MADISON'S TIMBER PREVIEW

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Fourth quarter 2010 US home forfeitures were down by over 40 per cent nationally, driven by a decline in completed foreclosures from 189,000 in 3Q to 95,000 in 4Q. Lenders suspended actions to check their paperwork in the wake of the robo-signing scandal, according to a March 31 joint report from the US Office of the Comptroller of the Currency and Office of Thrift Supervision. Even with the temporary delay in paperwork, the percentage of US mortgages listed as delinquent or in foreclosure fell to its lowest level in a year and a half, with 88 per cent of home loans listed as current and performing. Mortgage servicers completed more than three times as many loan modifications and other home retention actions as they did foreclosures and other forfeitures in 4Q 2010, according to the new government figures.

Meanwhile, RealtyTrac.com reported a 27 per cent drop in national foreclosure rates in February 2011, compared to the year prior.

Regionally, the number of completed foreclosures in Massachusetts dropped nearly 44 per cent in February to 515, down from 917 during the same month last year, according to the latest report from The Warren Group, publisher of Banker & Tradesman. Foreclosure petitions, the first step in the foreclosure process, fell by an even steeper 67 per cent over the same period, from 2,122 to 694. Through the first three months of this year, 2,084 foreclosures were filed in Franklin county, OH, which includes Columbus. This was 16 per cent fewer than during the same period last year, according to figures released yesterday by the County clerk's office. In a year-over-year comparison, Colorado's foreclosure filings were down 35 per cent, with 1,986 new foreclosure filings last month, compared to 3,042 in February 2010. Foreclosure sales in Colorado fell 20 per cent in a year-over-year comparison, with 1,338 foreclosure sales last month and 1,499 sales in February 2010.

Notices of default, the start of the foreclosure process, dropped 10 per cent in February from the month before in Santa Clara and San Mateo, CA, counties, according to ForeclosureRadar. Default notices were down to levels not seen since November 2008, when a new state law slowed things dramatically. On a yearly basis, they were down 32 per cent from last February in Santa Clara County and down 23 per cent in San Mateo County.

Realtors across the country are reporting a drop in number of homes for sale, and a sharp increase in home buying interest and activity. Some areas are even reporting a small increase in home prices, while in others home prices are still dropping although even that slide seems to be levelling off.
Some real estate experts say the rate of foreclosures will rise again once the paperwork delay for lenders is cleared up. Others say homeowners in over their heads with mortgages have already been foreclosed upon, so increasing numbers homeowners have no trouble with mortgage payments or even have already paid their mortgage in full.

The total number of Americans with mortgages fell this year as the number of first-time buyers failed to keep up with foreclosures and the rate at which loans were paid off, according to Nasdaq.com. Two thirds of that decline was due to an increase in those who have paid off a mortgage -- 22 per cent, compared to 20 per cent last year -- while one third was due to an increase in those who do not have or have never had a mortgage -- 12 per cent of the population, up from 11 per cent in 2010.

Interest in buying a home is percolating upwards in real estate pockets across the country, with most home buyers still intending to pay all cash. Home prices continue to be volatile as perception catches up to reality.

The 30-year mortgage rate in the US reached a 40 year low of 4.17 per cent in November 2010, while the 15-year rate reached 3.57 per cent that month, a 20 year low. In the week ended Thursday, US 30-year mortgage rates averaged 4.87 per cent , up from 4.86 per cent the prior week but down from 5.21 per cent a year earlier. Rates on 15-year mortgages were 4.1 per cent, up from 4.09 per cent the previous week but down from 4.52 per cent a year earlier.

The International Monetary Fund Thursday issued a sharp rebuke at the US housing finance system. Its annual Global Financial Stability Report will be published in full next week. The statement Thursday faulted the US government for not addressing the issue of the mortgage interest tax deduction, which the IMF called "both expensive and regressive," and pressed the US government to "step up their efforts" to resolve the situation. The statement also said housing tax expenditures should be reviewed, and the role of the [government-sponsored enterprises] should be reassessed so as to create a more level playing field in the US mortgage markets."

A US House of Representatives subcommittee Wednesday approved eight targetted bills aimed at reducing the influence of mortgage finance giants Fannie Mae and Freddie Mac, said government-sponsored enterprises. The Republican-led effort is designed to bring back private capital to the US$10.6 trillion mortgage market, now almost 90 per cent backed by the federal government in some fashion. The bills now go before the House Financial Services Committee, which must approve them in order to move to the full House.

Does the slight uptick in mortgage rates indicate a small increase in demand for home purchases? Given the increasingly convoluted proposals, changes, and discussions about US mortgages, it's a wonder anyone is brave enough to delve into this uncharted territory.

As if things weren't complicated enough, current squabbles over the proposed US budget threaten to shut down government in that country. After a late-night meeting Wednesday with House Speaker John Boehner and Senate Majority Leader Harry Reid, President Barack Obama said the two parties had moved closer to a spending agreement to avoid a government shutdown Friday, but no deal had been struck. Housing and Urban Development Secretary Shaun Donovan told Senate lawmakers Thursday that he is “very concerned” that a government shutdown could force lenders to stop making loans backed by the Federal Housing Administration, a government agency that insures home mortgages.

The FHA doesn’t issue loans directly but provides a federal guarantee against default. The agency backed about 20 per cent of new loans last year, including about 40 per cent of those made for purchases.

Most major lenders, though, have indicated that only a prolonged shutdown of the US government would affect lending. Anything over a week would cause Wells Fargo, Bank of America, JP Morgan Chase, and US Bank to reconsider lending, according to the *Wall Street Journal* Thursday.

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