Real Estate

- Type Size: A A A
- Print
- Email
- Retweet
- SHARE
- Digg this

Valley pre-foreclosure notices set record

by **J. Craig Anderson** - Apr. 2, 2009 12:00 AM
The Arizona Republic

Lenders signaled their intention in March to foreclose on more than 10,000 Valley homes and other properties, the highest single-month total on record.

The 10,635 notices of trustee sale issued through March 30 represent a 25 percent increase from February and a 100 percent increase over March 2008, according to Mesa real-estate-research firm Ion Data.

Data for March 31 was not yet available. A notice of trustee sale informs borrowers who have not made a mortgage payment for at least 90 days that the house, office, apartment building, patch of land or other property will be put up for sale unless they catch up on their payments in the next 90 days.

Most of the notices pertained to single-family homes, with fewer than 5 percent stemming from commercial mortgages.

Reasons for the pre-foreclosure spike could include the lifting of a moratorium imposed by some banks in February while they were waiting to learn more about a new government loan-modification program, Ion Data analyst Zach Bowers said.

The Treasury Department released details of its $75 billion foreclosure-relief effort, called Making Home Affordable, on March 4.

Roughly 7,000 of the March notices were issued in the latter half of the month, Bowers said.

"The banks know now what the government's going to do," Bowers said. "They know who qualifies and who doesn't."

Scottsdale mortgage broker Jim Hoepf of Arizona Home Lending noted that the increase in notices hit a few months after he started hearing reports that loan servicers were advising distressed borrowers to stop making their mortgage payments if they wanted to get a loan modification.

"That started happening around November," Hoepf said, which would make the timing just right for a spike in March.

Beth Jo Zeitzer of ROI Properties in Phoenix agreed that the sharp boost in notices probably represents the clearing out of a bottleneck in pending foreclosures.

Her hope is that a greater number of buyers receiving notices in March will be able to settle their issues through loan modification or other means to avoid foreclosure.

Historically, about 60 percent of trustee sale notices have led to foreclosure.

"I think you're going to see that percentage likely drop," said Zeitzer, whose company services loans for about 30 lenders.

Ways to avoid foreclosure include making up past-due payments, loan-modification agreements, short sales and surrendering the home to the lender, known as a deed in lieu of foreclosure.

Zeitzer said there is hope that the government's program to pay lenders incentives for modifying loans will lead to a reduction in the number of borrowers who lose their homes.

Still, Bowers said the increase in pre-foreclosure notices does not jibe with some analysts' speculation that the worst of the housing downturn is behind us.

"I think it's a little premature to start calling the bottom just yet," he said. "The number of trustee-sale notices needs to drop off a cliff before that happens."

- Type Size: A A A
- Print
- Email
- Retweet
- SHARE
- Digg this