# Shadow Inventory Drops to 4-month Supply

By: Jann Swanson | Thu, Jun 14 2012, 10:08 AM

Lenders appear to be getting a grip on the nation's foreclosure inventory according to a report released Thursday by CoreLogic. The foreclosure or **"shadow" inventory** represents the number of properties that are seriously delinquent, in foreclosure or owned by mortgage servicers and lenders (REO) but not currently listed for sale on a multiple listing service.

The inventory fell to **1.5 million units** in April, a four month supply at the current rate of attrition. This is approximately the same level that existed in October 2008 and a decrease of 14.8 percent from April 2011 when there were 1.8 million units in inventory or a six-month supply. Shadow inventory is typically not included in the official metrics of unsold inventory and the current figure represents just over half of the 2.8 million properties currently seriously delinquent, in foreclosure or REO.

The dollar volume of shadow inventory was **$246 billion** as of April 2012, down from $270 billion a year ago and a three-year low.

The **flow of new loans that are seriously delinquent**, that is 90 days or more, into the shadow inventory has now been approximately offset by the equal volume of distressed property sales including both sales of REO and pre-foreclosure or short sales.

Of the 1.5 million properties currently in the shadow inventory, 720,000 units are **seriously delinquent** (two months' supply), 410,000 are in some stage of foreclosure (1.1-months' supply) and 390,000 are already in REO (1.1-months' supply). The foreclosure inventory does not include loans that are not yet seriously delinquent but may become so.

"Since peaking at 2.1 million units in January 2010, the shadow inventory has fallen by 28 percent. The decline in the shadow inventory is a positive development because it removes some of the downward pressure on house prices," said Mark Fleming, chief economist for CoreLogic. "This is one of the reasons why some markets that were formerly identified as deeply distressed, like Arizona, California and Nevada, are now experiencing price increases."

Serious delinquencies, which are the main driver of the shadow inventory, declined the most in Arizona (-37.0 percent), California (-28.0 percent), Nevada (-27.4 percent), and Michigan (-23.7 percent.)

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