



Dallas-Fort Worth Foreclosure Rate May Be Artificially Low

Published on March 11, 2010 by **Robert A. Kraft**

The Dallas Morning News recently ran an interesting and somewhat disturbing article about the decrease in local foreclosures in 2009. The good news is that the number of foreclosures dropped in 2009 from previous years. But the bad news is that this drop may have been artificially induced by strategies employed by financial institutions. Here are excerpts from the article:

Dallas-Fort Worth area home foreclosures for 2009 fell to their lowest level in three years.

But the almost 12 percent drop doesn't mean that fewer North Texans are threatened with losing their homes. Indeed, the number of D-FW homeowners with a loan in default is at a record high, and foreclosure filings continue to grow. Actual foreclosure sales have fallen, though, because many lenders are negotiating longer with borrowers and delaying foreclosures for months, a close look at the data shows.

"There are an awful lot of problem loans out there that should be foreclosed on and are not," said George Roddy, who heads Foreclosure Listing Service of Addison, which tracks foreclosures in 19 Texas counties. "Perhaps they think if they delay long enough, the situation will work itself out.

"Yes, foreclosures are down, but it's artificial."

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Last year, lenders sold 18,637 homes at foreclosure auctions in Dallas, Tarrant, Collin, Denton and Rockwall counties. That's down from 21,174 forced sales in 2008 and 19,102 in 2007, according to a Dallas Morning News analysis of Foreclosure Listing Service's numbers. More than 65 percent of the loans on foreclosed homes were made between 2005 and 2009. The average loan balance was about \$130,000.

Along with avoiding the bad publicity from throwing thousands more homeowners out of their houses, lenders postpone taking ownership of the property because it can cost them. By some estimates, it costs a lender \$50,000 to foreclose on a home.

Recent reports showed that the ratio of Texans behind on their mortgage payments has risen to more than 10 percent for the first time. In the Dallas-Fort Worth area, about 6 percent of homeowners with loans at the end of 2009 had missed three consecutive mortgage payments. Even in cases where borrowers are that far behind, many mortgage companies – spurred by government programs – are attempting to modify the debt and avoid foreclosure.

So far, there's no indication that foreclosure filings and home mortgage payment delinquencies will decline in 2010. So far this year, home foreclosure filings in the D-FW area are up 22 percent from the first quarter of 2009. About 15 percent of Dallas-area homeowners with mortgages owed more than their house was worth at the end of 2009, according to a new report from First American CoreLogic. That makes them much more likely to walk away from their homes if they're caught in a cash squeeze.

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