

## Division of Housing, Colorado Department of Local Affairs 1st Quarter 2013 Report on Releases of Deeds of Trust



### Report findings, June 18, 2013

Within the counties surveyed, releases of deeds of trust in Colorado rose 31.4 percent from the first quarter of 2012 to the first quarter of 2013, rising from 74,809 to 98,321.

Releases also rose from the fourth quarter of 2012 to the first quarter of 2013, rising 13.3 percent from 86,816 during the fourth quarter of last year to 98,321 during the first quarter of this year. Releases of deeds of trust have now risen quarter to quarter for three quarters in a row.

The total number of releases of deeds of trust for the first quarter of 2013 was the highest total reported in any quarter since the Division of Housing began to compile quarterly data in 2008.

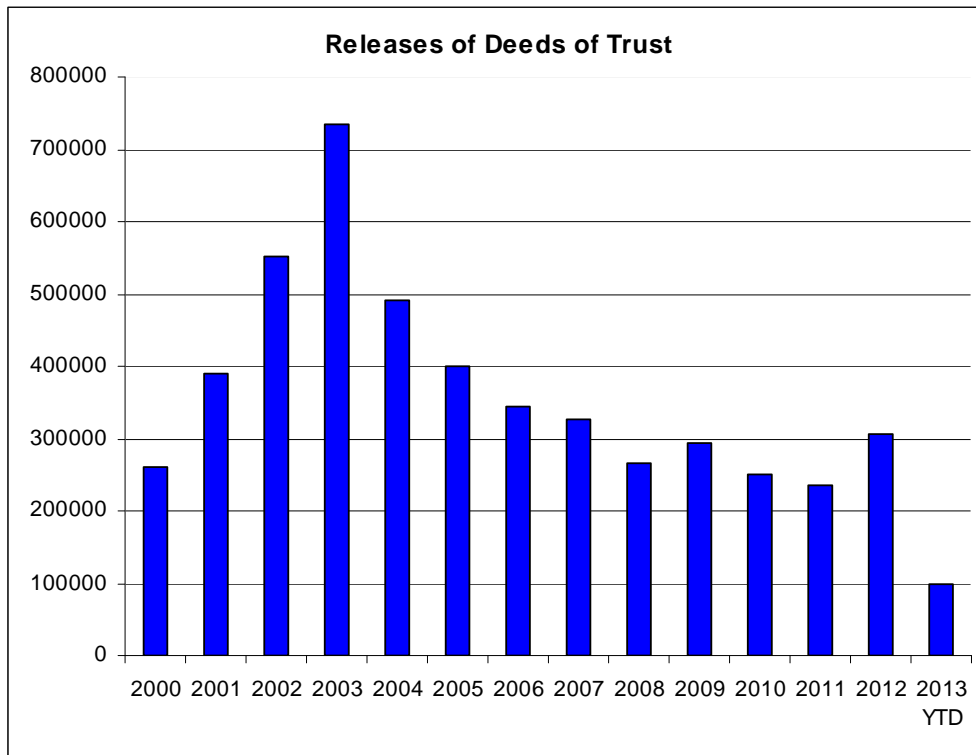
On an annualized basis, however, release totals continue to be well below peak levels reached during 2003 when releases totaled 733,373 within the counties surveyed. By 2010, total releases had fallen by 67 percent.

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.

