



Underwater Foreclosures Growing in D-FW Area

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This recent headline in the Dallas Morning News wasn't referring to foreclosures on underwater houses. The topic was foreclosures on houses where the owner was upside-down or "underwater" on the mortgage. In other words, the owner owed more on the mortgage than the house was worth on the open market. This is similar to having a serious car wreck in a new vehicle — you will frequently owe more on the car note than the vehicle is worth at fair market value. Whether it involves a house or a car, it's a bad situation to be in.

More than 20 percent of foreclosure listings thus far in 2010 in the Dallas area were for houses with more debt than the appraised tax value. That's a very large increase from the same period in 2009. This is not only a problem for the homeowner, but also for the lender, who usually cannot resell the house for the amount they have invested in the mortgage and other costs.

According to the newspaper, "Recent studies estimate about 15 percent of all Dallas-area homeowners with mortgages owe more than their house is worth. They either paid too much for the property or, more likely, values have fallen in their neighborhoods due to distressed property sales and high inventories of unsold homes."

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