

## Division of Housing, Colorado Department of Local Affairs 3rd Quarter 2011 Report on Releases of Deeds of Trust



### Report findings, December 14, 2011

Within the counties surveyed, releases of deeds of trust in Colorado fell 13.2 percent from the third quarter of 2010 to the third quarter of 2011, falling from 58,177 to 50,506 year over year.

Comparing the first three quarters of the year from 2010 to 2011, total releases were up 3.4 percent through the third quarter of this year compared to the same period last year. There were 171,596 releases during the first three quarters of 2010 and 177,409 during the same period this year.

Releases fell 6.3 percent from the second quarter of 2011 to the third quarter with release totals falling from 53,878 during the second quarter to 50,506 during the third. Releases have declined for the past three quarters in a row and have fallen to the lowest quarterly total recorded in any quarter since the survey was launched in 2008.

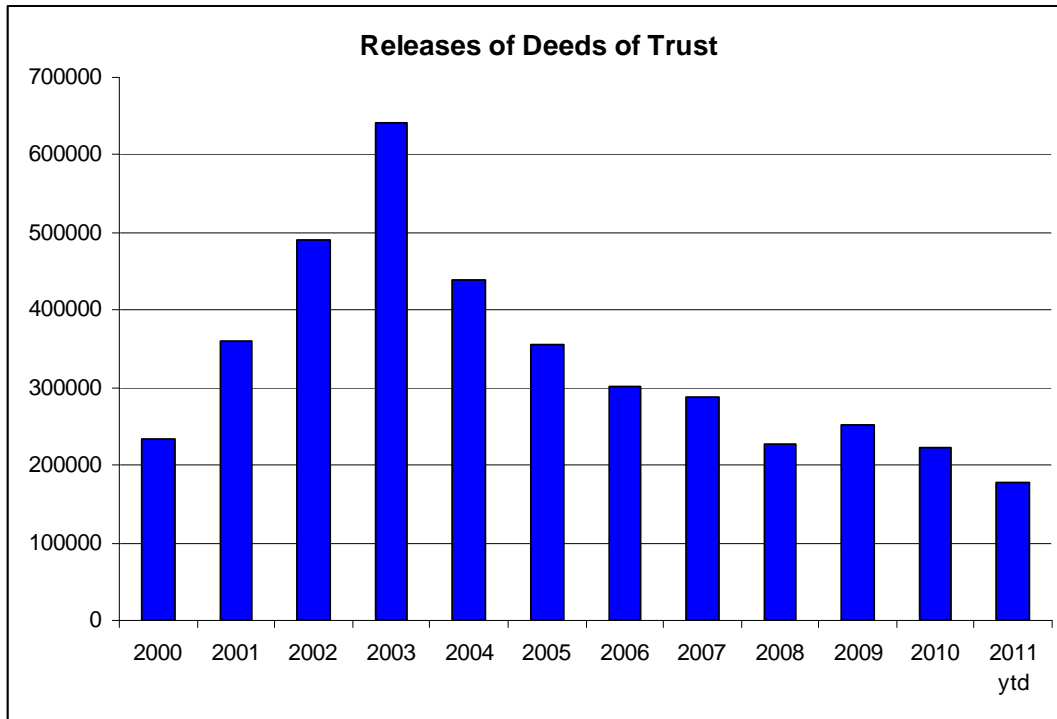
Release totals continue to be well below peak levels reached during 2003 when releases totaled 640,443 within the counties surveyed. By 2010, total releases had fallen by 65 percent.

Table 1 and Graph 1 below show the number of annual releases of deeds of trust since 2000. Graph 2 compares quarterly totals since the first quarter of 2008. See the appendices for quarterly totals.

