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Wednesday, February 27, 2008

Foreclosures in Mich. decline

Decrease in Jan. filings bucks surge across U.S. Worst could be over for Metro area, experts say

Nathan Hurst / The Detroit News

Foreclosures in Michigan may have hit their peak and finally be heading downward, new data released Tuesday suggests.

That would be a welcome development in a state that has endured one of the worst economic downturns and most severe housing slumps in decades. A decline in foreclosures would be a first step, albeit small, to a real estate recovery that experts predict could take several years.

Michigan foreclosure filings in January declined 7.03 percent compared to the same month a year ago, to 10,746, according to RealtyTrac, a Irvine, Calif.-based firm that tracks foreclosure numbers. In Metro Detroit -- encompassing Wayne, Oakland, Macomb and Livingston counties -- filings declined 23 percent year over year.

Foreclosure numbers fall

The number of foreclosures filings in Michigan declined. Most listed cities show a similar downward trend, after peaking in late 2006 and early 2007.

Area	Jan. '07	Dec. '07	Jan. '08	Jan. '08 foreclosure rate as percentage of total sales	Percentage change from Jan. '07	Percentage change from Dec. '07
Livingson	92	201	159	0.27%	-21%	-20%
Stearns	1,241	1,276	1,158	0.21%	-8%	-1%
Chland	1,325	1,450	1,210	0.22%	-8%	-17%
Wayne	6,564	6,792	6,524	0.21%	-1%	-2%
Macomb	6,272	6,815	7,351	0.23%	+2%	+1%
Michigan	11,705	11,544	10,746	0.24%	-7%	-1%
Nation	148,425	119,740	123,001	0.18%	-17%	+1%

Source: RealtyTrac, January 2008. Data on Metro Detroit.

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While foreclosure filings have been on a downward trend in Michigan and Metro Detroit since September, this was the first year-over-year decline since the filings began to increase in 2006.

"We may have indeed hit bottom with foreclosures," said Don Grimes, senior economic researcher at the [University of Michigan](#). "But that doesn't mean home prices or sales are finished with their bumpy ride."

Economists attributed the January foreclosure decline to a combination of more consumers getting help from lenders and refinancing their mortgages, plus lower [interest rates](#), which have helped reduce the impact of resetting adjustable rate loans. The Federal Reserve has cut its most important prime

interest rate 2.25 percentage points since the beginning of 2007.

Also, the pool of Michigan homeowners at risk of losing their houses simply got smaller as the number of foreclosures climbed.

"There's a feeling that at some point, the number of people who are in trouble with their homes will peak out," Grimes said. "It's possible we're getting there."

U.S. numbers rising

The foreclosure decline in Michigan contrasts with rising numbers nationally: January filings were up 57 percent from a year ago, to 233,000, according to RealtyTrac. There can be as many as three filings on a single home before it's actually seized by a lender.

Michigan finished 10th nationally in its foreclosure rate, with 0.24 percent of all houses in foreclosure, the lowest ranking for the state in months. Finishing higher were Nevada, California, Florida, Arizona, Colorado, Massachusetts, Georgia, Connecticut and Ohio.

Except for Livingston County, all of Metro Detroit also saw year-over-year declines in foreclosure filings in January.

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Foreclosures began to rise in Michigan in 2006, as the unemployment rate climbed, and nationally in 2007, as many homeowners found they could no longer afford their houses because of rising interest rates that swelled their payments on adjustable rate [loans](#).

But intervention by banks and federal authorities to help troubled homeowners refinance into more stable fixed-rate loans may be providing relief, experts say.

Major lenders have agreed to participate in a U.S. Treasury Department-led effort to offer 30-day foreclosure freezes so troubled borrowers will have more time to catch up on their payments. Late last year, officials announced programs to help homeowners with ARMs switch to fixed-rate loans.

Prices remain lower

Dana Johnson, chief economist for Dallas-based Comerica Bank, noted the region's housing slump began getting worse before the rest of the country, so it could see a recovery earlier as well. But it won't be smooth or straightforward.

"This isn't an environment you'd expect to see a lot of recovery in," Johnson said. "And there's a still a big overhang of unsold properties. But it's not going to be as weak as last year."

Another study released Tuesday, the S&P/Case-Schiller Home Price Index, showed a nationwide 9.1 percent decline in median home prices in 2007, and a 13.6 percent drop in Metro Detroit. Foreclosure sales, in which houses go for a fraction of what they used to be worth, are helping to drag those prices down.

But the lower prices are helping to move houses that have sat on the market for months and in some cases years. Karen Kage, president and CEO of RealComp, the Farmington Hills-based multiple listings service, said Metro Detroit home sales rose 15 percent in January over the same month in 2007.

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