

Foreclosure sales drop

Some see it as sign of housing market stabilizing; others uncertain

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Foreclosure sales at auction in Denver last month dropped 29.3 percent compared to the same time period last year, a statistic that some experts believe is one of several indicators that the local housing market is beginning to stabilize.

However, a Realtor who specializes in selling foreclosed property says many leading banks are delaying going into the foreclosure process and that the numbers aren't what they seem.

There were 294 foreclosure sales in Denver last month, which was 122 fewer than September 2008, according to a report released yesterday by the Department of Local Affairs Division of Housing.

"We certainly feel that in the housing market, we are seeing many different indicators to suggest that the housing market has reached bottom or, if not, is awfully close," said Patty Silverstein, chief economist for the Metro Denver Economic Development Corp. But personal experience has led **Bob Costello of Denver Foreclosure Brokers** to believe otherwise. He thinks that banks aren't foreclosing as quickly as they should, which is altering the number of foreclosures.

"At some point banks will have a whole boatload of these things, the question is just when they will unload them," he said.

Costello said that banks are deferring the losses that come when they go through the foreclosure process until a later quarter or next year. He believes that the banks want to show a level of profitability this year and will take the financial hit next year.

Another theory Costello has for the lack of foreclosed properties is that the banks are simply overwhelmed by the number of people who are behind payment on their mortgages. But as he pointed out, people have been predicting a flood of foreclosures for a while and it has yet to hit.

"It's all a little bit goofy right now," he said.

The Department of Local Affairs Division of Housing acknowledged in yesterday's report that new foreclosure filings statewide actually increased 72 percent last month compared to the same time period last year. The division's report downplays the increase in filings as being partially driven by a statutory change that lessened the number of new filings during August and September of last year. According to the report, "the large difference in foreclosure filing totals between September 2008 and September 2009 is driven partially by statutory changes and only partially by actual conditions in the real estate markets."

Silverstein agrees that the Denver housing market isn't out of the woods. She's concerned that the metro area could see more foreclosures since "the lack of job opportunity has stretched (people) a little thin as well."

Karen Harkin, Director of Home Finance at the Colorado Housing and Finance Authority, echoed Silverstein's comment.

“As unemployment levels rise, more people continue to face the threat of foreclosure,” she said in a statement. “We urge people who are at risk of foreclosure to contact the Colorado Foreclosure Hotline at 877-601-HOPE.”

Silverstein still believes, though, that the stabilization of home prices and sales are making it look like the Denver house market is past rock bottom and in better shape than most other cities.

According to Silverstein, one reason Denver’s house market is in better position than most other areas is because the city didn’t see the huge run up in housing prices that many other parts of the country saw. The increase in prices — which particularly hit markets like Las Vegas, Phoenix, California and Florida — was largely due to investor-based activity and left the markets vulnerable to a housing crash, she said.

Another reason Denver is in better shape is because residential developers pulled back on activity very early in the national recession. The Denver housing market isn’t oversaturated as a result, she said.

Completed foreclosures in Colorado on a whole fell 5 percent last month compared to the same time last year. Denver county reported the largest fall in the total number of completed foreclosures, while Mesa county reported the largest spike with a 217-percent increase.

For all Colorado counties surveyed, the overall foreclosure rate was 966 households per completed foreclosure.