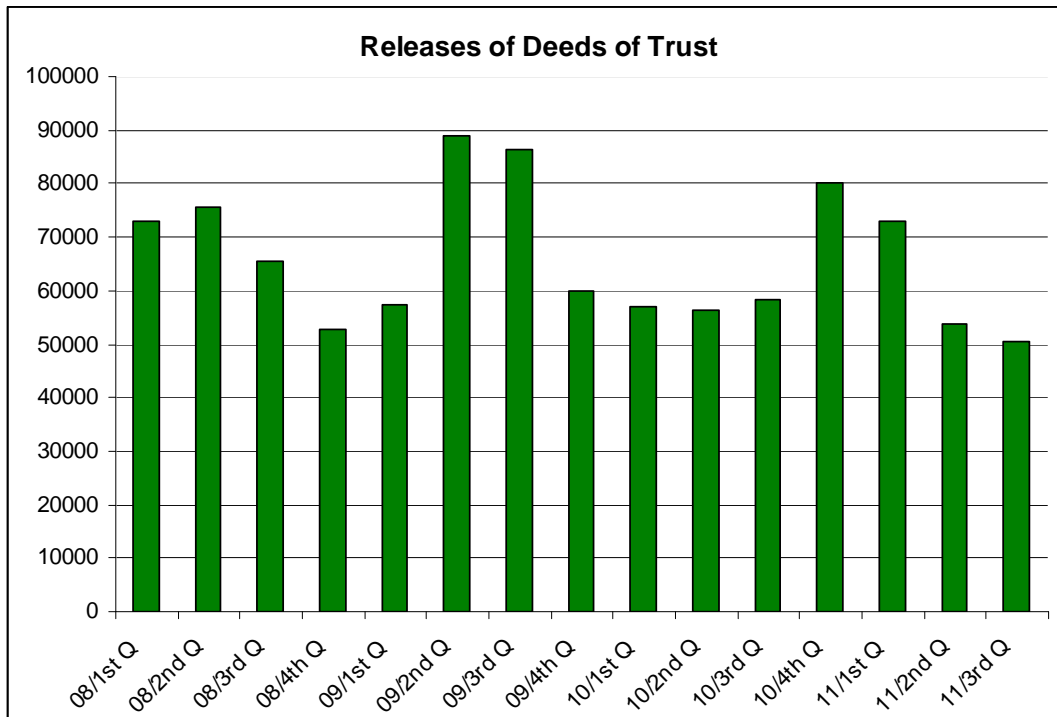
**Table 1: Releases of Deeds of Trust**

Year	Releases of Deeds of Trust
2000	233,202
2001	359,012
2002	491,516
2003	640,443
2004	439,355
2005	355,676
2006	301,360
2007	287,535
2008	228,412
2009	253,007
2010	221,904
2011	177,409 (Jan-Sept)