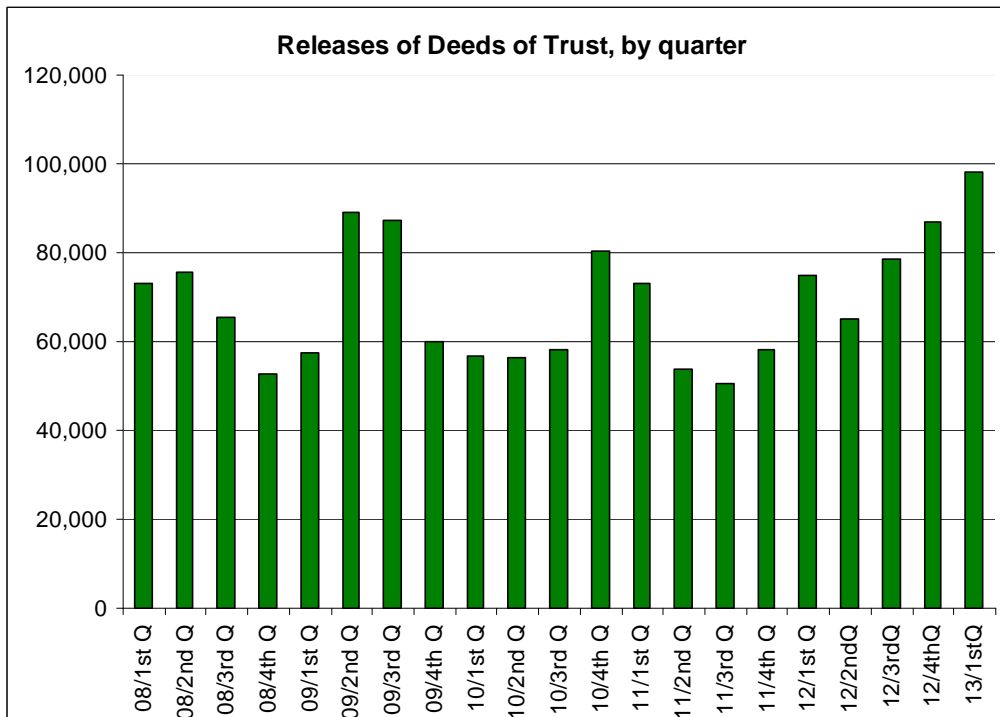
**Table 1: Releases of Deeds of Trust**

Year	Releases of Deeds of Trust
2000	260,973
2001	390,072
2002	551,072
2003	733,373
2004	491,088
2005	400,565
2006	343,127
2007	327,457
2008	266,971
2009	293,731
2010	251,861
2011	235,749
2012	305,141
2013 (Jan-Mar)	98,321

