



## Colorado Division of Housing 2<sup>nd</sup> Quarter 2007 Foreclosure Report

August 30, 2007

### Summary and Methods

In response to recommendations from the Colorado Blue Ribbon Panel on Housing and the Colorado Foreclosure Prevention Task Force, the Colorado Division of Housing has compiled the attached information regarding foreclosures in Colorado.

These statistics have been collected to provide as accurate a view as possible of foreclosures in Colorado, and to determine which regions of the state are being most heavily impacted by foreclosures. The data is provided on a county-by-county basis and is based on foreclosure filings through the Public Trustee's office of each county.

This report seeks to provide two essential pieces of information:

**Foreclosure Filing Statistics:** Once a borrower is approximately three months late with payments, the Public Trustee will send the borrower a Notice of Election and Demand. At this point, the property is officially in foreclosure.

The public trustee filings provide an objective measure of how many foreclosure proceedings have been initiated in a given county. Such filings can be "cured" and "withdrawn" before the home is sold at auction, meaning that not all foreclosure filings result in a final foreclosure sale. However, public trustee numbers are a reliable indicator of the number of homeowners in a county who have become seriously delinquent on home loans, and they provide insights into the overall health of the housing market within that county.

**Foreclosure Sale Statistics:** After a 45-60 days period following the initial filing, the property may be sold at auction to a third party or to the mortgage company. Once the foreclosure sale takes place, there is a 75-day period during which time the homeowner can retain the equity in the property by paying off the amount bid at auction plus "allowable fees" (i.e. taxes, insurance, and any interest accrued per day). A borrower can rarely produce cash necessary to pay off such debts and fees, so in most cases, the foreclosure sale indicates the point at which the homeowner is virtually certain to lose the home.

As listed below, the foreclosure filings number and the foreclosure sale number are two independent numbers. In other words, the properties that went to final sale during the current quarter are not the same properties which entered the foreclosure process the same quarter. For example, among properties that went to sale during the second quarter, a large portion of those foreclosures were actually filed during the last quarter of 2006. The properties that entered foreclosure during the second quarter will only proceed to sale during a future quarter.

### Why are both numbers important?

The foreclosure filings number provides a view of how many borrowers have become seriously delinquent on their loans. Foreclosure filings provide a good guide to foreclosure activity in a given county, and while a property may be withdrawn from the foreclosure process after a filing is made, the filings statistics nevertheless indicate where borrowers are delinquent and in default.

The foreclosure sale numbers generally indicate how many households have lost all equity in the home as the result of a home being sold to another party at auction. This other party can be the mortgage company, an investor, or others. Many households in the foreclosure process lose their homes through a variety of processes such as short sales and deed-in-lieu-of-foreclosure agreements. Losing the home through a foreclosure sale, however, is generally the outcome that is most damaging to the credit of the homeowner/borrower, and it also does not allow for the homeowner/borrower to preserve any of the equity he or she might still have in that property.

### Study Findings

For the second quarter of 2007, Colorado public trustees reported 10,015 foreclosure filings. Overall, there have been 19,460 filings reported during the first six months of 2007. For all of 2006, there were 28,435 filings. Statewide foreclosure filings statistics have been kept since 2003:

Year	Foreclosure filings
2003	13,573
2004	16,801
2005	21,782
2006	28,435
2007 (Jan-June)	19,460

### Foreclosure Sales

For the second quarter of 2007, Colorado public trustees reported 6,017 foreclosure sales. Overall, there have been 11,908 foreclosure sales reported during the first six months of 2007. For all of 2006, there were 13,643 foreclosure sales. Statewide foreclosure sales statistics have been kept since 2003:

Year	Foreclosure sales
2003	6,258
2004	7,782
2005	12,699
2006	13,643
2007 (Jan-June)	11,908

Most of the increase in foreclosure filings is found in Adams, Denver, and El Paso Counties. In many counties, there was little increase between the 1<sup>st</sup> quarter filings and the second quarter filings. In Arapahoe County, filings decreased slightly.

On the other hand, even in counties where filings saw little increase, **foreclosure sales** increased. For example, in Arapahoe county, where there was a small decline in foreclosure filings, there was a 13 percent increase in foreclosure sales, and in Pueblo County (which also reported a decrease in filings), there was a 17 percent increase in foreclosure sales. All Metro Denver counties saw increases in foreclosure sales, as did El Paso, Larimer, and Weld counties.

While the sales numbers and filings numbers are independent of each other, a sustained increase in sales numbers indicates that an increasing number of households are proceeding to the most serious stage of foreclosure than in past quarters.

## **Regional Differences**

The most significant foreclosure activity is on the Front Range of Colorado. For example, the counties with the most foreclosure filings per household were Adams, Weld, Arapahoe, Denver, and Pueblo. Adams and Denver counties topped the list with 1 filing per 45 households and 1 filing per 60 households respectively. In Weld County, there was 1 filing per 62 households, with Pueblo County and El Paso County reporting 1 filing per 78 households and 1 per 123 households respectively.