**Graph 1: Annual release totals.**



**Graph 2: Quarterly release totals.**

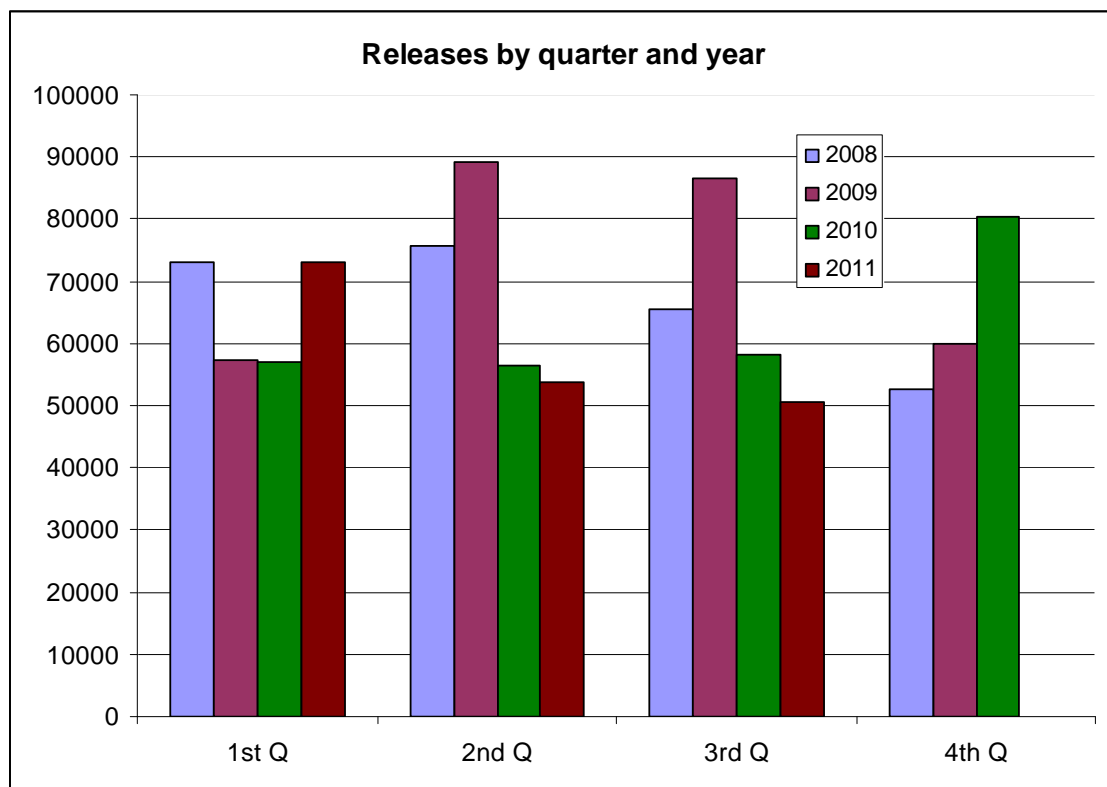


### Comparing release totals for each quarter

The release total during the third quarter of 2011 was the smallest third-quarter total recorded since the survey was launched in 2008. This year's third-quarter total is down 41.5 percent from 2009's third quarter peak of 86,464.

Releases have declined for the past three quarters in a row, falling to the lowest total for any quarter recorded since the survey was launched, and falling below 2008's fourth quarter total which reflects the drop in releases following the 2008 financial crisis.

**Graph 3: Release totals compared by quarter.**



### County Trends

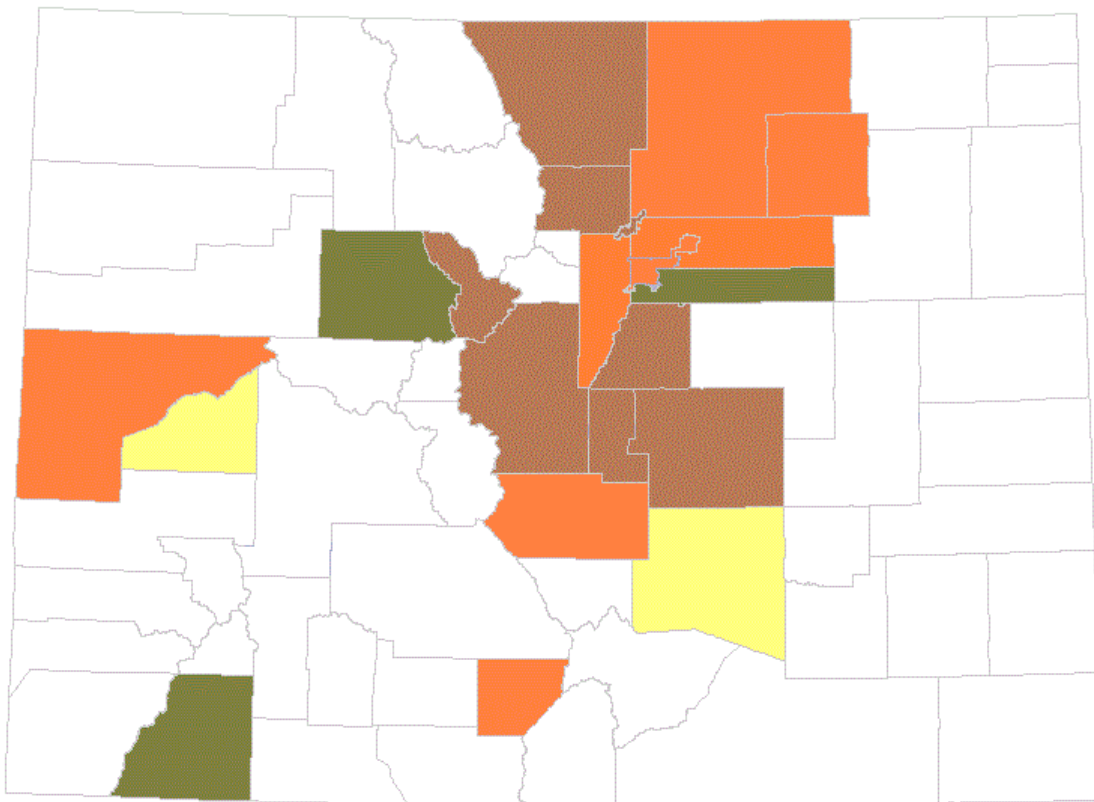
From the third quarter of 2010 to the third quarter of this year, releases of deeds of trust decreased in all 21 counties surveyed with the exception of Adams, Douglas, La Plata, Mesa, Summit and Teller counties.