**Graph 1: Annual release totals.**



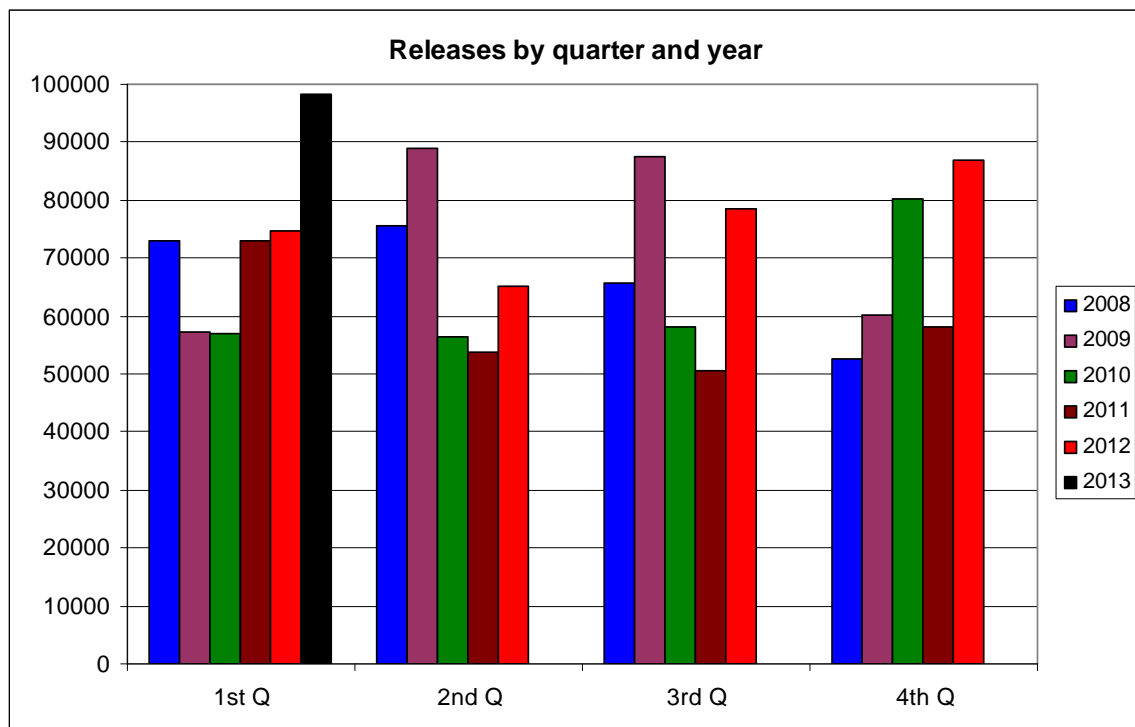
**Graph 2: Quarterly release totals.**



### Comparing release totals for each quarter

The number of releases reported during the first quarter was up considerably from the first-quarter totals reported in all other years since 2008, and we at the highest level reported in any quarter during the past six years.

