

**ING DIRECT**  
Save your money  
Member FDIC

**The Orange Savings Account**

**CNNMoney.com**

Symbol

Oct 2008

Keyword

Search

Subscribe to Fortune  
Make CNNMoney my Homepage  
Add to Favorites

Home Business News Markets Personal Finance Retirement Technology Luxury Small Business Fortune

Video My Portfolio CNN.com

PARTNER  
CENTER

**CNNMoney.com**  
International News

Click Here Now

**CNNMoney.com**  
Technology

Browse home  
equity loans  
Search rates

SPECIAL REPORT Issue #1: America's Money Crisis

Column Archive

## Flood of foreclosures: It's worse than you think

**Banks are moving slowly to list repossessed homes for sale, which could mean that housing inventory is even more bloated than current statistics indicate.**

By Lee Christie, CNNMoney.com staff writer  
Last Updated: January 23, 2009, 4:40 PM ET

EMAIL | PRINT | SHARE | RSS

NEW YORK (CNNMoney.com) — Housing might be in worse shape than we think.

There is probably even more excess housing inventory gumming up the market than current statistics indicate, thanks to a wave of foreclosures that has yet to hit the market.

The problem: Many foreclosed homes and other distressed properties that are now owned by banks have yet to be listed for sale. The volume of this so-called 'ghost inventory' could be substantial enough to depress already steeply falling prices when it does go on the market.

"That's not good news," said Pat Newport, an analyst with IHS Global Insight. "[Excess] inventory is the biggest problem in housing these days, and it leads to lower housing prices, which leads to more foreclosures."

RealtyTrac, the online marketer of foreclosed properties, recently discovered that it has far more foreclosed properties listed in its database, which the company compiles using courthouse records, than there are listed in the multiple listing services (MLS) maintained by real estate agents.

RealtyTrac looked at listings in four states, California, Maryland, Florida and Wisconsin, and found that they contained only a third of the foreclosures it has in its database.

The scope of the problem isn't clear, but it could be huge considering that RealtyTrac has a total of 1.5 million bank-owned properties on its site.

"Many properties that should be listed on the MLS are not listed on the MLS," said Lawrence Yun, chief economist for the National Association of Realtors (NAR).

### Underestimating inventory

The National Association of Realtors calculates official housing inventory statistics using data from the multiple listing services. By that measure, there were 4.2 million existing homes for sale in November, an 11.2-month supply at the current sales pace, up from a 10.3-month supply in October.

### AMERICA'S MONEY CRISIS

Stocks bounce back  
Existing home sales in surprise jump  
Bond prices dip  
Caterpillar to cut 20,000 workers  
Stories from the recession's frontline

### Housing weakness continues



More Videos

### Quick Vote

Do you expect to change jobs soon?

- ☐ Yes, I'm worried about layoffs.  
☐ Yes, I'm hoping to move up.  
☐ No, fingers crossed. I'm happy where I am.  
☐ Not sure.

Vote or View results

1. Home Depot cutting 7,000 jobs
2. Obama and emissions: Right vs. smart
3. Existing home sales in surprise jump
4. Pfizer to buy Wyeth for \$68 billion
5. Russia's king of crude

Markets	Last	Change
Dow Jones	8,210.73	133.17 / 1.65%
Nasdaq	1,509.97	32.38 / 2.18%
S&P 500	849.84	17.89 / 2.13%
10-year Bond	109 10/32	Yield: 2.66%
U.S. Dollar	1 euro = \$1.315	0.023

January 23, 2009 11:00 AM ET

### More Galleries



#### Dear Mr. President

Americans talk back to President Barack Obama about how they believe he will affect their lives and wallets, and their solutions for the country's economic crisis. More



#### How to spend \$500

President Obama's \$8 billion stimulus package includes a credit of \$500 for individuals for couples (with income restrictions).

EXHIBIT

1  
1/23/09

But now it seems quite possible that these figures, which are already at record highs, are underestimating the situation. And if that's the case, it could take much longer for the housing market recovery than analysts currently expect.

Until supply can be brought down to a more normalized level of six to seven months, home prices will continue to come under pressure, according to Yun.

"It could be a worse problem than we think," he said.

L.J. Jennings, a real estate broker with Pyramid Real Estate and Investments in Oakland, Calif., sees plenty of evidence that it is.

"There are a number of properties in my area that have actually been taken back by the banks, but have not hit the market yet," he said. "Once a bank repossesses a property, in some cases, it can take more than six months to hit the market."

He cites a handful of examples offhand, including a single-family home in Richmond seized in early October, a condo in San Ramon taken back the same month and a four-family building in Oakland that was repossessed in July.

"Either lenders are overwhelmed and can't get these properties back on sale quickly" said RealtyTrac spokesman Rick Sharga, "or they're deliberately slowing down."

#### Why there's a delay

The chief problem is probably system overload: Lenders are just not prepared to handle the sheer numbers of foreclosures that they have on their books. Banks took back about 860,000 in 2008 - more than twice the number in 2007 - according to RealtyTrac. Before the housing crisis hit, it took only about a month to get a bank-owned foreclosure on the market.

