

Home Mortgage Foreclosures Increased 80 Percent in 2008

Home mortgage foreclosure rates have reached historically high levels. The number of delinquencies has risen for eight quarters straight, with over 2 million homeowners filing for foreclosure in the past year. Many are predicting that those filings could more than triple in the years to come. Many borrowers took on a home mortgage that was more than they could afford in the long run, as they felt certain the real estate market would maintain its upward trend and credit seemed easy to come by. During this time, the subprime home mortgage market flourished, as more and more lenders offered loans to consumers who did not qualify for regular prime loans. Some of those people were able to take on those loans with zero down payment or proof of their wages and assets. Assuming the housing market would not go down, others placed their bets on a home mortgage with a variable interest rate. There was so much optimism about the housing market that banks were selling more and more home mortgage loans on the secondary mortgage market to be packaged and sold as mortgage backed securities. When the real estate market began to decline and the credit crisis set in, many consumers, banks and investors found themselves struggling.

The Obama Administration has vowed to make the battered housing market a priority. The second week of February, Secretary of Treasury Tim Geithner announced that \$50 billion of the stimulus bill would be dedicated to reducing home mortgage foreclosures. As the country anxiously awaits the specifics of the stimulus package, things such as incentives for banks to lower home mortgage bills are being discussed. President Obama said he aims to help those struggling before they reach foreclosure. That will require some sort of analysis of income and debt held by a borrower. If he meets the criteria, a borrower may get a lower interest rate on his home mortgage or defer the principal to the end of the term of the loan. A home mortgage foreclosure is more costly to a bank than a loan modification, so many banks are anxiously awaiting the details of how the \$50 billion will be put to use to help the housing sector. Many lenders have, in fact, delayed additional home mortgage foreclosure actions pending the details of the new Obama plan.

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