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



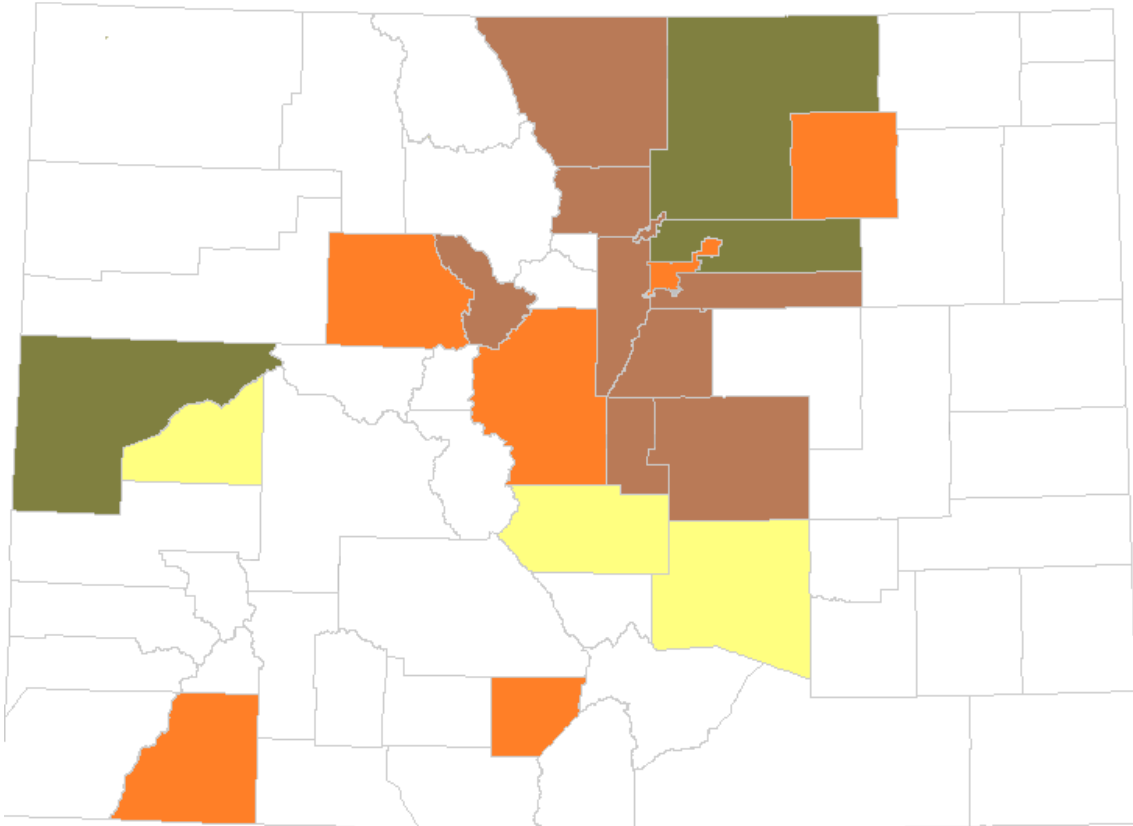
### County Trends

From the first quarter of 2012 to the first quarter of this year, releases of deeds of trust increased in all of the 21 counties surveyed. The largest increases were found in Adams, Arapahoe, and Weld counties where releases rose 62.1 percent, 55.0 percent, and 53.8 percent, respectively. The counties with the smallest increases were Eagle, Jefferson, and Summit counties where releases rose 3.7 percent, 12.5 percent, and 13.3 percent, respectively. See Table 2 for details.

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. Releases also tend to be more common in areas with higher median incomes. During the first quarter of 2013, the counties with the most release activity, adjusted for total household numbers, were

Douglas, Teller, Summit, Broomfield, and Jefferson counties. Map 1 shows all counties surveyed.

**Map1: Release activity by county.**

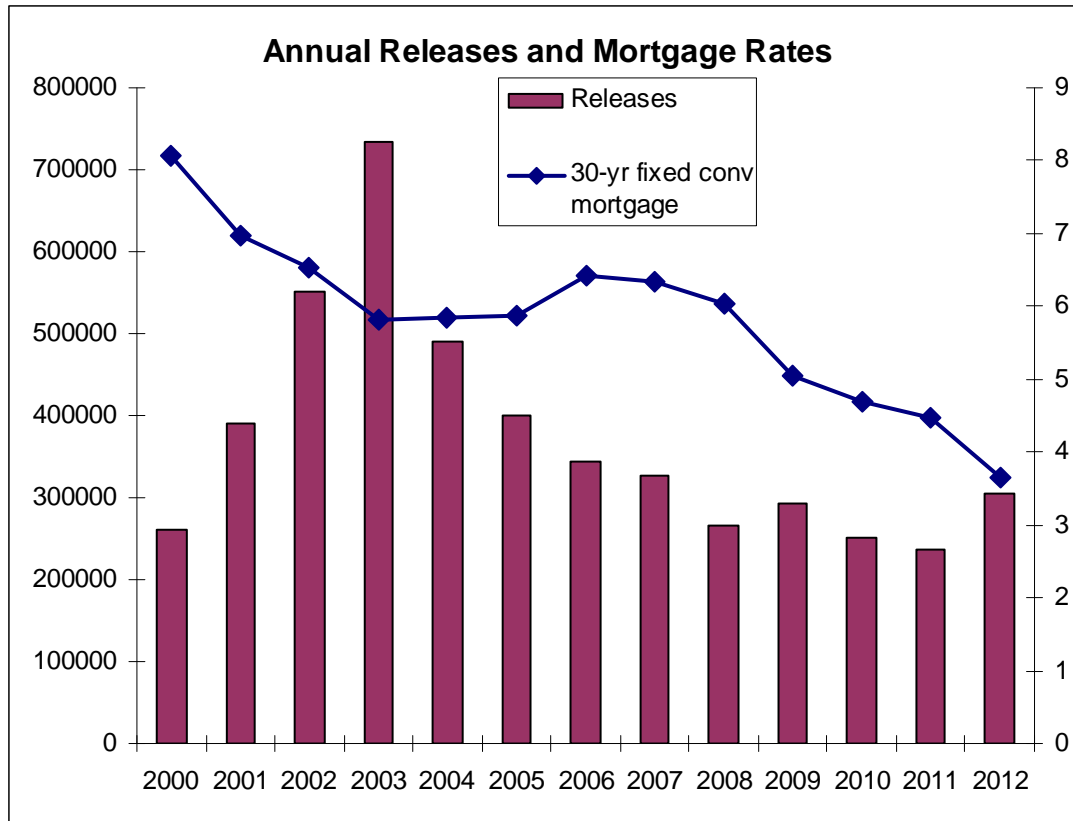


Release rates are split into 4 categories by index number: 1. (brown) Index value of more than 5.0. 2. (green) Index value from 4.0 to 4.9. 3. (orange) Index value from 3.0 to 3.9. 4. (yellow) Index value below 3.

