

## **FORECLOSURES BOTTOMED-OUT OR NOT?**

**According to an analyses by First CoreLogic there are nearly 10 million homes upside down. In September there were approximately 7.5 million single family homes worth less than what is owed on them, and another 2.1 million being close to upside down.**

**Six states were identified as having accounted for more than 58% of the nation's upside-down homes. Nevada, Michigan, Florida, Arizona, California, and Georgia led the way. To add to the bad news is analyst perdition that 1.8 million subprime ARM loans totalling \$347 billion are on average six months away from their initial or next monthly payment reset. Borrowers face an increased risk of payment shock because of the recent volatility of a benchmark interest rate used to calculate their rates.**

**The six-month London Interbank Offered Rate, or LIBOR at recent peaks would have caused monthly payments for many subprime borrowers to increase by 30 to 50%. Loan work-outs could help ease the payment shock of rate resets. The Bush administration is reportedly weighting a proposal that the government guarantee as many as 3 million existing loans when lenders agree to restructure them based on a borrower's ability to repay. The question is what will the real numbers be when due to lax underwriting standards reveal actual income for borrowers being less than a quarter of what was originally claimed on the loan application and the increasing unemployment rate. Is the worse over?**