Comparing the first three quarters of last year with the same period this year, 11 of the 21 counties surveyed reported decreases in release totals.

These variations across counties suggest substantial variations in the amount of refinance and home purchase activity occurring within different counties.

When release totals in each county are adjusted for the number of occupied households in each county, the counties with the most release activity tend to be counties that are either in mountain areas or which border mountain areas. The counties with the most release activity, adjusted for total household numbers, were Summit, Douglas, Park, Teller and Boulder counties. Map one shows all counties surveyed. Rates are based on third quarter release totals.

**Map1: Release activity by county.**

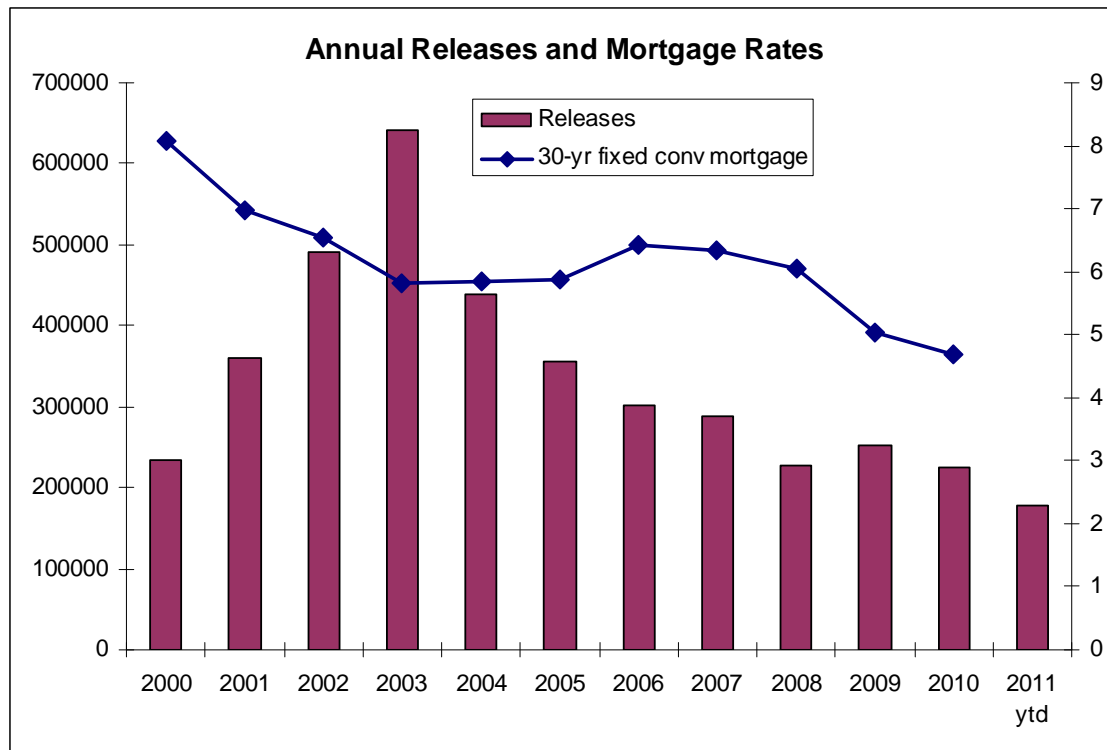


Release rates are split into 4 categories by index number: 1. (burgundy) Index value of more than 3.0. 2. (green) Index value from 2.6 to 3.0. 3. (orange) Index value from 2.1 to 2.5. 4. Index value below 2.

## Analysis:

Release activity is closely associated with home loan refinance activity and, to a lesser extent, to home purchase activity. Refinance and home purchase activity are in turn heavily influenced by mortgage rates. Graph 4 shows the 30-year fixed conventional mortgage rate for each year since 2000. In general, as mortgage rates decline, release activity increases. This can be seen from 2000 to 2003 as the mortgage rate dropped 27 percent and total releases increased 174 percent. Similar but less dramatic trends can be found from 2005 to 2006 when the mortgage rate increased 9 percent and total releases fell 15 percent. Likewise, when mortgage rates fell again following the 2008 financial crisis, falling by 16 percent, total releases rose by 10 percent. From 2009 to 2010, however, declining interest rates did not produce an increase in the number of releases.

