however, saw increases, 4% and 34% respectively. All three states saw quarterly increases in

pre-foreclosures from 2008. As the numbers reflect, the recovery is a mixed, up and down process, but there are plenty of positive signals.”

Foreclosures.com Nationwide Preforeclosures 2009								
State	January	February	March	April	May	June	Totals	Per Household
<u>California</u>	39,245	47,702	55,046	47,008	44,049	33,160	266,210	2.31%
<u>Florida</u>	37,916	37,914	39,999	40,557	41,140	27,644	225,170	3.57%
<u>Illinois</u>	7,691	9,049	10,237	4,187	1,900	3,575	36,639	0.96%

*Foreclosures.com Nationwide REOs 2009								
State	January	February	March	April	May	June	Totals	Per Household
<u>California</u>	16,649	17,884	14,538	15,097	15,308	18,216	97,692	0.85%
<u>Florida</u>	8,587	8,924	9,344	9,037	10,280	7,376	53,548	0.85%
<u>Illinois</u>	2,095	1,971	2,014	2,669	2,566	1,414	12,729	0.33%

Looking at how home buyers and housing markets are rallying nationally and in select areas around the nation:

- Nationally** existing home sales followed April’s lead and climbed for the second consecutive month in May (up 2.4%), the first time back to back monthly gains in nearly four years, according to National Association of Realtors numbers. Total housing inventory at the end of May fell 3.5% to 3.8 million homes available, or a 9.6-month supply.
- Affordability:** It’s helping fuel the comeback. According to the National Association of Realtors, a median-income family, earning \$60,800, in May could afford a \$296,700, assuming a 20 percent downpayment and that 25 percent of gross income is devoted to mortgage principal and interest. Affordability conditions for first-time buyers with the same income and small downpayments are roughly 80 percent of what a median-income family can afford. That “affordable price” is “significantly higher than the median existing single-family home price in May, which was \$172,900,” NAR reports.
- California:** Existing, single-family home sales increased 35.2 percent in May to a seasonally adjusted rate of 556,590 on an annualized basis. The statewide median price

of an existing single-family home increased 4.2 percent in May to \$267,570, compared with April 2009, and the state's Unsold Inventory Index fell to 4.2 months in May, compared with 8.7 months in May 2008, according to the California Association of Realtors.

- **Florida**—one of the hardest-hit foreclosure states: Existing home sales climbed 16% in May. It was the ninth month in a row that sales activity increased year-to-year, the Florida Association of Realtors reports. Existing condo sales rose 21% in May, too. For the first time in four months, the state's median sales price for existing homes, \$144,400, climbed over the previous month.
- **Illinois:** May marked the fourth consecutive increase in homes sales (up 19.3% from April), and the third monthly increase in the statewide median home sale price (\$158,000, up 4.5% from April), according to the Illinois Association of Realtors. But home sales still were down 21% from a year ago, and home prices down 16%, IAR reports.

"Keep in mind, too," says McGee, "these and most other housing market indicators are a month behind in what they report. They're still talking about what happened in May when we're already halfway through summer. If investors and potential homeowners wait until all these numbers are way up, it likely will be too late to find the real bargains of a lifetime that are readily available now to savvy investors.

"Don't forget, the nation's banks need cash and their bulging portfolios of foreclosure inventory are one ticket to help them get it, if they price it right. Now is the time for homebuyers and investors to press capital-hungry banks to unload their 'phantom' REO inventory" explains Alexis McGee.

'Phantom' inventory is the bulging portfolios of non-performing assets, REO (lender-repossessed foreclosed properties) which are NOT for sale on the nation's Multiple Listing Service (MLS is the standard real estate listing service). Less than 30% of all bank REO's are actually listed for sale in the MLS. ([More on "Phantom Inventory" Here.](#))

Stay tuned for our Special Exclusive Report from the U.S. Foreclosure Index and ForeclosureS.com that will help you figure out what's really happening in the foreclosure market. Our Special Foreclosures.com Report will highlight the results of the many federal and state housing programs put in place to slow down foreclosures, and help to answer the big question, "Are they working or not?"

ForeclosureS.com has been the professional's source for accurate foreclosure property information for more than 20 years. To ensure the accuracy of its foreclosure statistics, ForeclosureS.com bases its analysis on the formal notices filed against a property during the foreclosure process. That can include notice of default, notice of foreclosure auction, and/or notice of REO (lender-owned real estate that occurs after a foreclosed property fails to sell at auction and reverts back to the lender). Pre-foreclosure filings are initial notices that all do not end up as foreclosures.

For Foreclosure Statistics and Information for your area, as well as expert commentary from Alexis McGee, president of ForeclosureS.com, please contact Sofia Gutierrez, ForeclosureS.com, 916-781-0648 or sofia@halldinpr.com.

* The U.S. Foreclosure Index has modified its statistics methodology to present a more accurate picture of the actual number of homes lost to foreclosure. Prior to second quarter 2009, the Index counted all public recorded documents giving title to the forecloser. Retroactive to January 1, 2009, the Index has updated its foreclosed houses statistics to reflect only one foreclosure notice per property.