The Real Estate Market Is Not As Good As It Looks

by Phyllis Rockower February 14, 2014

Don't worry if foreclosures are down. The future may hold a series of events that worsen a home owner's situation.

Here are five reasons I believe that foreclosures will start to come up soon:

1. According to US Treasury regulators, approximately 30 billion in home equity lines (dating to 2004) are due for resets next year, $53 billion the following year and a staggering $111 billion in 2018.

Many borrowers simply will be no longer be able to afford their mortgages when their loan "resets," requiring borrowers to pay both principal and interest on their balances which typically were made 7-10 years ago.

A good idea is strategically targeting homeowners who obtained financing (particularly home equity lines between the years 2004-2008) will increase the probability of success.

2. More than 1 out of 7 owners are still upside down according to CoreLogic.

3. Higher (future) interest rates will make payment shocks worse as the Federal Reserve tapers its stimulus.

4. The Treasury Dept. has been urging the biggest banks to set aside extra reservesfor possible losses. Last month, Citigroup announced it was increasing reserves $20 billion to cover losses from loan resets. Global Credit rating agency "Fitch" is warning that banks face "increasing credit risk" beginning in 2014.

5. New government loan regulations will make it much harder for people to qualify.

Note from Dan Schwartz: New Jersey banks have not yet begun to release their foreclosed properties. There are thousands of foreclosures in NJ. When they are placed on the market, will house prices in general go up or down?

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