

Nevada continues to reel from housing crisis

By Jennifer Oldham, Bloomberg

Tamara Harris and her neighbors are gambling that lenders won't foreclose on their Spanish-style homes in the Las Vegas neighborhood of Southern Highlands.

Harris, 38, stopped paying her mortgage three years ago after her accounting business lost its biggest client and her home's value plummeted 52 percent. Some neighbors are also delinquent on their mortgages.

"There are so many people like me who aren't paying their mortgage so they can buy groceries and gas," said Harris, who was rejected for loan-modification programs. "It's creating this whole false economy."

As the nation emerges from the worst housing crisis since the Great Depression, Nevada remains the only state in which the total value of single-family homes is less than the amount owed on them, according to second-quarter statistics released this week by CoreLogic, a Santa Ana data provider.

A 57 percent drop in value since 2006 trapped two out of three Las Vegas residents in homes worth less than they paid and caused a steep decline in property-tax collections that – in a state without income tax – make up a third of city and county budgets.

Multimillion-dollar property-tax losses required Clark County probation officers to take over more juvenile offenders, the county's school district to deplete its reserves and Reno to cut police officers. North Las Vegas declared a state of emergency in June, citing a 37 percent decline in property-tax revenue, to an estimated \$39 million in 2012 from \$62 million

in 2009.

Lawmakers say they're concerned that public-sector job reductions will contribute to a second wave of foreclosures in an economy already reeling from the nation's worst unemployment rate. They are working on programs to help homeowners like Harris.

Housing decline

Other states are also battling high rates of negative equity. About half of homeowners are underwater in Atlanta, Phoenix, Orlando, and Riverside, according to Seattle-based Zillow's second-quarter negative-equity report.

The impacts of the housing crisis continue to ripple through the Nevada economy.

"We've never seen the depth of housing decline we've seen in Las Vegas," said Mark Fleming, chief economist for CoreLogic. "A large majority of Vegas' housing stock was built during the housing boom and is much more sensitive to negative-equity risk as opposed to California, where a much larger segment of the housing stock was built in prior decades."

Boom and plunge

Nevada was the fastest-growing state in the country in the past quarter-century, with more than 6,000 people a month moving in during the 2000s. That fueled a boom in housing construction until price appreciation slowed in 2006. Since then, construction has plunged to 1993 levels, with 75,000 jobs lost over five years, according to Colliers International, a Seattle real estate broker.

Home builders think the inventory of existing homes is being suppressed by a law enacted last year that requires banks to present the original deeds of trust before starting foreclosures, said John Ocegüera, the Nevada state Assembly

speaker and a congressional candidate.

Since AB284 took effect in October, foreclosures have plunged. July's figures were 71 percent below a year earlier, to 2,827, according to Irvine-based RealtyTrac Inc., a foreclosure-data provider.

"A lot of contractors and developers are uneasy about putting new product on the market – they think there are 40,000 to 50,000 houses out there to be foreclosed upon," said Ocegüera, who said his own home is 50 percent underwater.

Lawmakers and banks need to discuss a program that would reduce the principal homeowners like Harris owe on underwater mortgages in exchange for the lending institution receiving part of the profit when a house sells, he said.

Delinquency concerns

Nevada's stagnant housing market precipitated a 33 percent decline in property-tax collections since fiscal 2009 in Clark County, which covers an area the size of New Jersey and includes Las Vegas and about 74 percent of the state's population. The decrease prompted county commissioners to cut 2,000 positions from an 8,505-person workforce.

A 45 percent decline in the assessed value of single-family homes has required the Clark County School District – the nation's fifth-largest – to cut \$500 million from its budget in four years, said Jeff Weiler, the district's chief financial officer.

In Reno, declining property taxes required the police department to cut its force 31.5 percent, after its budget shrank 15 percent from fiscal 2009, said Deputy Chief Tom Robinson.

To help homeowners like Harris, officials are working on a

proposal that would allow the state to acquire and restructure mortgages by issuing bonds backed by private investors, said Johnson, director of the state's Building & Industry Department.

Johnson said among his biggest concerns is the rate of delinquency among underwater homeowners. One in 6 Las Vegas mortgage holders is 30 days or more past due, according to a July report from SalesTraq, a Las Vegas provider of housing research.