

Foreclosure flood soon?

Some say foreclosures down, but others see spike coming

Gene Davis, DDN Staff Writer Friday, April 24, 2009

Foreclosures in the Denver-Aurora area dropped 45 percent in the first quarter of 2009 in comparison to the same time period last year, according to RealtyTrac, a national company that sells foreclosed properties.

Meanwhile, the Colorado Division of Housing says its numbers show that foreclosures have remained relatively flat in 2009, and that Denver could see a spike in foreclosed properties in the near future.

RealtyTrac counted 7,250 foreclosed properties in the Denver-Aurora area from January-March 2009. The company, which hires private contractors to get foreclosure data from different cities, looked at the number of properties with at least one foreclosure filing during the quarter.

Denver's 45.77-percent foreclosure drop from the first quarter of 2008 compares favorably well to most of the other cities surveyed in the report.

Kathi Williams, director of the Colorado Division of Housing, said it's clear that Denver is faring better with foreclosures than many other cities. Williams attributed Denver's good position to foreclosure prevention services like the Colorado Foreclosure Hotline, and the Division of Housing early on encouraging lenders to work with borrowers.

"Now, just to have any (foreclosure) drop at all, we think is a super positive sign," she said.

However, Williams said Denver isn't out of the woods for foreclosures. When President Barack Obama came into office, he urged lenders to implement a self-imposed moratorium on foreclosures. According to Williams, several lenders decided this past week that the self-imposed moratorium is off and that they are going to start re-filing for foreclosures.

"The conversational kind of data we are having with folks out there, we've got some folks who are 180 days behind on their payment and foreclosures haven't been started. Traditionally, 90 days of missed payment triggers the foreclosure," she said. "We know we've got folks out there who are going to be filed against soon."

Additionally, the foreclosure time out bill that will provide a 90-day moratorium on foreclosures for qualified homeowners is likely to be signed into law by Gov. Bill Ritter next week and go into effect around June 30. The small time frame in which foreclosures are allowed could lead to a dramatic increase in foreclosures in the short-term, said Williams.

Short sale

Bob Costello of Denver Foreclosure Brokers echoed Williams, saying "there's going to be this big flush of foreclosed property on the market soon."

Costello went on to argue that many of the foreclosures could be prevented if banks went through with short sells, which is when a lender of a property allows the property to be sold for less than the remaining balance on the mortgage loan.

According to Costello, national banks like Wells Fargo and Citywide have been taking longer and longer getting back to offers on short sell properties. Costello said there have been numerous times when he made a good offer on a short sell property, only to watch the same property be foreclosed on and then resold at a price that was lower than what he originally offered.

"Economics 101 would say do a short sell and be done with it," he said. "It's very frustrating; this should be the ultimate time for buyers to get deals, but banks are not being responsive."