**Analysis:**

Release activity is closely associated with real estate loan refinance activity and, to a lesser extent, to purchases of existing homes and other real estate. 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 2011, however, declining mortgage rates have produced more limited increases in release activity.

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

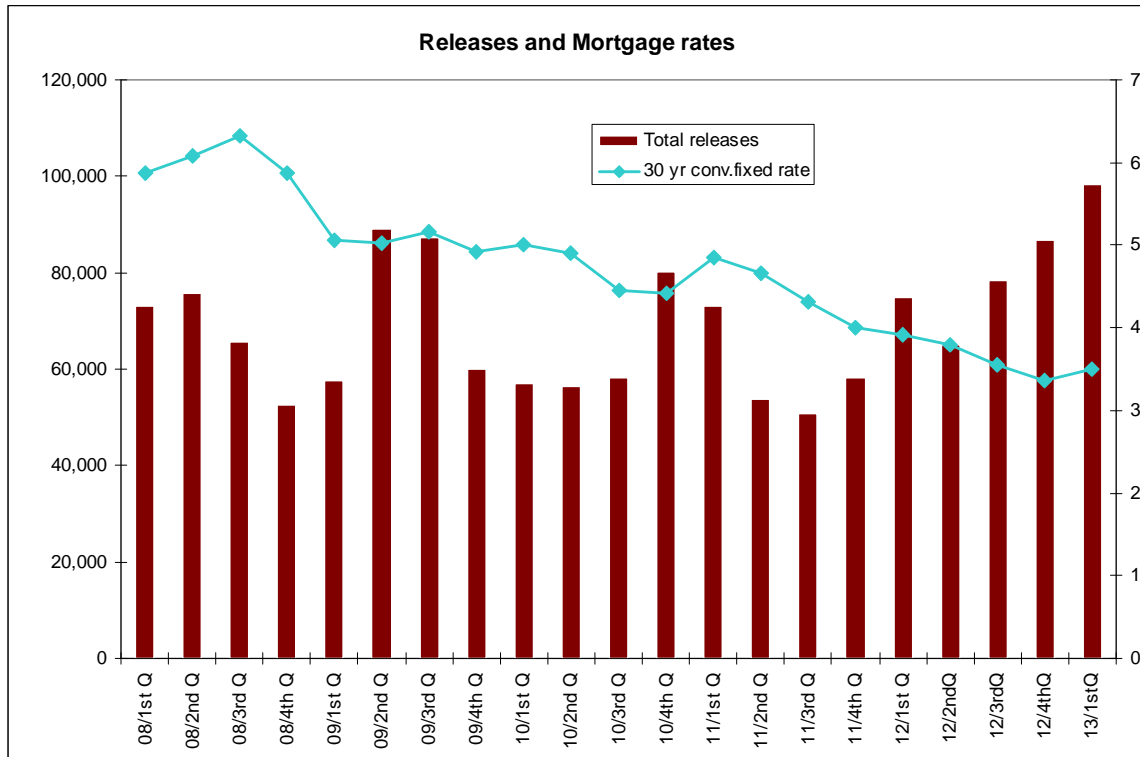


Similar trends can also be found on a quarter-by-quarter basis. In the case of quarterly numbers, however, there is often a one-quarter lag between a change in mortgage rates and a change in total releases.

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 2011, mortgage rates have fallen in almost every quarter, and in response, we see significant increases in the amount of release activity over time.

