

Skepticism on foreclosure time-out bill

Some welcome idea, yet others wonder if it'll work

Gene Davis, DDN Staff Writer Tuesday, March 10, 2009

A bill that would provide a 90-day timeout to some Colorado homeowners facing foreclosure is being met with skepticism by local real estate brokers.

Four estate agents in the local housing market said that while House Bill 1276, which passed out of the House yesterday on a 40-22 vote, is well-intentioned, they remain doubtful that a foreclosure moratorium would produce much of a long-term positive impact for Colorado.

“From the Realtor’s standpoint, everybody’s attitude is, ‘That’s great and everything, but it seems like a lot of these houses, no matter what, they’re going to be foreclosed on,’” said **Bob Costello, a real estate broker who specializes in foreclosed properties.**

The bill’s supporters, however, say the legislation is designed not to put off the inevitable, but to find good candidates who could avoid losing their homes.

How the bill works

Under HB 1276, once a homeowner receives a notice of foreclosure, he or she would have 20 days to contact a Housing and Urban Development certified counselor. The counselor would then determine if the borrower is a good candidate to work with by doing an assessment of the person’s debt and financial situation. If so, the homeowner would get an extra 90 days to work with his or her bank to figure out how, if at all possible, the person could stay in his or her home.

“It will help responsible borrowers get back on track, stay in their homes and hold onto the American dream,” said a statement from Rep. Mark Ferrandino, D-Denver, the bill’s sponsor.

“The borrower, the lender and the community are all better off when folks can stay in their homes.”

While HB 1276 would undoubtedly help keep some people in their homes, Pat Waldron — a broker who specializes in real estate owned (REO) properties — worries the legislation could result in unexpected negative consequences.

More harm than good?

Waldron said bill will likely result in an oversupply of quality foreclosed homes after the moratoriums end. The oversupply likely would then decrease the value of Colorado real estate, as well as flood public trustees who work with foreclosed properties.

“It could be a double-edged sword,” he said.