

## Division of Housing, Colorado Department of Local Affairs 3rd Quarter 2013 Report on Releases of Deeds of Trust



### Report findings, October 16, 2013

Within the counties surveyed, releases of deeds of trust in Colorado rose 13.9 percent from the third quarter of 2012 to the third quarter of 2013, rising from 78,435 to 89,372.

Releases fell from the second quarter of 2013 to the third quarter of 2013, dropping 5.9 percent from 94,937 during the second quarter of this year to 89,372 during the third quarter of this year. The third quarter's release total marks the second quarter-to-quarter decline this year.

Nevertheless, the total number of releases of deeds of trust for the third quarter of 2013 was the third-highest total reported in any quarter since the Division of Housing began to compile quarterly data in 2008. The highest level ever recorded occurred during the first quarter of this year.

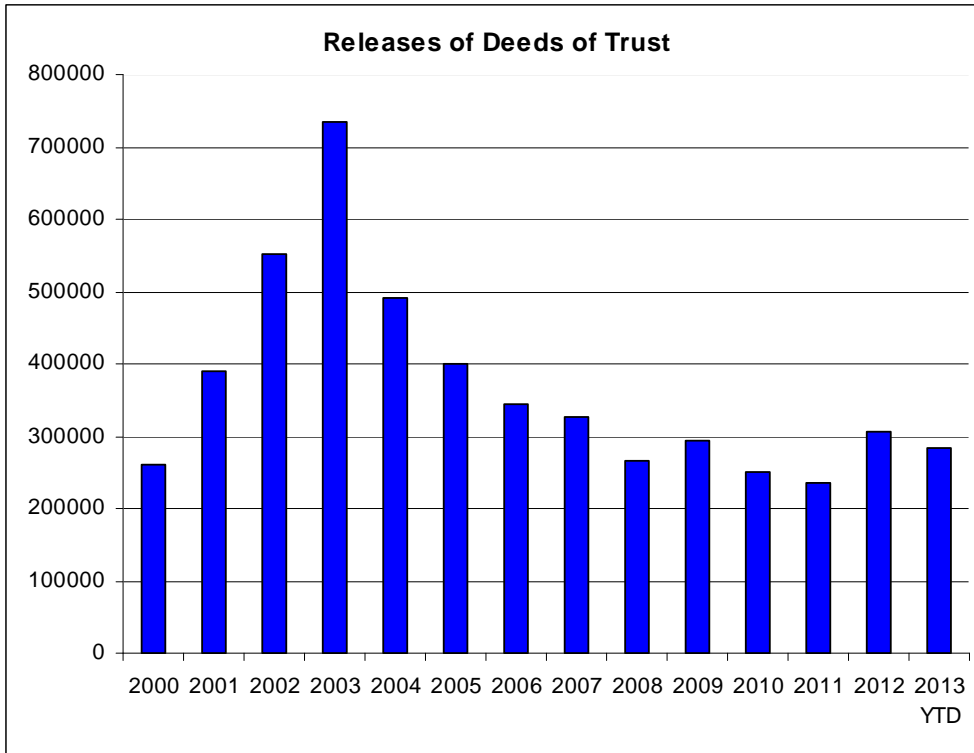
On an annualized basis, release totals continue to be well below peak levels reached during 2003 when releases totaled 733,373 within the counties surveyed. By 2010, total releases had fallen by 67 percent from the 2003 peak.

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.