In the Denver Metro area, foreclosure filings rates ranged from 1 per 45 in Adams County to 1 per 264 in Boulder County. Boulder County reported fewer foreclosure filings per household than any other metro county. See Table 1.2 for further details.

In the mountains and on the Western Slope, foreclosure rates are much lower with Mesa County and Summit County reporting a filings rates of 1 per 270 and 1 per 202 respectively. La Plata County reported a filings rate of 1 per 479.

Statewide, there was approximately 1 foreclosure filing per 181 households for the period from January 1- June 30.

In the central mountains and on the Western Slope, the active housing market makes it relatively easy to sell a home if the borrower is unable to keep up with payments. On the Front Range and on the Eastern Plains, due partly to a large supply of for-sale housing, it is more difficult to sell a home quickly, and this may lead to default.

## **Forecasts for 2007**

Foreclosure filings in Colorado increased 31% from 2005 to 2006 and 110% between 2003 and 2006. Forecasts indicate that, barring major positive changes in economic conditions, foreclosure filings in Colorado will increase to 38,000 for 2007, a 34% increase from 2006.

Projections for the full year of 2007 further suggest that Adams and Arapahoe counties may experience increases of about 30%, with Denver county foreclosure activity looking to increase 35%. Weld, Larimer, El Paso, and Pueblo counties are likely to see increases of approximately 20%.

Some mountain counties such as Garfield, Routt, and Summit counties may experience declines in total foreclosures.

Seasonal variations in foreclosure filings are usually not large under most conditions. The 1<sup>st</sup> and 4<sup>th</sup> quarters generally experience the most foreclosure activity, with the 2<sup>nd</sup> quarter having the least. Foreclosure rates tend to gradually increase from the middle of the year through the end of the year.

## **Other Foreclosure Reports**

Throughout the Front Range, the foreclosure rate per household, including statistics on both filings and on sales has worsened since 2003, the first year statewide data is available. However, this Public Trustee data indicates that foreclosure numbers have been exaggerated by some organizations providing foreclosure data to Colorado media.

For example, Realtytrac, an often-cited source for foreclosure statistics, reported that Colorado had experienced 17,852 foreclosure events for the second quarter of 2007. Public Trustee data, on the other hand, shows 10,017 filings and 6,322 foreclosure sales. This suggests that Realtytrac is possibly adding together the filings number and the sales number (plus other unknown data) to arrive at their foreclosure numbers.

To add the two numbers together, however, would be misleading, since it would create the impression that 17,852 separate households experienced foreclosure during the period reported. It is more accurate to keep the filings numbers and the sales numbers separate, since counting a household at both the filing stage and the sale stage in the same statistic would be to count the same household twice. This may be why the RealtyTrac statistic shows a foreclosure number that is almost 80 percent greater than the actual filings number, and is well over twice as large as the foreclosure sales number.

Even though RealtyTrac labels its numbers as indicators of “foreclosure activity,” and not individual properties in foreclosure, the media often reports such numbers as “foreclosures” without further qualification. This further creates the impression that there are in fact many new foreclosures per reporting period than is actually the case.

We have concluded that the most transparent and accurate means of counting foreclosures is to analyze both numbers independently since mixing filings statistics with sales statistics would mean double-counting of households in a large number of cases.

RealtyTrac has also provided widely reported foreclosure data stating that in 2006, Colorado experienced 54,747 foreclosures and had a total foreclosure rate of 1 in 33 households. According to Division of Housing data, the 2006 statewide foreclosure rate for Colorado was 1 in 58 households with a total number of 28,453 foreclosure filings.

The Colorado Division of Housing plans to continue counting foreclosure data from Public Trustees on a quarterly basis and will be releasing data for the Third Quarter of 2007 later this year.

The Colorado Division of Housing wishes to acknowledge the invaluable assistance of Robert Sagel, the Public Trustee of Morgan County, and the Public Trustee Association, although Mr. Sagel and the Association bear no responsibility for the conclusions and analysis contained in this summary.

### **Methods**

The Colorado Division of Housing has sought to collect foreclosure information on all 64 counties. Data is collected directly from the Public Trustee’s office in each county. Our current dataset includes all counties.

All of the non-reporting counties in past quarters are counties with a very small number of households (such as Mineral and Saguache counties), and we believe our system can accurately create a picture of the foreclosure situation, even during quarters when some smaller counties do not report. The sampled counties are also designed to take into account regional differences. We have focused especially on the most populous counties to ensure that over 95% of foreclosures in the state are covered by this survey. The Colorado Division of Housing will continue to seek foreclosure data where it is missing or is not yet available.

