

Mortgage delinquencies drag on economic recovery

WASHINGTON

By **ALAN ZIBEL**
Associated Press

The mortgage crisis is dragging on the economic recovery as more homeowners fall behind on their payments.

Analysts expect improvement soon, but the number of homeowners in default or at risk of foreclosure will have a lingering effect on the broader economy.

More than 10 percent of homeowners had missed at least one mortgage payment in the January-March period, the Mortgage Bankers Association said Wednesday. That's a record high and up from 9.5 percent in the fourth quarter of last year and 9.1 percent a year earlier.

A big jump in the number of borrowers who have missed three months of mort-

gage payments drove the increase.

There was one encouraging sign: The number of homeowners just starting to show trouble is trending downward as the economy improves. As of March, nearly 3.5 percent of homeowners had missed one month of mortgage payments, down from about 3.8 percent a year earlier.

Around 4.3 million homeowners, or about 8 percent of all Americans with a mortgage, are at risk of losing their homes, the trade group's top economist estimates. They have either missed at least three months of payments or are in foreclosure.

Should loan modification programs fail to help, their homes will go up for sale either as a foreclosure or short sale — when the bank agrees to sell the property for

less than the original mortgage amount.

Many analysts have been forecasting home prices will dip again as more of these homes go up for sale at deeply discounted prices.

"It's certainly a weight on the economy," said Mark Zandi, chief economist at Moody's Analytics, who predicts home prices will fall about 5 percent and hit the bottom next spring. "Nothing works all that well in the economy when house prices are falling."

Federal tax credits boosted home sales this spring but they expired last month. As a result, mortgage applications to purchase homes fell to the lowest level in 13 years this week, the Mortgage Bankers Association said in a separate report Wednesday.

The latest foreclosure figures from the trade group are

adjusted for seasonal factors. For example, heating bills and holiday expenses tend to push mortgage delinquencies up near the end of the year. Many of those borrowers become current on their loans again by spring.

Without adjusting for seasonal factors, the delinquency numbers dropped, as they normally do from the winter to spring.

More than 4.6 percent of homeowners were in foreclosure, also a record. But that number, which is not adjusted for seasonal factors, was up only slightly from the end of last year.

Stocks slid Wednesday as investors remain concerned with the European debt crisis. The rising number of mortgages also drew some attention. The Dow Jones industrial average fell more than 100 points in midday trading.

Jay Brinkmann, the trade group's chief economist, said the foreclosure crisis appears to have stabilized. Seasonal adjustments may be exaggerating the change from the previous quarter, he added.

"I don't see signs now that it's getting worse, but it's going to take a while," he said. "A bad situation that's not getting worse is still bad."

The Obama administration's \$75 billion foreclosure prevention program has barely dented the problem.

About 25 percent of the 1.2 million homeowners who started the program over the past year had received permanent loan modifications as of last month. About 23 per-



A brand-new \$1.1 million, 5,200 square foot home in Davie, Fla. is offered for short sale Thursday.

AP photo

cent of those enrolled dropped out during a trial phase that lasts at least three months. Many more are still in limbo.

Economic woes, such as unemployment or reduced income, are the main catalysts for foreclosures this year. Initially, lax lending standards were the culprit. But homeowners with good credit who took out conventional, fixed-rate loans are now the fastest growing group of foreclosures.

Those borrowers made up nearly 37 percent of new foreclosures in the first quarter of the year, up from 29 percent a year earlier.

The risky subprime adjustable-rate loans that kicked off the foreclosure crisis are making up a smaller share of new foreclosures. They made up 14 percent of new foreclosures in the January-March period, down from 27 percent a year earlier.



Contributed photo

Color choice says a lot about the designers personality.

Color consultant leads seminars in Norwalk

From C1

Yellow is also frequently used in the nursery, where it is suitable for either sex, and can easily "grow up" with a young child.

Although yellow was a popular exterior color choice for many years, and still is sometimes used, today's homeowners are more commonly choosing greys or earthy greens for their home's exterior, Rita T says.

The remaining schedule of featured colors is: May 22 orange, June 5 white, June 12 brown/beige, June 19 black, and June 26 new neutrals.

A former elementary school teacher, Rita T has more than 40 years experience in the design world, spanning product development, interior design and color consulting. She also leads the "Morning for Moms" series at Ring's End stores in the area. She is at the Ring's End Paint & Design Center in Norwalk from 9:30 a.m. to 6 p.m. on Saturdays and at the Ring's End Paint Center in Wilton from 9:30 a.m. to 1:30 p.m. Mondays, Wednesdays and Fridays.

In-store color consultations are complimentary. Rita T can also be engaged independently to visit clients' homes and help them create a custom color palette for

individual or multiple rooms or a home's exterior.



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Denise Panza is a Senior Loan Consultant with Ladd Financial in Westport. She may be reached at (203) 743-4739.

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