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



## Appendices

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

County	11/1st Q	12/1st Q	13/1stQ	% Change from 2011	% Change from 2012
Adams	4,319	4,569	7,407	71.5	62.1
Alamosa	170	164	196	15.3	19.5
Arapahoe	7,659	7,882	12,214	59.5	55.0
Boulder	6,063	5,827	7,284	20.1	25.0
Broomfield	905	1,060	1,440	59.1	35.8
Delta	357	269	382	7.0	42.0
Denver	8,175	8,957	11,335	38.7	26.5
Douglas	6,572	7,019	9,012	37.1	28.4
Eagle	776	980	1,016	30.9	3.7
El Paso	9,657	9,922	13,198	36.7	33.0
Fremont	520	453	567	9.0	25.2
Jefferson	12,118	11,841	13,317	9.9	12.5
La Plata	902	831	1,016	12.6	22.3
Larimer	5,547	5,646	7,166	29.2	26.9
Mesa	1,970	1,844	2,529	28.4	37.1
Morgan	275	254	353	28.4	39.0
Park	466	380	449	-3.6	18.2
Pueblo	1,532	1,492	1,890	23.4	26.7
Summit	1,450	1,742	1,974	36.1	13.3
Teller	583	596	838	43.7	40.6
Weld	3,009	3,081	4,738	57.5	53.8
Total	73,025	74,809	98,321	34.6	31.4

**Table 3: Change in release totals from the fourth quarter of 2012 to the first quarter of 2013.**

County	12/4thQ	13/1stQ	Percent change from previous quarter
Adams	5,648	7,407	31.1
Alamosa	153	196	28.1
Arapahoe	10,213	12,214	19.6
Boulder	7,469	7,284	-2.5
Broomfield	1,210	1,440	19.0
Delta	409	382	-6.6
Denver	11,542	11,335	-1.8
Douglas	8,236	9,012	9.4
Eagle	1,161	1,016	-12.5
El Paso	11,619	13,198	13.6
Fremont	550	567	3.1
Jefferson	8,890	13,317	49.8
La Plata	1,008	1,016	0.8
Larimer	7,032	7,166	1.9
Mesa	2,686	2,529	-5.8
Morgan	301	353	17.3
Park	438	449	2.5
Pueblo	1,863	1,890	1.4
Summit	2,191	1,974	-9.9
Teller	317	838	164.4
Weld	3,880	4,738	22.1
Total	86,816	98,321	13.3



**Table 4: Release totals in each county adjusted for the total number of occupied households in each county. Index value = (releases/occupied households)\*100**

County	13/1stQ	Total housing units (2011)	Release Index
Douglas	9,012	107,982	8.3
Teller	838	12,699	6.6
Summit	1,974	29,957	6.6
Broomfield	1,440	22,878	6.3
Jefferson	13,317	230,723	5.8
Boulder	7,284	127,891	5.7
Larimer	7,166	133,572	5.4
El Paso	13,198	253,852	5.2
Arapahoe	12,214	239,870	5.1
Weld	4,738	97,114	4.9
Adams	7,407	163,550	4.5
Mesa	2,529	63,239	4.0
Denver	11,335	287,891	3.9
La Plata	1,016	26,130	3.9
Eagle	1,016	31,390	3.2
Park	449	14,072	3.2
Morgan	353	11,517	3.1
Alamosa	196	6,600	3.0
Fremont	567	19,327	2.9
Pueblo	1,890	69,933	2.7
Delta	382	14,632	2.6
Combined	98,321	1,964,819	5.0

