

Subject: 4-15 Mark Hanson - Record High Foreclosures - Beneath the Headlines

M Hanson Advisors – Real Estate & Finance

The Mortgage Pages - April 15th 2010

- March National Foreclosure Summary - Beneath the “Record High” Headlines

Our mission is to provide our clients a significant edge. This is done by turning the daily, market-moving real estate and mortgage news flow and events into old news by the time it makes headlines. - Mark Hanson

Well, we got our record high Foreclosures. Who ‘da think it, that a surge in GSE Foreclosures caused by the aftereffect of the Dec 1st Obama ‘Permanent Loan Mod Drive’ would have been the primary cause.

Summary:

- New official Defaults at 117,383, up 10.52% MoM and down 10.76% YoY. The drop is artificial due to the way HAMP trial mods have been done since Obama’s July 28th Servicer ‘come to God’ meeting. This is changing again as of June 1st.
- New 2nd Stage Ready Foreclosures 158,105, up 28% MoM, 15% YoY and at record highs. This is an unintended consequence of the ‘Permanent Loan Mod Drive’, indicates record Foreclosures again in April already in the can, and should not ease up in the near-term
- New actual Foreclosures at 91,568, up 16% MoM, 28% YoY and at record highs. April Foreclosures could be up as much as 20%.
- Total Foreclosure Activity at 367,056, up 19% MoM, 7.58% YoY and at record highs
- Even if Foreclosures double from here -- based upon the 8.4mm loans in distress, new monthly NODs and recent Perm Mod success rates -- they will take four years to clear.

Based upon a surge to record highs in 2nd Stage Foreclosures April Foreclosures will be a blow out.

The in-process foreclosure pipeline has become so large now due to can-kicking for the past 18-months that Foreclosures could double from here and keep coming at that pace for years.

The new and improved HAMP initiative specifically with respect to early borrower outreach -- that defines and streamlines the Foreclosure process from the mess it is today -- will result in a heavy flow of Foreclosures indefinitely.

Bottom line - Based upon 8.4 million houses in some stage of Foreclosure -- with 117k new NODs in the

month of March and only 60k new HAMP Permanent loan mods (assumes half of the modification market) -- there is little progress being made in deflating the Foreclosure bubble.

At this pace, if Foreclosures double to 180k a month next month, it will still take 47 months to burn through them. And I do not think the housing market can withstand 2.2 million Foreclosures per year for 4 years. If Foreclosures stay right here at record highs of 91k per month, it will take 7.6 years to clear. I think it is safe to say this will be with us for a while longer.

Foreclosures and Housing

The light at the end of the tunnel is that a surge in Foreclosures is the only thing that can save the housing market from a real bad year in 2010 after the tax credit ends. So much demand has been pulled forward, especially going into the end of the 2010 tax credit that when it ends, this will be the worst summer in recent history for Existing Sales unless Foreclosures flood the market.

It is important to note that not only were buyers afraid to lose their \$8k tax credit at the end of April, but every Realtor and loan officer in the nation were hitting buyers hard with the 'Fed quitting the MBS purchase program and rates surging' rhetoric, as a reason to buy right now and not delay.

The foreclosure landscape is sitting on the precipice of a big change. Going forward, thoroughly understanding how loans and houses move through the Default and Foreclosure pipe and accurately tracking what the banks are servicers are doing from week to week will give you a much clearer picture of what comes next in mortgage and housing.

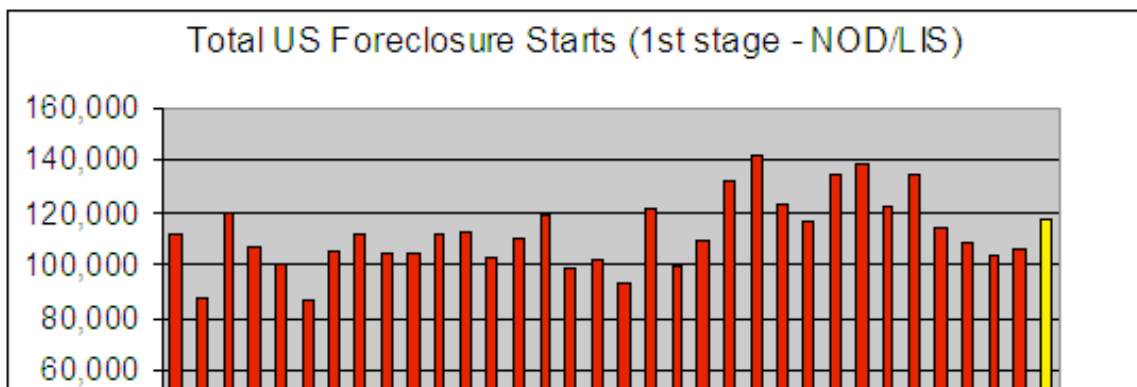
The following charts are of Realtytrac's Feb result and a three year time series broken down in a way that clearly shows where the default and foreclosure pipe has come from and where it looks to be going.