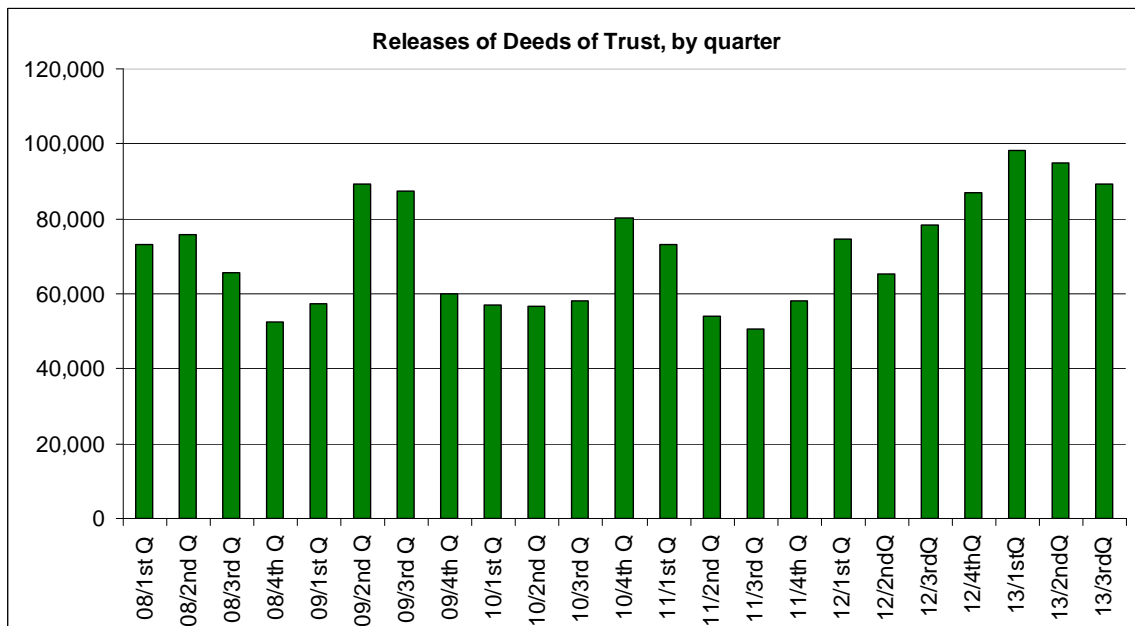
**Table 1: Releases of Deeds of Trust**

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-Sep)	282,630

**Graph 1: Annual release totals. 2013's total is a year-to-date figure through the third quarter.**



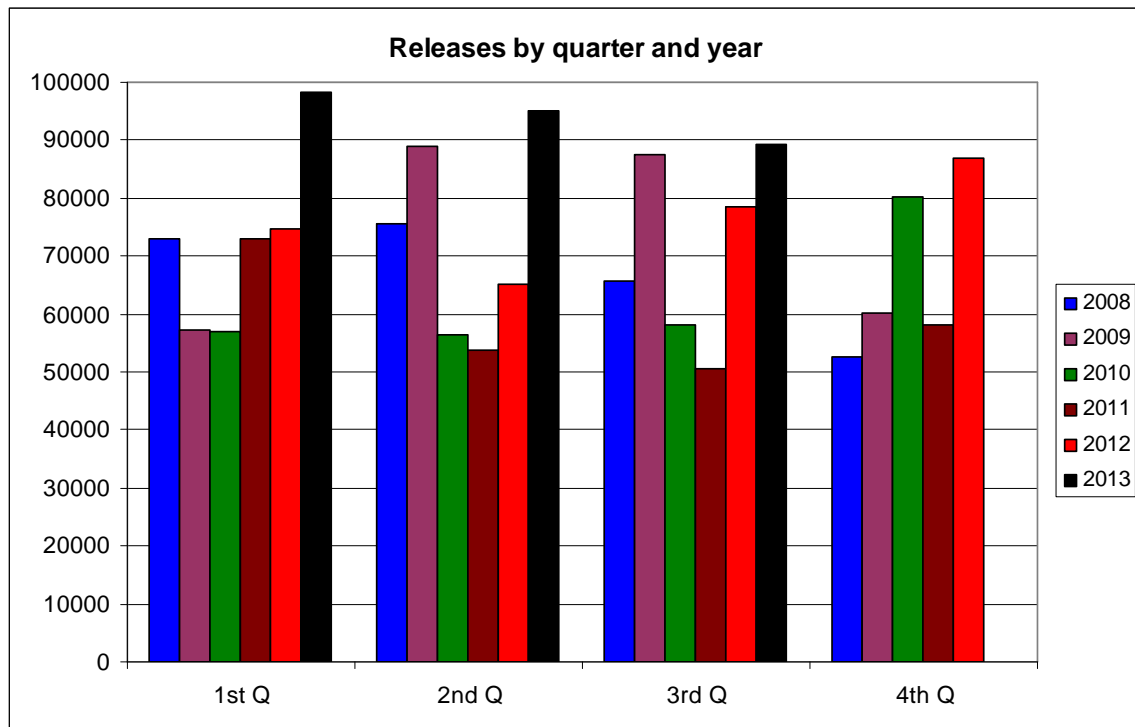
**Graph 2: Quarterly release totals.**



### Comparing release totals for each quarter

The number of releases reported during the third quarter was higher than the third-quarter totals reported in all other years since 2008.

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



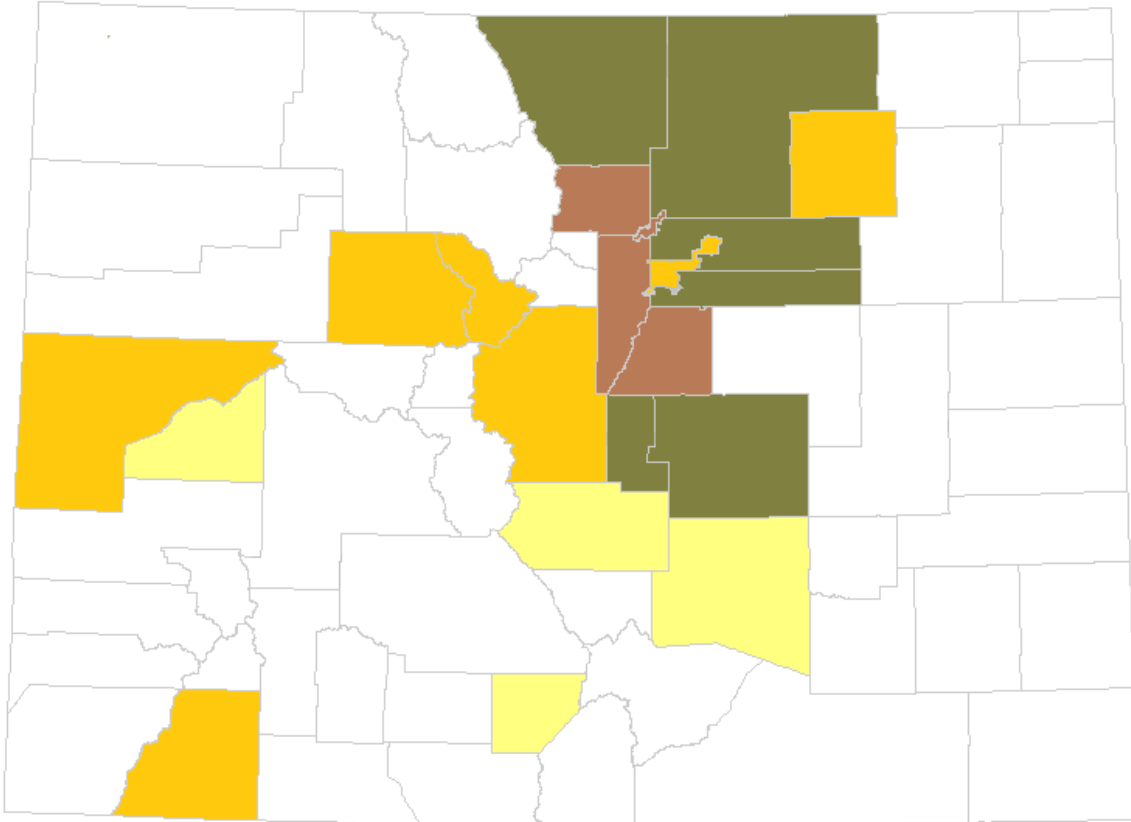
### County Trends

From the third quarter of 2012 to the third quarter of this year, releases of deeds of trust increased in 20 of the 21 counteis surveyed, with only Summit county reporting a year-over-year decline. The largest increases were found in Adams, Jefferson, and Weld counties where releases rose 43.5 percent, 38.9 percent, and 42.3 percent, respectively. The counties with the smallest increases were El Paso, Larimer, and Boulder counties where releases rose 2.7 percent, 4.1 percent, and 4.2 percent, respectively. Year over year, total releases fell 33.3 percent in Summit County. 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 third quarter of 2013, the