**Graph 4: Annual releases compared with annual mortgage rate averages.**

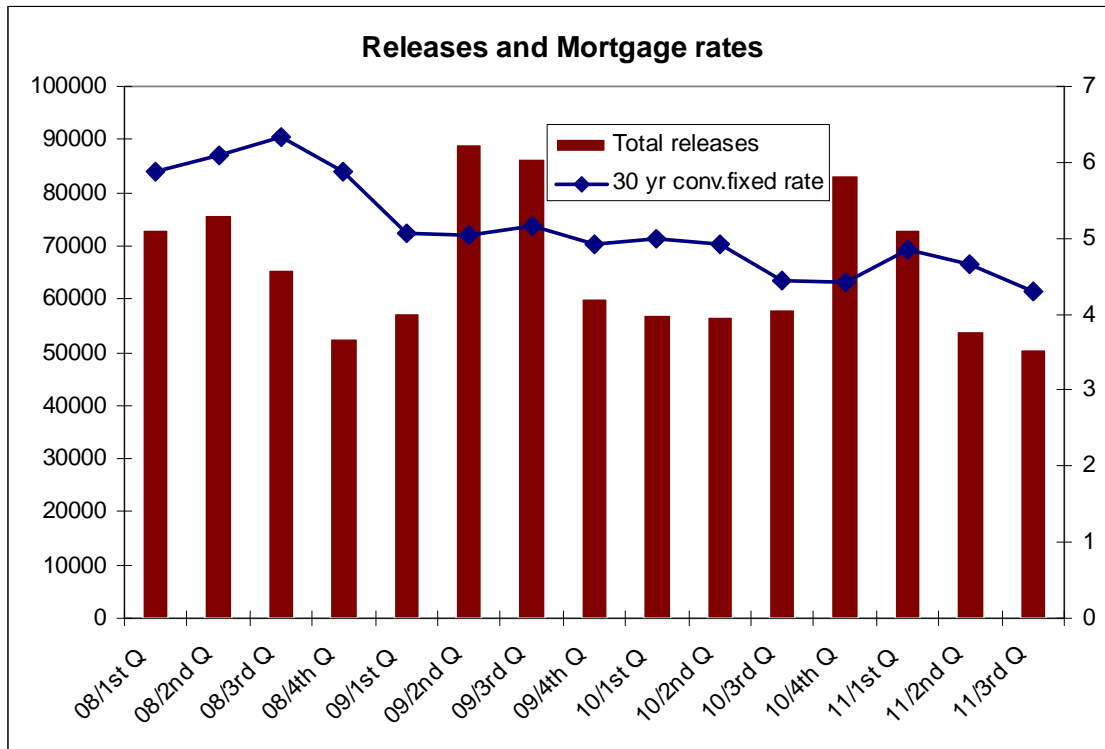


Similar trends can also be found on a quarter by quarter basis. In the case of quarterly numbers, however, there is a one-quarter lag between a change in mortgage rates and a change in total releases.

Graph 5 shows total releases and average mortgage rates for each quarter available since 2008. From the fourth quarter of 2008 to the first quarter of 2009, the average mortgage rate fell 13 percent, followed by a 55 percent increase in total releases from the first quarter to the second quarter of 2009. By contrast, when the average mortgage rate increased 9.9 percent from the fourth quarter of 2010 to the first quarter of 2011, total releases fell by 9 percent during the following quarter.

Since the first quarter of 2011, the average mortgage rate and total releases have both fallen.