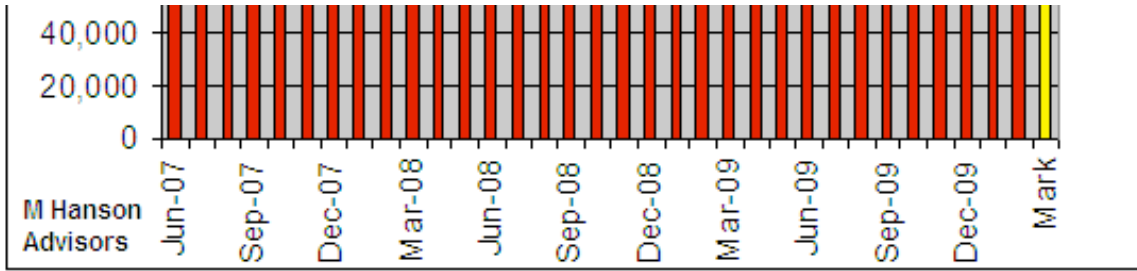
1) Foreclosure Starts (Notice-of-Defaults + Lis Pendens)

March **Foreclosure starts** were at 117,383k, **up 10% MoM, down 11% YoY and higher than the past two-year average of 114k.** They have been consistently dropping since August 2009 when Obama called all the servicers to DC and told them "get borrowers into HAMP or else".

At this time, servicers changed their qualifying standards to let anyone with a decent story in a trial mod. However, this is all changing again as of June 1st and I expect NODs to once again rise sharply.

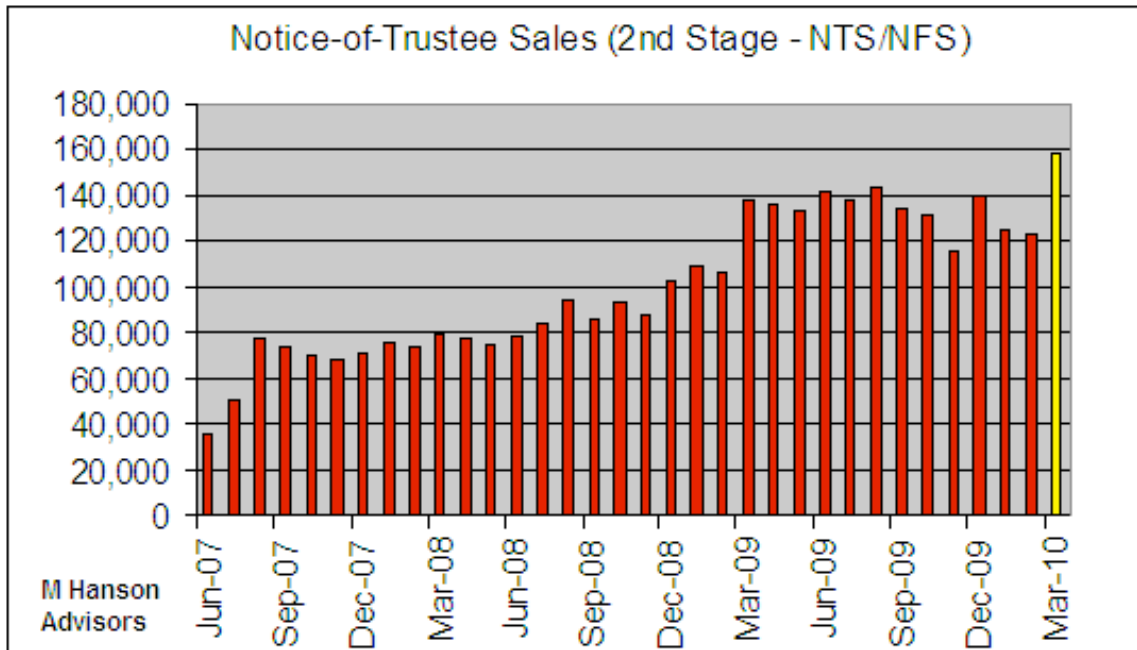
Bottom line: Starts remain high, are higher on avg than when Subprime and housing were crumbling in 2007-2008, and have not been under 100k per month in 16 months. Beginning shortly I expect them to begin to rise in earnest once again.