counties with the most release activity, adjusted for total household numbers, were Douglas, Jefferson and Broomfield. Map 1 shows all counties surveyed.

**Map1: Release activity by county.**



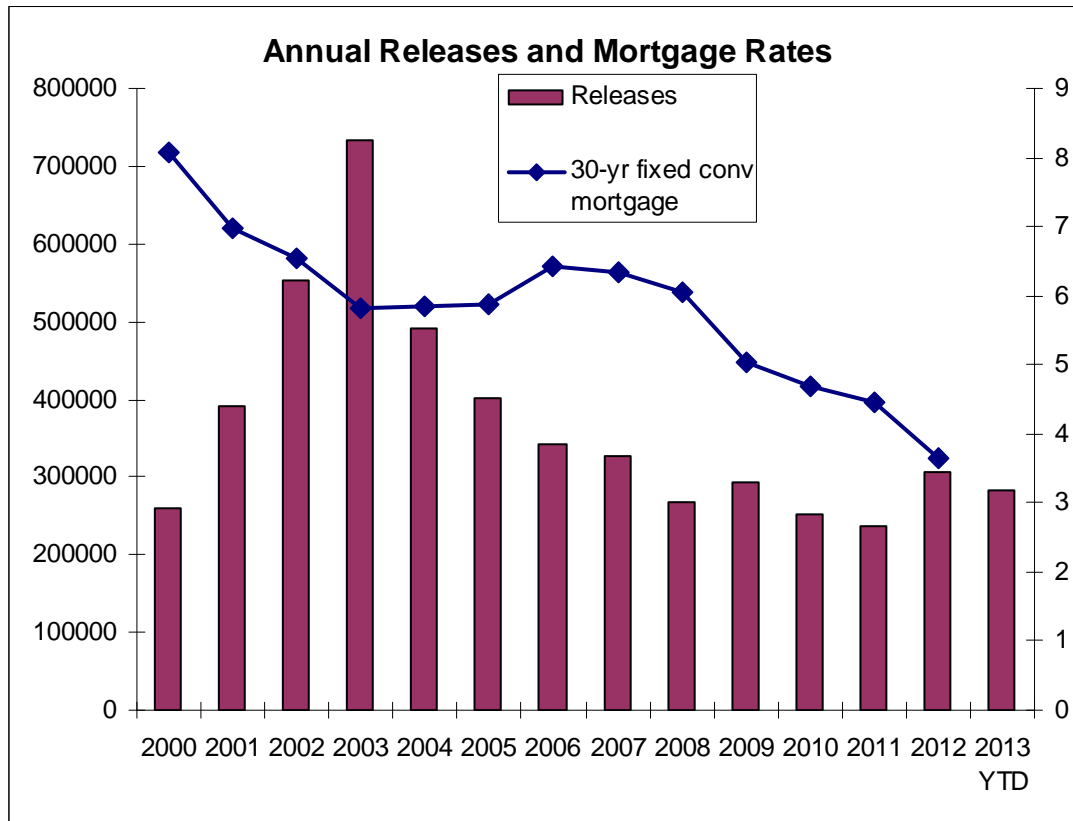
Release rates are split into 4 categories by index number: 1. (brown) Index value of more than 5.0. 2. (green) Index value from 4.0 to 4.9. 3. (orange) Index value from 3.0 to 3.9. 4. (yellow) Index value below 3.

