
Recession reports - New wave of mortgage foreclosures may come soon - Experts

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Experts warn that a new wave of mortgage foreclosures may be coming soon and could rival the default rates for subprime mortgages and slow efforts to find bottom in a prolonged national housing slump. The mortgages in question are USD 230 billion of option adjustable rate mortgages, creative lending products that flourished at the height of the housing boom.

Many experts had expected an explosion of defaults in the springtime on these roughly 564,000 outstanding mortgages. However, interest rates dropped to historic lows and that delayed the detonation of what many housing analysts still see as a ticking time bomb.

Mr Rick Sharga SVP for RealtyTrac said that "They're probably going to default at a rate that makes subprime look like a walk in the park. They are going to have a loan they cannot afford on a house that's probably way underwater and not have a lot of good options on how to avoid foreclosure proceedings."

Ms Elizabeth Warren a Harvard University law professor who heads a government panel overseeing the spending of Wall Street bailout money said that "We can't rebuild housing values when there's a serious risk that another set of mortgages is collapsing."

Mr Michael Fratantoni VP of research for the MBA said that "Relative to what the industry was looking at a year and a half ago the recast is not going to be the problem people thought it was going to be."

Barclays Capital estimates that at least 37.5% of option ARMs originated in 2005 remains outstanding, as well as 63% of those originated in 2006 and 82% that originated in 2007. Mr Deb and fellow Barclay's analysts forecast a 38% loss rate for pools of option ARMs originated in 2006 and 48% losses for those issued in 2007.

(Sourced from Tehran Times)

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