



Nevada foreclosures: Worst yet to come

By [Brian Wargo / Staff Writer](#)

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Nevada has gained international attention with its No. 1 national ranking for its foreclosure rate.

But some housing analysts are saying the worst has yet to hit the Silver State, which could be a further drag on already falling home prices.

For the ninth month in a row, Nevada reported the highest foreclosure rate in the nation — one filing per 185 households, nearly triple the number of filings in September 2006, according to the latest statistics from RealtyTrac, a California firm that monitors foreclosures across the country.

On Tuesday, Las Vegas firm SalesTrac reported that through September, 5,603 homes had been repossessed by banks, a 472 percent gain over all of 2006, when 1,829 homes were repossessed.

The problem is expected to magnify in 2008 as interest rates on many adjustable-rate mortgages reset after three years, and homeowners face the sticker shock of their payments jumping 50 percent or even more in some cases, said Tim Sullivan, president of the Sullivan Group Real Estate Advisors, which tracks the Las Vegas housing market.

The Las Vegas market peaked in 2005 and many who took out adjustable-rate mortgages didn't benefit from appreciation that could have bailed them out of their predicament.

"I think 2008 is going to be more difficult than 2007, at least when you're talking about the potential of foreclosure," Sullivan said.

Sullivan cited a report from Banc of America Securities tracking the volume of resetting adjustable-rate mortgages. In January, it was \$20 billion nationwide and approached \$60 million this month. In March, one estimate said it would peak at about \$110 million and remain elevated through next summer, Sullivan said. Another analysis said it won't reach that level but the following months will have an even larger number of mortgages resetting, Sullivan said.

"Either way, the net effect is that we have the first six months of 2008 to go through this and another three to four months of where we go from there," Sullivan said. "The implication is that it's going to be a very difficult year for figuring our values from a real estate standpoint. There is going to be a lot of competition."

Las Vegas home prices have been falling since reaching their peak in June 2006. The inventory of homes on the resale market has remained at record levels and adding in foreclosures further depresses prices as lenders are willing to discount those properties to get them off their books.

Top 10 foreclosure states

Nevada continues its top ranking in the number of foreclosure filings per household. The filings in September have nearly tripled over September 2006.

Rank/State	One per (#) household	Percent change from Aug. 2007	Percent change from Sept. 2006
1. Nevada	185	-11.8	186.82
2. Florida	248	-1.70	157.64
3. California	253	-11.43	246.20
4. Michigan	314	-8.50	81.52
5. Arizona	316	-8.54	177.81
6. Georgia	316	-14.39	130.81
7. Ohio	319	-11.71	131.22
8. Colorado	326	-4.49	40.29
9. Texas	615	-13.49	22.46
10. Indiana	615	-11.54	11.64

SOURCE: RealtyTrac IN BUSINESS LAS VEGAS

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Bankruptcy / Debt
Benefits / HR Outsourcing
Branding
Business Continuity
Business Credit Cards
Business Insurance
Business Intelligence
Business Security

In September in Nevada there were 3,724 notices of default issued to homeowners who were delinquent in their payments, RealtyTrac reported. The firm reported there were 927 properties actually foreclosed upon.

The statewide problem with foreclosure has been the focus of Nevada Gov. Jim Gibbons and state lawmakers who are continuing to study the issue. The best they could do was urge homeowners to work with their lenders to avoid foreclosure proceedings and encourage lenders to work with homeowners and refinance the loans so they don't face sticker shock. At the national level, federal officials are pushing for legislation to help more people avoid losing their homes.

At the recent Las Vegas summit that had Gibbons meeting with lenders, the group received an overview of the statewide foreclosure problem from Jeremy Agüero, a principal at Applied Analyst, who said that the worst is yet to come in a state where 46 percent of the households allocate more than 30 percent of their income to housing. About 20 percent of the loans in Nevada are subprime loans in which borrowers have less than perfect credit history and more than 35 percent of loans are adjustable rate mortgages, according to the most recent statistics released by the Mortgage Bankers Association.

In his report to the summit, Agüero said he told them to expect weakness in the housing market for the next 12 to 18 months and that the combination of an economic slowdown and price devaluations should increase the number of foreclosures.

"It is likely to get worse before it gets better," Agüero said. "It looks like we are just approaching the high point and should stay elevated for some time given the fact that closings are declining and values are falling."

Nevada's problems in part have been attributed to speculators entering the market late and counting on rapid appreciation continuing only to see prices start to fall, analysts said. Michael Krein, president of Nevada Real Estate Services, which handles foreclosures for lenders, said 80 percent to 90 percent of the properties he's handled so far have been investors but expects that to change when loans reset for many homeowners next year.

"Nobody really knows how much they are going to reset," Krein said. "Their payments may not change that much. I don't think it will be as bad as some people think."

Despite the rise in foreclosures that has increased the housing inventory in the valley, Krein said that although banks are discounting the properties 5 percent to 10 percent to make a sale, he doesn't believe the discount and number of properties are high enough to influence the market.

"People want to blame something, and I think they give too much credit to foreclosures for influencing the market," Krein said.

Steve Schauer, president of National Lenders Service, a mortgage broker, said interest rates might be lower by the time the mortgages reset and that will help homeowners facing defaults to refinance.

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