Are anti-foreclosure laws threatening the economy? by Apil Gupta

Article published on July 16th 2012 | Mortgage

The recent developments in the United States in the wake of the passing of strict homeowner laws in Nevada has outraged many experts, who believe the recent laws have actually slowed down the entire foreclosure process, with no visible benefit to the homeowners. As per the National Conference of State Legislatures, a dual-party organization that serves the legislators in all the 50 states, more than 400 foreclosure laws have been enacted throughout the United States in 2011, and a majority of these laws slowed down the process.

The Nevada law was passed in October, and is supposedly the most stringent on in recent times. Lenders are imposed with criminal penalties if they try to foreclose a property without the required paperwork. This has resulted in a drastic decline in foreclosures in the state that was one of the hardest hit by the housing market crash in 2008. In September, banks had filed close to 5,000 foreclosure notices, but only 460 of these were served by February. According to real estate agents in the state, the lack of foreclosures has resulted in a shortage of supply, and the number of homes on sale is as low as 778, from 1,700 in September. This has led to a mini bubble in housing prices as there are fewer properties that are getting numerous bids. However, the gains are still not being seen as sustainable.

The bill also has not helped the situation, and has instead prolonged it further. It is expected that banks will eventually understand how they have to tackle this problem, and that is when the prices of homes will come crashing down. Advocates in the area are also having to turn down clients who donâ€™t want to pay their mortgages but just wish to live in their homes for free. From a birdâ€™s eye lev this is bad for lenders as well as homeowners. In a statement by Attorney General Catherine Cortez Masto, AB 284 was enacted in the wake of the fact that some mortgage loan servicers and banks were trying to use Nevadaâ€™s non-judicial foreclosure procedure to foreclose on homes in the state without any documentation that they could do so.

In a comparison between states where the foreclosure process is the longest and the shortest, six states were selected â€“ Florida, New Jersey & New York (belonging to the former category), and Virginia, Arizona & California (belonging to the latter) â€“ it was found out that in case of the latter, the trend for average sale price of foreclosed properties has been higher, which is an indicator of recovery. In Florida and New Jersey, home prices had increased last year as foreclosure activity was slowed down after the robo-signing scandal. However, in the last few months, foreclosure activity has picked up pace after a settlement between banks and the US government, resulting in a drop in home values once again. Hence, it is evident that these new laws have been the undoing of an economy that was otherwise showing glimpses of recovery.

Article Source:
http://www.articleside.com/mortgage-articles/are-anti-foreclosure-laws-threatening-the-economy.htm - Article Side

Apil Gupta - About Author:
Contact you provide you with a Va home loan rates, Home refinance, House loans, Adjustable rate mortgage, Home mortgage online .

Article Keywords:
Mortgage

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!