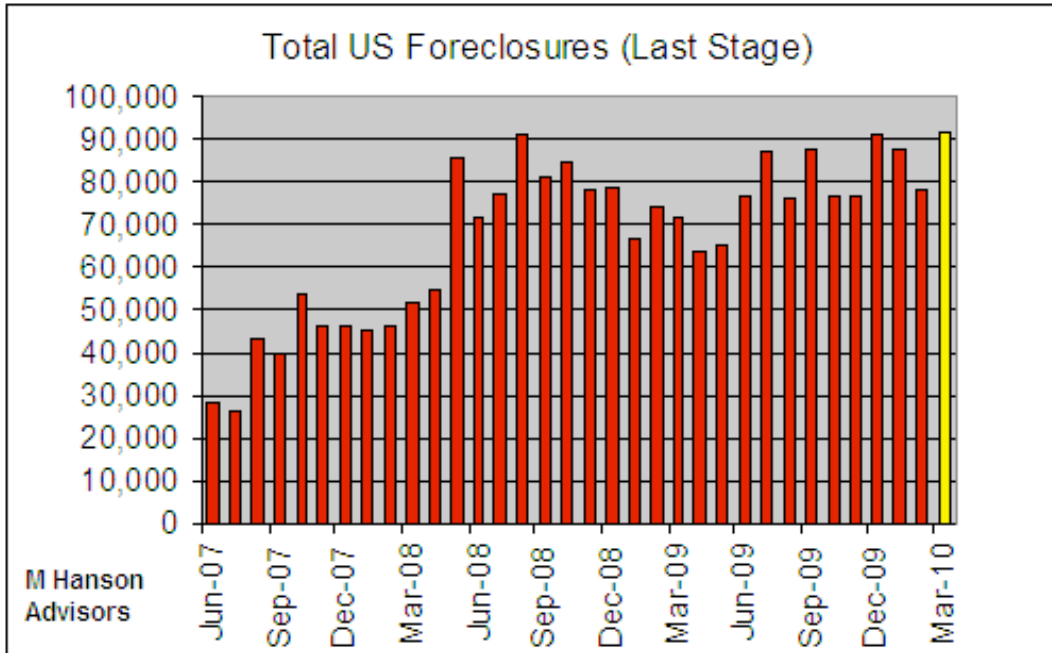
2) Second Stage of Foreclosure - (NTS and NFS)

Second stage foreclosures surged to 158k from 124k last month and 138k last year. This is a direct look at the trajectory of Foreclosures in April.



3) Actual Foreclosures

New actual Foreclosures came in at 91,568, which is up 16% MoM, 28% YoY and at record highs just barely. In March, I expect them to rise up to 20%.

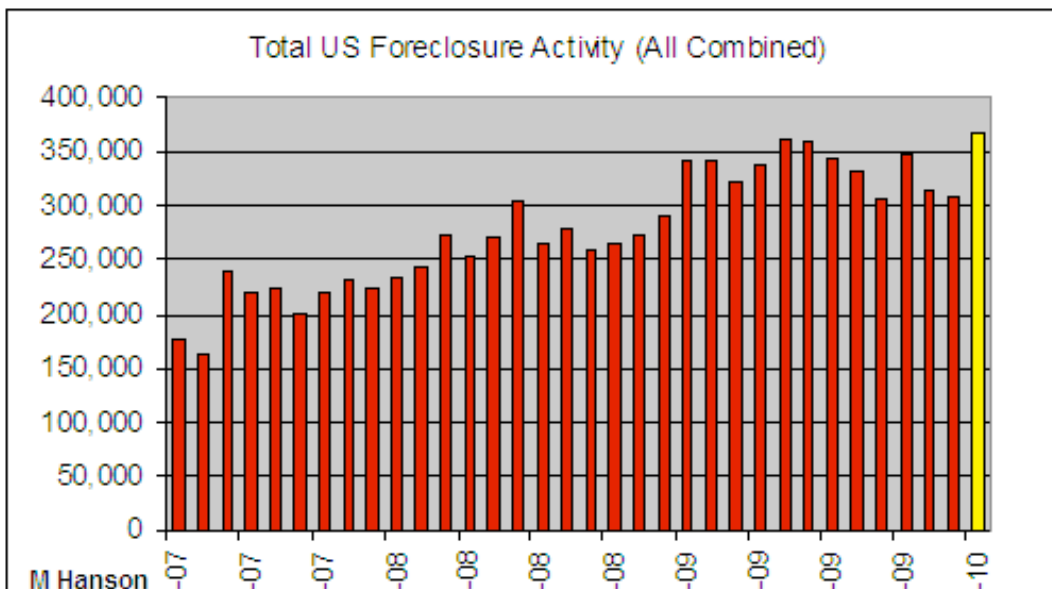


4) Total Aggregate US Foreclosure Activity as report by RealtyTrac

This is the one that the media reports as their headline each month that fools everybody each month. This is simply all the results above added together. By doing this they are **triple counting** because the foreclosure process has linear stages.