**Graph 5: Quarterly release totals compared with quarterly average mortgage rates.**



## Appendices

**Table 2: Year-over-year change in release totals for the third quarter of each year.**

County	2008/3rd Q	2009/3rd Q	2010/3rd Q	2011/3rd Q	Change since 2010	Change since 2009	Change since 2008
<b>Adams</b>	4041	5055	3388	3405	0.5	-32.6	-15.7
<b>Alamosa</b>	174	188	161	125	-22.4	-33.5	-28.2
<b>Arapahoe</b>	5687	8641	7498	5875	-21.6	-32.0	3.3
<b>Boulder</b>	4670	7243	4953	4409	-11.0	-39.1	-5.6
<b>Broomfield</b>	765	1266	926	721	-22.1	-43.0	-5.8
<b>Delta</b>	532	480	339	258	-23.9	-46.3	-51.5
<b>Denver</b>	7772	12044	8317	6186	-25.6	-48.6	-20.4
<b>Douglas</b>	5504	8080	2641	4267	61.6	-47.2	-22.5
<b>Eagle</b>	1103	1523	661	493	-25.4	-67.6	-55.3
<b>El Paso</b>	8323	12517	8801	7376	-16.2	-41.1	-11.4
<b>Fremont</b>	598	593	480	393	-18.1	-33.7	-34.3
<b>Jefferson</b>	6920	10169	6919	5539	-19.9	-45.5	-20.0
<b>La Plata</b>	1018	1394	331	585	76.7	-58.0	-42.5
<b>Larimer</b>	6813	6422	5440	4195	-22.9	-34.7	-38.4
<b>Mesa</b>	3855	3350	804	1345	67.3	-59.9	-65.1
<b>Morgan</b>	265	271	297	224	-24.6	-17.3	-15.5
<b>Park</b>	450	491	329	289	-12.2	-41.1	-35.8
<b>Pueblo</b>	2059	2122	1687	1186	-29.7	-44.1	-42.4
<b>Summit</b>	1690	1683	1001	1124	12.3	-33.2	-33.5
<b>Teller</b>	530	537	295	381	29.2	-29.1	-28.1
<b>Weld</b>	2795	2395	2909	2130	-26.8	-11.1	-23.8
<b>Total</b>	65564	86464	58177	50506	-13.2	-41.6	-23.0

**Table 3: Year over-year release totals for the first three quarters (the period from January through September) of each year.**

County	2008	2009	2010	2011	change since 2010	change since 2009	change since 2008
<b>Adams</b>	12232	12882	10891	11264	3.4	-12.6	-7.9
<b>Alamosa</b>	556	522	436	420	-3.7	-19.5	-24.5
<b>Arapahoe</b>	21727	24730	20490	19153	-6.5	-22.6	-11.8
<b>Boulder</b>	15363	19339	14049	14388	2.4	-25.6	-6.3
<b>Broomfield</b>	2657	3536	2490	2378	-4.5	-32.7	-10.5
<b>Delta</b>	1731	1462	1038	855	-17.6	-41.5	-50.6
<b>Denver</b>	23951	26948	21648	20583	-4.9	-23.6	-14.1
<b>Douglas</b>	16851	22604	10625	15597	46.8	-31.0	-7.4
<b>Eagle</b>	3941	4906	1623	1914	17.9	-61.0	-51.4
<b>El Paso</b>	33019	31092	24239	24017	-0.9	-22.8	-27.3
<b>Fremont</b>	2175	1804	1364	1309	-4.0	-27.4	-39.8
<b>Jefferson</b>	24502	27099	22479	25687	14.3	-5.2	4.8
<b>La Plata</b>	3278	3621	2080	2133	2.5	-41.1	-34.9
<b>Larimer</b>	15261	18902	14010	13831	-1.3	-26.8	-9.4
<b>Mesa</b>	11653	10139	5524	4902	-11.3	-51.7	-57.9
<b>Morgan</b>	986	790	813	1009	24.1	27.7	2.3
<b>Park</b>	1436	1413	987	1091	10.5	-22.8	-24.0
<b>Pueblo</b>	6239	5998	4811	4094	-14.9	-31.7	-34.4
<b>Summit</b>	5251	4883	2910	3812	31.0	-21.9	-27.4
<b>Teller</b>	1611	1140	1185	1420	19.8	24.6	-11.9
<b>Weld</b>	9895	8907	7904	7552	-4.5	-15.2	-23.7
<b>Total</b>	214315	232717	171596	177409	3.4	-23.8	-17.2



