

# Annual Foreclosure Rate Declines for 20th Straight Month; Nevada Gives Up Top Spot

By: Jann Swanson | Thu, Jun 14 2012, 9:50 AM

**Foreclosure filings** topped 200,000 during May for the first time in two months but filings were still below the rate a year earlier according to the U.S. Foreclosure Market Report released by RealtyTrac this morning. A total of 205,990 properties or one in every 639 housing units received some type of foreclosure filing during the month compared to 188,780 in April, an increase of 9 percent. Despite the increase, filings were down 4 percent from May 2011 marking the 20<sup>th</sup> straight month that year-over-year figures fell. Judicial states posted a 26 percent annual increase in overall foreclosure activity while non-judicial states were down 20 percent.

RealtyTrac is an Irvine, California firm that tracks three categories of foreclosure filings gathered from county level sources.

"U.S. foreclosure activity has now decreased on a **year-over-basis for 20 straight months** including May, but the jump in May foreclosure starts shows that it's going to be a bumpy ride down to the bottom of this foreclosure cycle," said Brandon Moore, CEO of RealtyTrac. "Based on the rise in pre-foreclosure sales we've seen so far this year, a higher percentage of these new foreclosure starts will likely end up as short sales or auction sales to third parties rather than bank repossessions going forward. While pre-foreclosure sales have less of a negative impact on home values than bank-owned sales, they still represent a discounted sale where a distressed homeowner is losing his or her home.

For the first time in years **Nevada no longer topped the nation in foreclosure activity**, falling to third place with 3,755 filings, a 4 percent decrease since April and 66 percent less than a year earlier. One in every 313 housing units in Nevada received a filing. Georgia leapt into first place with a 33 percent increase in activity in one month and was up 30 percent from May 2011. One in every 300 Georgia housing units was affected by foreclosure during the month.

Arizona's foreclosure activity rose 24 percent in May, putting it in second place among the states despite the fact its rate, one in every 305 housing units, was down 29 percent from a year earlier.

Foreclosure starts were filed on **109,051 U.S. properties** in May, a 12 percent increase from April and a 16 percent increase from May 2011. This was the first time in 27 months that foreclosure starts increased on an annual basis. Starts were up year-over-year in 33 out of 50 states with the largest annual increases in Tennessee (165 percent) New Jersey (118 percent), Pennsylvania (97 percent), and Florida (83 percent). Massachusetts, Texas, and New York also saw starts rise by more than 50 percent.

After three straight monthly decreases to a 49-month low in April, bank repossessions (REOs) increased in May, rising 7 percent. Lenders completed the foreclosure process on 54,844 U.S. properties during the month. This was still a decrease of 18 percent compared to May 2011.

RealtyTrac **attributes some of this decrease** to a widening acceptance among lenders of the **value of pre-foreclosure sales**, usually short sales where the bank accepts less than the amount it is owed to allow the sale of a home to a third party. Moore said, "More banks are now recognizing that treating the problem of delinquent mortgages with short sales rather than bank repossessions can help them minimize their losses and also avoid taking on more REOs, which they then have to manage, maintain and market for sale."

"Disposing of distressed homes by pre-foreclosure sale can also benefit lenders and servicers because pre-foreclosure homes sell at a higher average price point than bank-owned homes," he continued. "Our first quarter foreclosure sales report showed that the average price of a pre-foreclosure home was more than \$27,000 higher than the average price of a bank-owned home - which quickly adds up given that there have been an average of 1.6 million nationwide foreclosure starts per year for the past five years.

REO activity increased on an annual basis in 17 states in May, including North Carolina (66 percent), Illinois (65 percent), and Massachusetts (59 percent). There were large decreases in Nevada (68 percent), Arizona (43 percent), Michigan (42 percent), and Colorado (42 percent).

Riverside California, Atlanta, and Phoenix had the highest foreclosure rates among the 20 largest metropolitan areas in the country followed by Chicago and the Tampa-St. Petersburg area in Florida.

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