

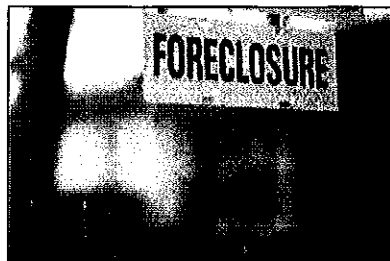
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Report: Regional foreclosures highest in the nation; subprime market to blame



David Francis, The Examiner
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WASHINGTON -

The number of foreclosures in Washington jumped 42 percent from March to April, according to a new survey, with foreclosure rates rising nearly 20 percent in Maryland and Virginia.

(Getty Images)

Experts said the dramatic increase in the number of regional foreclosures is a fallout from the subprime lending market.

Bargain Network, an online provider of foreclosure information, said the increase in the District was the largest in the country. Foreclosures increased by 18 percent in Maryland and 17 percent in Virginia, the second- and third-largest national increases.

Experts said the dramatic increase in the number of regional foreclosures is a fallout from the subprime lending market. These loans — given to people with limited or less than stellar credit history — have been extremely popular in the region in recent years as buyers attempted to cash in on soaring housing prices.

These loans are prevalent in areas with lower incomes, such as Prince George's Country, and in places such as Fairfax, where people hoped to upgrade from a starter home to a larger, more expensive house.

Now that the housing market has cooled and interest rates on many home loans are adjusting higher, the Bargain Network survey indicates more buyers can't make their payments.

This could lead to areas with pockets of foreclosures, which, combined with decreased regional demand, could further depress the housing market. "The way [many of these] loans are designed, people can't afford to make their monthly mortgage payment," Center for Responsible Lending spokeswoman Sharon Reuss said. "When the market cools off and the cost of housing dips a little bit, it really affects people if they're trying to refinance or sell."

Reuss said homeowners who have loans with interest rates that change after a few years are especially prone to foreclosure.

She said a monthly payment of \$1,300 under a loan with an adjustable rate can increase to \$2,200 after teaser rates expire.

Peter Tatian, a senior research associate in the Urban Institute, said the increase in foreclosure rates is the first sign of fallout from the subprime loan market.

"It sounds like it's the combination of subprime loans and the slower housing market leading to this increase," he said.

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