**Table 4: Change in release totals from the second quarter to the third quarter of 2001.**

County	2011/2nd Q	2011/3rd Q	Change from previous quarter
<b>Adams</b>	3540	3405	-3.8
<b>Alamosa</b>	125	125	0.0
<b>Arapahoe</b>	5619	5875	4.6
<b>Boulder</b>	3916	4409	12.6
<b>Broomfield</b>	752	721	-4.1
<b>Delta</b>	240	258	7.5
<b>Denver</b>	6222	6186	-0.6
<b>Douglas</b>	4758	4267	-10.3
<b>Eagle</b>	645	493	-23.6
<b>El Paso</b>	6984	7376	5.6
<b>Fremont</b>	396	393	-0.8
<b>Jefferson</b>	8030	5539	-31.0
<b>La Plata</b>	646	585	-9.4
<b>Larimer</b>	4089	4195	2.6
<b>Mesa</b>	1587	1345	-15.2
<b>Morgan</b>	510	224	-56.1
<b>Park</b>	336	289	-14.0
<b>Pueblo</b>	1376	1186	-13.8
<b>Summit</b>	1238	1124	-9.2
<b>Teller</b>	456	381	-16.4
<b>Weld</b>	2413	2130	-11.7
<b>Total</b>	53878	50506	-6.3

**Table 5: Release totals in each county adjusted for the total number of occupied households in each county. Index value = (releases/occupied households)\*100**

<b>County</b>	<b>11/3rd Q Releases</b>	<b>Occupied households (2010)</b>	<b>Release Index</b>
<b>Summit</b>	1124	11791	9.5
<b>Douglas</b>	4267	102568	4.2
<b>Park</b>	289	7198	4.0
<b>Teller</b>	381	9850	3.9
<b>Boulder</b>	4409	119494	3.7
<b>Larimer</b>	4195	120708	3.5
<b>Broomfield</b>	721	21509	3.4
<b>El Paso</b>	7376	237851	3.1
<b>La Plata</b>	585	21141	2.8
<b>Arapahoe</b>	5875	225201	2.6
<b>Eagle</b>	493	19209	2.6
<b>Jefferson</b>	5539	218569	2.5
<b>Weld</b>	2130	89867	2.4
<b>Fremont</b>	393	16589	2.4
<b>Denver</b>	6186	265613	2.3
<b>Mesa</b>	1345	57931	2.3
<b>Adams</b>	3405	154503	2.2
<b>Morgan</b>	224	10306	2.2
<b>Alamosa</b>	125	6018	2.1
<b>Delta</b>	258	12676	2.0
<b>Pueblo</b>	1186	63135	1.9
<b>Total</b>	50506	1670170	3.0

**Table 6: Quarterly totals for most recent five quarters.**

County	10/3rd Q	10/4th Q	11/1st Q	11/2nd Q	11/3rd Q
<b>Adams</b>	3388	6217	4319	3540	3405
<b>Alamosa</b>	161	181	170	125	125
<b>Arapahoe</b>	7498	9867	7659	5619	5875
<b>Boulder</b>	4953	6718	6063	3916	4409
<b>Broomfield</b>	926	1269	905	752	721
<b>Delta</b>	339	432	357	240	258
<b>Denver</b>	8317	9432	8175	6222	6186
<b>Douglas</b>	2641	8362	6572	4758	4267
<b>Eagle</b>	661	1300	776	645	493
<b>El Paso</b>	8801	10062	9657	6984	7376
<b>Fremont</b>	480	529	520	396	393
<b>Jefferson</b>	6919	8184	12118	8030	5539
<b>La Plata</b>	331	893	902	646	585
<b>Larimer</b>	5440	6249	5547	4089	4195
<b>Mesa</b>	804	2314	1970	1587	1345
<b>Morgan</b>	297	337	275	510	224
<b>Park</b>	329	429	466	336	289
<b>Pueblo</b>	1687	1803	1532	1376	1186
<b>Summit</b>	1001	1886	1450	1238	1124
<b>Teller</b>	295	378	583	456	381
<b>Weld</b>	2909	3423	3009	2413	2130
<b>Total</b>	58177	80265	73025	53878	50506