**Table 5: Quarterly totals for most recent five quarters.**

County	12/1st Q	12/2ndQ	12/3rdQ	12/4thQ	13/1stQ
Adams	4,569	3,906	5,160	5,648	7,407
Alamosa	164	148	164	153	196
Arapahoe	7,882	7,115	9,367	10,213	12,214
Boulder	5,827	5,448	6,258	7,469	7,284
Broomfield	1,060	1,034	1,116	1,210	1,440
Delta	269	302	297	409	382
Denver	8,957	8,006	10,566	11,542	11,335
Douglas	7,019	5,969	7,392	8,236	9,012
Eagle	980	905	1,029	1,161	1,016
El Paso	9,922	9,176	10,381	11,619	13,198
Fremont	453	440	452	550	567
Jefferson	11,841	8,389	9,499	8,890	13,317
La Plata	831	781	897	1,008	1,016
Larimer	5,646	5,143	6,219	7,032	7,166
Mesa	1,844	1,493	1,830	2,686	2,529
Morgan	254	283	300	301	353
Park	380	310	410	438	449
Pueblo	1,492	1,518	1,676	1,863	1,890
Summit	1,742	1,361	1,631	2,191	1,974
Teller	596	409	425	317	838
Weld	3,081	2,945	3,366	3,880	4,738
Total	74,809	65,081	78,435	86,816	98,321

**Table 6: Total annual releases.**

County	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Adams	15,696	29,336	43,903	54,130	38,450	32,223	26,194	21,713	15,451	14,639	17,108	15,040	19,283
Alamosa	630	630	630	630	630	630	630	630	699	572	617	586	629
Arapahoe	34,535	57,336	73,991	86,414	65,113	47,452	37,681	35,350	26,943	30,843	30,357	25,737	34,577
Boulder	20,282	33,431	42,672	55,261	32,751	25,610	19,970	20,943	18,983	24,805	20,767	19,657	25,002
Broomfield	n/a	n/a	5,364	7,757	5,160	4,048	3,836	3,858	3,321	4,352	3,759	3,376	4,420
Delta	1,604	2,111	2,851	3,287	2,916	2,438	2,443	2,334	2,116	1,969	1,470	1,170	1,277
Denver	36,604	48,384	67,114	89,962	61,225	49,073	40,632	39,548	31,047	34,064	31,080	27,413	39,071
Douglas	17,022	29,912	39,384	65,478	35,968	32,098	26,934	26,281	21,673	28,041	18,987	20,704	28,616
Eagle	6,130	7,430	10,349	12,647	9,047	9,617	8,525	8,147	4,941	5,386	2,923	2,953	4,075
El Paso	30,187	33,884	65,734	101,378	56,436	48,970	45,564	43,551	39,941	39,068	34,301	32,040	41,098
Fremont	2,573	3,559	4,072	5,202	3,616	3,353	3,007	2,921	2,470	2,457	1,893	1,728	1,895
Jefferson	35,677	59,597	76,688	101,777	68,894	49,135	39,808	40,166	30,015	36,578	30,663	32,303	38,619
La Plata	3,141	4,459	6,333	7,846	5,928	5,478	5,286	3,867	4,137	4,542	2,973	2,942	3,517
Larimer	17,711	30,453	40,293	50,874	33,162	28,489	24,061	23,695	19,383	23,198	20,259	18,470	24,040
Mesa	n/a	n/a	15,011	19,134	15,151	14,548	14,900	14,761	14,523	12,648	7,838	6,315	7,853
Morgan	1,324	1,629	1,912	2,426	2,180	1,969	1,630	1,527	1,201	1,013	1,150	1,259	1,138
Park	4,532	4,692	4,736	4,694	3,339	3,026	2,680	2,340	1,786	1,778	1,416	1,416	1,538
Pueblo	12,934	13,391	13,867	17,883	12,692	11,500	10,662	8,869	7,761	7,553	6,614	5,483	6,549
Summit	4,198	5,536	7,992	10,035	9,547	6,968	6,831	8,452	6,365	6,258	4,796	5,408	6,925
Teller	2,392	2,990	3,759	4,435	3,766	2,974	2,588	2,804	2,049	1,511	1,563	1,730	1,747
Weld	13,701	21,312	25,117	32,123	25,117	20,966	19,265	15,700	12,166	12,456	11,327	10,086	13,272
Total	260873	390072	551772	733373	491088	400565	343127	327457	266971	293731	251861	235816	305141

## **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.