Nevertheless, total US foreclosure activity reported this way also surged to record highs in March and stand a full 40% higher than when the wheels came off the system in 2008.

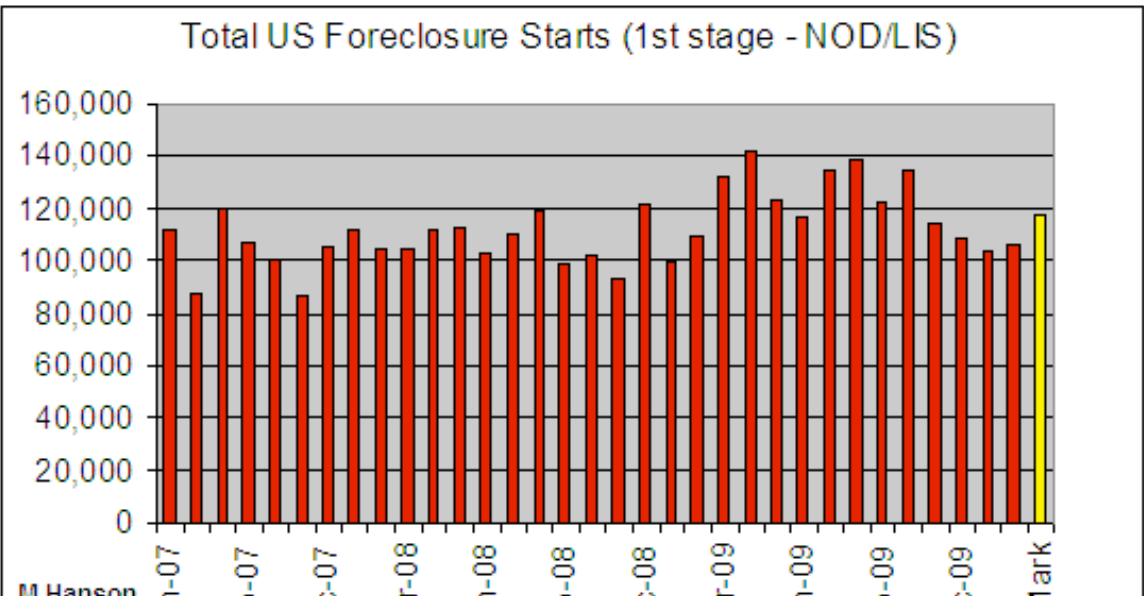
With numbers this large, simply 'leveling out' is not a good thing especially when the foreclosure process is being manipulated on so many fronts.