**Table 7: Total annual releases.**

County	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ytd
<b>Adams</b>	15696	29336	43903	54130	38450	32223	26194	21713	15451	10769	17108	11264
<b>Alamosa</b>	630	630	630	630	630	630	630	630	699	572	617	420
<b>Arapahoe</b>	34535	57336	73991	86414	65113	47452	37681	35350	25943	30573	30357	19153
<b>Boulder</b>	20282	33431	42672	55261	32751	25610	19970	20943	18983	24805	20767	14388
<b>Broomfield</b>	n/a	n/a	5364	7757	5160	4048	3836	3858	3321	4352	3759	2378
<b>Delta</b>	1604	2111	2851	3287	2916	2438	2443	2334	1586	1969	1470	855
<b>Denver</b>	36604	48384	67114	89962	61225	49073	40632	39548	31047	34064	31080	20583
<b>Douglas</b>	17022	29912	39384	65478	35968	32098	26934	26281	21673	28041	18987	15597
<b>Eagle</b>	6130	7430	10349	12647	9047	9617	8525	8147	4941	4800	4507	1914
<b>El Paso</b>	2516	2824	5478	8448	4703	4081	3797	3629	2912	3256	2858	24017
<b>Fremont</b>	2573	3559	4072	5202	3616	3353	3007	2921	2470	2271	1893	1309
<b>Jefferson</b>	35677	59597	76688	101777	68894	49135	39808	40166	30015	36578	30663	25687
<b>La Plata</b>	3141	4459	6333	7846	5928	5478	5286	3867	4137	4542	2973	2133
<b>Larimer</b>	17711	30453	40293	50874	33162	28489	24061	23695	19383	23198	20259	13831
<b>Mesa</b>	n/a	n/a	15011	19134	15151	14548	14900	14761	14523	12648	7838	4902
<b>Morgan</b>	1324	1629	1912	2426	2180	1969	1630	1527	1201	1013	1150	1009
<b>Park</b>	4532	4692	4736	4694	3339	3026	2680	2340	1786	1778	1416	1091
<b>Pueblo</b>	12934	13391	13867	17883	12692	11500	10662	8869	7761	7553	6516	4094
<b>Summit</b>	4198	5536	7992	10035	9547	6968	6831	8452	6365	6258	4796	3812
<b>Teller</b>	2392	2990	3759	4435	3766	2974	2588	2804	2049	1511	1563	1420
<b>Weld</b>	13701	21312	25117	32123	25117	20966	19265	15700	12166	12456	11327	7552
<b>Total</b>	233202	359012	491516	640443	439355	355676	301360	287535	228412	253007	221904	177409

## **Methods**

This report tracks releases of deeds of trust as reported by public trustees in Colorado. The report includes twenty-one counties which are chosen based on population size and to ensure that as many regions of the state as possible are represented. More than 90 percent of occupied households in the state are within the twenty-one counties chosen.

A deed of trust is similar to a mortgage and is a lien on real property to secure payment of an indebtedness. The deed of trust contains a grant of the property to the public trustee for the benefit of the holder. The deed of trust grants to the public trustee a power of sale which allows the public trustee to execute foreclosures.

In the State of Colorado, the standard means of securing a loan on real estate is with a deed of trust. There are three parties involved with a deed of trust: the borrower, the lender, and the public trustee. When a property owner executes a deed of trust, the owner is essentially deeding the property to the Public Trustee to hold in trust for the benefit of the lender until the indebtedness is paid in full. When it is paid, the lender sends the Public Trustee a Request for Release and the Public Trustee releases and cancels the Deed of Trust that encumbers the property. Both the Deed of Trust and the Release of Deed of Trust are legal documents.

Colorado Revised Statutes Section 38-39-102 has set out requirements for releasing a deed of trust. Based on these statutes, a release of deed of trust may be processed by the public trustee of the county where the property is located when the appropriate documentation has been properly presented.

The release totals included in this survey include releases of all deeds of trusts, including commercial real estate and vacant land, and also include partial releases of deeds of trust (where only a portion of the indebtedness has been paid and only a portion of the encumbered property is released).

Note on sources: Average mortgage rate information is based on 30-year conventional mortgage rate information provided by the Federal Reserve Bank of Saint Louis. The average mortgage rate for the third quarter of 2011 is a Division of Housing estimate based on average monthly rates for July, August and September 2011.

## **Releases of Deeds of Trust as Economic Indicator**

The release of a deed of trust is a helpful economic indicator because an increase in the number of the releases of deed of trust is usually a sign of an increase in refinance and home purchase activity. Deeds of trust can also be released when a homeowner pays off a loan secured by a deed of trust, which is often referred to as “paying off the mortgage.” Generally speaking, however, the majority of releases of deed of trust during a given time period indicates debts being paid off through refinancing of home loans and through new home or real estate purchases.

Consequently, increases in release activity are often observed during periods of increases in refinance activity and during periods when home purchase activity increases. Declining numbers of releases of deed of trust can be one indicator of a “flat” or “slow” real estate market.