To calculate per-household foreclosure statistics and rankings, the sample employs data from the most populous and metropolitan counties, and also includes a sampling from all parts of the state to provide information on regional differences throughout the state.

The per-household calculation for each county is based on 2005 estimates of occupied households provided by the Colorado State Demographer. This means that for 2006, the higher foreclosure number (in most cases) for 2006 will be divided into the 2005 household estimate number. This will slightly inflate the final per-household calculation since it does not take into account the growth in total households from 2005 through 2006. Even though 2006 household numbers are not yet available, we have used the 2005 number to provide an opportunity to draw some comparisons between counties.

The household number is that of “total occupied housing units” in each county. This is the number used by other organizations that publish foreclosure ranking data.

Table 1.1

**Foreclosure Statistics 2007**

	1st Quarter Foreclosure Filings	2nd Quarter Foreclosure Filings		1st Quarter Sales	2nd Quarter Sales
Adams*	1,456	1,734		1000	1180
Alamosa	18	17		12	5
Arapahoe	1,569	1,478		969	1097
Archuleta	6	14		3	3
Baca	4	3		4	1
Bent		2			4
Broomfield	53	50		45	40
Boulder	214	211		128	143
Chaffee	14	19		9	6
Cheyenne		0			0
Clear Creek	30	23		11	14
Conejos	6	7		2	2
Costilla	4	10		2	2
Crowley	2	1		2	2
Custer	8	5		0	2
Delta	19	16		13	15
Denver*	1,940	2,151		900	979
Dolores	5	2		1	0
Douglas	373	457		338	412
Eagle	14	45		8	26
Elbert	66	58		36	47
El Paso	828	880		462	497
Fremont	79	84			29
Garfield	18	19		6	6
Gilpin	16	15		3	11
Grand	13	12		8	3
Gunnison	9	5		1	2
Hinsdale	0	0		0	0
Huerfano		12			6
Jackson	0	0		0	0
Jefferson	839	826		527	543
Kiowa		0			0
Kit Carson		6			6
La Plata	17	23		14	0
Lake	5	10		2	2
Larimer	382	354		271	277
Las Animas	25	10		3	8
Lincoln	6	5		2	6
Logan	26	21		7	14
Mesa	102	89		9	28
Mineral		1			0

Moffat		8		5
Montezuma	7	12	1	6
Montrose	32	21	8	
Morgan	46	47	28	36
Otero	39	25	14	
Ouray	2	1	2	1
Park	51	54	33	30
Philips	10	6	3	2
Pitkin		3		1
Prowers	14	18	11	7
Pueblo	383	362	247	290
Rio Blanco	3	1	1	1
Rio Grande		8		7
Routt	9	12	8	1
Saguache		5		2
San Juan	0	0	0	0
San Miguel	7	5	2	2
Sedgwick	0	3	0	1
Summit	16	38	1	5
Teller		52		43
Washington	3	0	1	2
Weld	647	650	425	456
Yuma	8	11	3	6
<b>TOTALS</b>	<b>9,443</b>	<b>10,017</b>	<b>5586</b>	<b>6322</b>

\* 1st Quarter sales for Denver and Adams counties are estimates.

Table 1.2  
**Number of Households per Foreclosure Filing**

	<b>total occupied units (2005 estimate)</b>	<b>1st Q Foreclosures</b>	<b>2nd Q Foreclosures</b>	<b>Total Foreclosures, Jan-June, 2007</b>	<b>No. occupied units per foreclosure by county. (Jan-Jun) [Read: 1 fore- closure filing per 45 households, etc.]</b>
Adams	142,649	1,456	1734	3,190	<b>1 per 45</b>
Arapahoe	208,629	1,569	1478	3,047	<b>1 per 68</b>
Broomfield	16,481	53	50	103	<b>1 per 160</b>
Boulder	112,176	214	211	425	<b>1 per 264</b>
Denver	246,566	1,940	2151	4,091	<b>1 per 60</b>
Douglas	87,350	373	457	830	<b>1 per 105</b>
El Paso	210,407	828	880	1,708	<b>1 per 123</b>
Jefferson	207,720	839	826	1,665	<b>1 per 125</b>
Larimer	105,193	382	354	736	<b>1 per 143</b>
Mesa	51,544	102	89	191	<b>1 per 270</b>
Pueblo	58,125	383	362	745	<b>1 per 78</b>
Weld	80,054	647	650	1,297	<b>1 per 62</b>
La Plata	19,143	17	23	40	<b>1 per 479</b>
Otero	7,625	39	25	64	<b>1 per 119</b>
Garfield	18,726	18	19	37	<b>1 per 506</b>
Morgan	9,888	46	47	93	<b>1 per 106</b>
Summit	10,881	16	38	54	<b>1 per 202</b>

Statewide, there was 1 foreclosure filing per 181 households during the period from Jan 1- June 30, 2007.