Advisors	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
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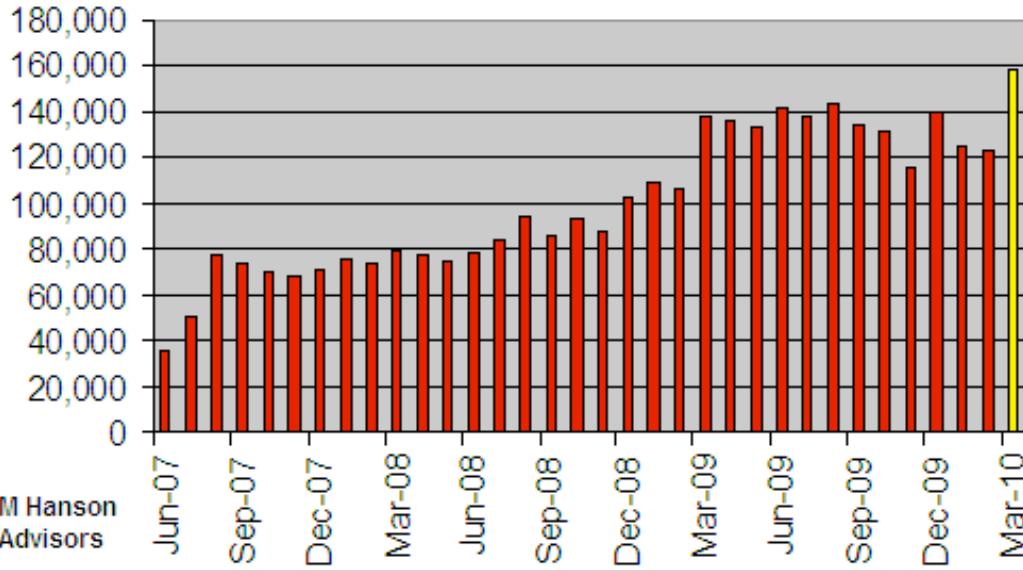
Best Regards,
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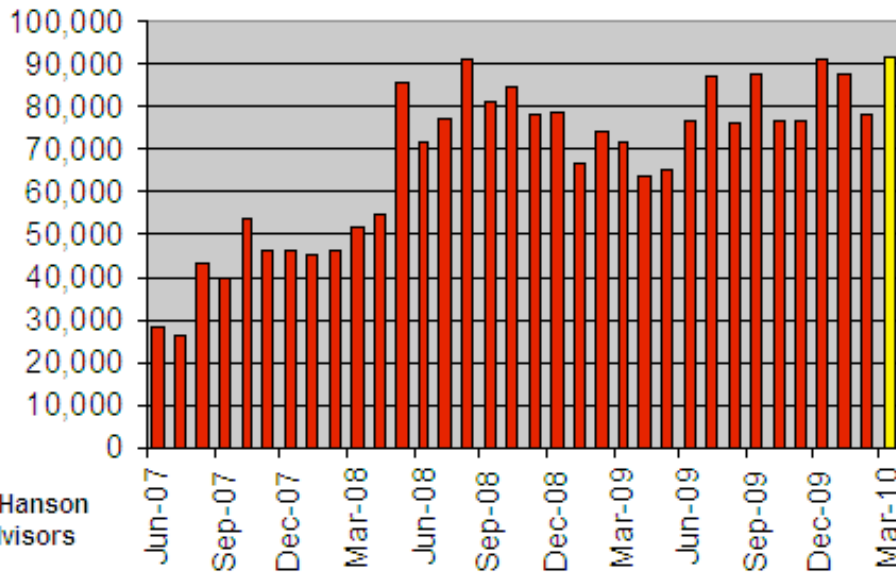


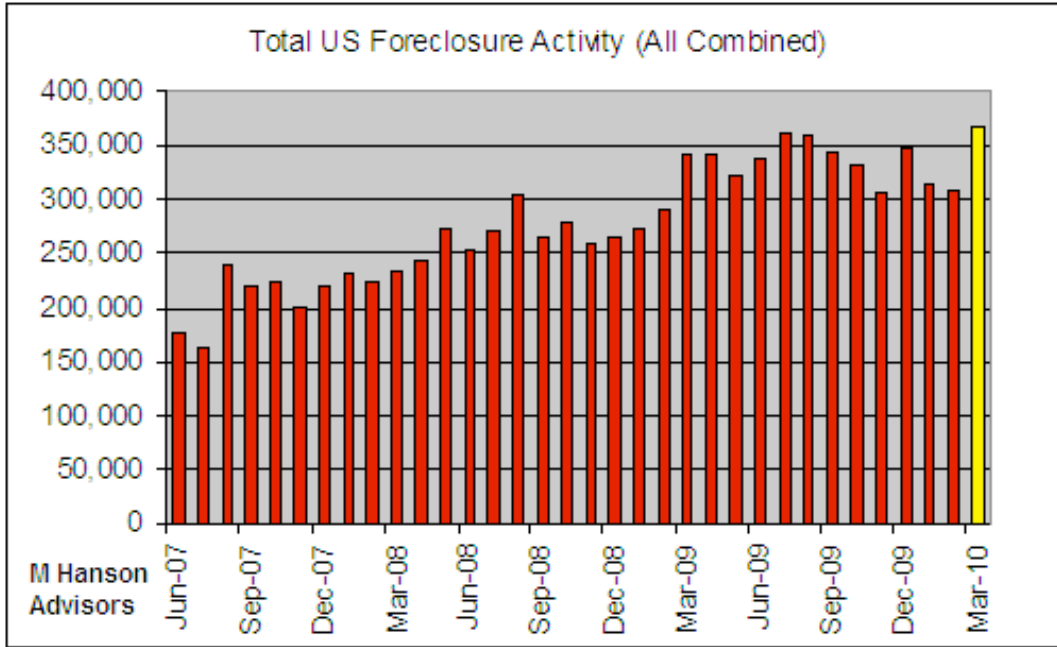
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Notice-of-Trustee Sales (2nd Stage - NTS/NFS)



Total US Foreclosures (Last Stage)





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