Lenders still insist they try to act as swiftly as possible. According to Tom Kelly, a spokesman for Chase (JPM, Fortune 500) Mortgage, their goal is to cut their losses on these homes, which are expensive to maintain, as fast as possible.

But banks might hold back listings in areas where they already have lots of homes for sale in order to avoid flooding the market, according to Michael Youngblood, a financial analyst and founder of Five Bridges Capital, an asset management company.

"If lenders have a significant number of properties in a limited area, they may want to stagger putting them back on the market," he said.

Eve Alexander, a real estate broker with Buyers Broker of Florida in Orlando, attributes the delays to the general malaise that's overtaken the lending industry as it's imploded.

"I think banks are dragging their rears about doing just about everything," she said. "They have so much going on, and there's so much red tape and the people don't care, nothing gets done."

There are also batches of bank-owned homes that don't appear on the multiple listing services because lenders are trying to sell them via bulk and auction sales to investors as well as individuals, according to John Mechem, public affairs director for the Mortgage Bankers Association.

He adds that it's also taking much longer to get many foreclosed homes in decent enough shape to put on the market. (see This home for sale stinks.)

Bank-owned properties are in worse condition than ever because the foreclosure process is taking longer than ever. As much as a year can pass between the time a borrower first misses a payment and the final auction sale, according to Youngblood. During that time, houses often deteriorate

#### Secret Diet Links

#### Monthly Foreclosures

#### PPA's Rule: Obey

I cut out 2lbs of body fat per week by obeying this 1 old rule.  
AnnasDietingBlog.com  
250,000

#### PPA's Rule: Obey

I cut out 2 lbs of body fat per week by obeying this 1 old rule.  
AubreysDietBlog.com  
100,000

01/07

Buy a link here

12/08

SOURCE: REALTYTRAC

#### Bankrate.com

#### Current Mortgage Rates

Type	Overnight avg
30 yr fixed mtg	5.42%
15 yr fixed mtg	5.12%
30 yr fixed jumbo mtg	7.00%
5/1 ARM	5.75%
5/1 jumbo ARM	5.96%

Find personalized rates:

Enter ZIP code 

and viewers what they would do with the money. More



#### Cutting corners, making ends meet

Taxi driver. Small business owner. Hairdresser. Cashier. Meet the people of Rhode Island and hear their stories. The economy hurts, but they are coping. More

GET A FREE TRIAL ISSUE!



Name	
Address	
City	
State/Pr	
Zip/Postal	
E-mail	
<input type="button" value="Continue"/>	<a href="#">Privacy Policy</a>

because owners have neither the money nor the incentive to maintain them. Some disgruntled homeowners may even deliberately damage homes before they leave.

"According to our servicing folks, it's taking more time for lenders to get properties in saleable condition," said Mechem.

The phenomenon of a growing ghost inventory doesn't promise to get better anytime soon, as long as the rate of foreclosures continues to ravage the market. There were more than 3.1 million foreclosure filings in 2008, according to RealtyTrac.

Said Sharga: "I don't see how we can avoid another 3 million in 2009." ■

First Published: January 23, 2009: 2:01 PM ET

The low-down on getting a low down payment loan

Tour hot real estate - by blke

Taming inflated home appraisals

Find mortgage rates in your area

#### Sponsored Links

##### 1 flat stomach rule: obey

I cut out 2lbs of body fat per week by obeying this 1 old rule.  
[AnnasDietingBlog.com](http://AnnasDietingBlog.com)

##### Solar Stock Pick - EVSO

Emerging Green Energy Co. Growth Stock Investment  
[www.EvolutionSolar.com](http://www.EvolutionSolar.com)

##### Free Forex Essentials Kit

Free Forex Guide & Webinars. Includes Free practice account. Try Now.  
[www.GFTForex.com](http://www.GFTForex.com)

[Buy a link here](#)

#### Features

## Stories from recession's frontline



9:37am: Jobs. Foreclosures. Service cuts. Here's what the downturn looks like up close. [More](#)

© 2009 Cable News Network. A Time Warner Company. All Rights Reserved. Terms under which this service is provided to you. [Privacy Policy](#)

Home Portfolio Calculators Contact Us Newsletters Podcasts RSS Mobile Widgets Press Center Site Map User Preferences  
 Advertise with Us Magazine Customer Service Download Fortune Lists Reprints Career Opportunities Special Sections Conferences Business Leader  
 Council

Live Quotes automatically refresh, but individual equities are delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. Market indexes are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET.

\* Time reflects local markets trading time. † - Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. Disclaimer  
 Copyright © 2009 BigCharts.com Inc. All rights reserved. Please see our Terms of Use. MarketWatch, the MarketWatch logo, and BigCharts are registered trademarks of MarketWatch, Inc. Intraday data provided by Interactive Data Real-Time Services and subject to the Terms of Use. Intraday data is at least 20-minutes delayed. All times are ET. Historical, current end-of-day data, and splits data provided by Interactive Data Pricing and Reference Data. Fundamental data provided by Morningstar, Inc. SEC Filings data provided by Edgar Online Inc. Earnings data provided by FactSet CapitalStreet, LLC.