**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. As mortgage rates increased during the second and third quarters of 2013, we saw a quarter-to-quarter decline in release activity.

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

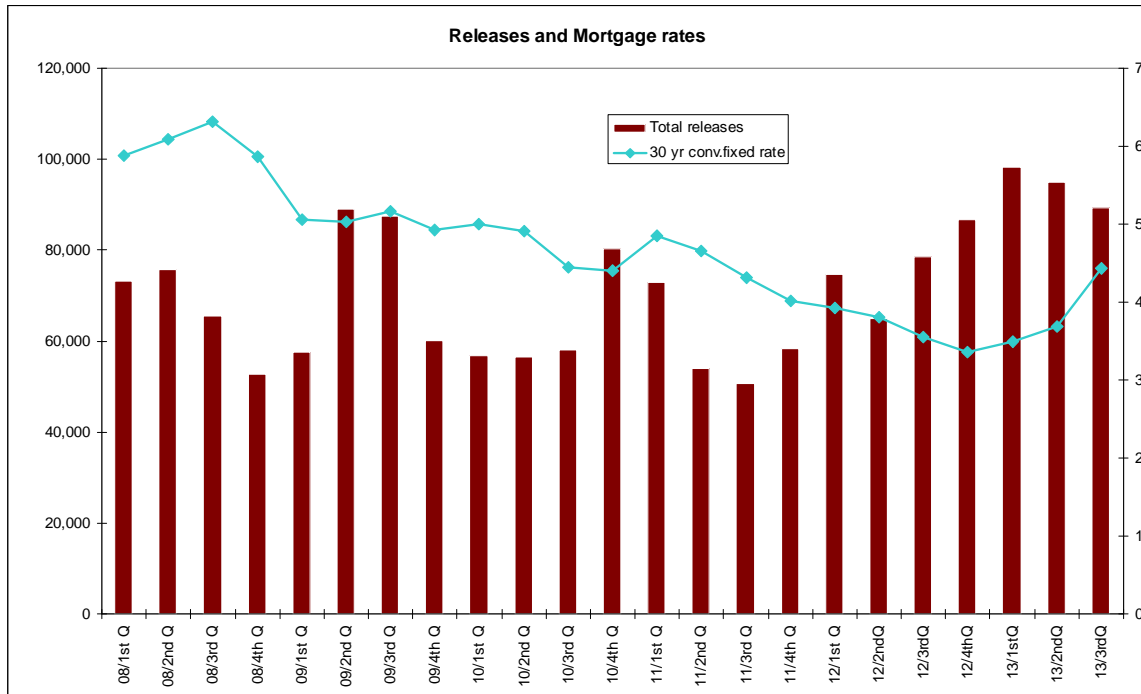


Similar trends can also be found on a quarter-by-quarter basis. In the case of quarterly numbers, however, there is often a one-quarter lag between a change in mortgage rates and a change in total releases.

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 fell in almost every quarter up through the end of 2012, and in response, we saw significant increases in the amount of release activity over time. Predictably, as mortgage rates began to rise in late 2012, we began to see declines in release activity as 2013 progressed.

**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.**

County	11/3rd Q	12/3rdQ	13/3rdQ	% Change from 2011	% Change from 2012
Adams	3,405	5,160	7,406	117.5	43.5
Alamosa	125	164	185	48.0	12.8
Arapahoe	5,875	9,367	10,411	77.2	11.1
Boulder	4,409	6,258	6,521	47.9	4.2
Broomfield	721	1,116	1,263	75.2	13.2
Delta	258	297	316	22.5	6.4
Denver	6,186	10,566	11,156	80.3	5.6
Douglas	4,267	7,392	7,880	84.7	6.6
Eagle	669	1,029	1,135	69.7	10.3
El Paso	7,376	10,381	10,659	44.5	2.7
Fremont	393	452	569	44.8	25.9
Jefferson	5,539	9,499	13,193	138.2	38.9
La Plata	585	897	993	69.7	10.7
Larimer	4,195	6,219	6,475	54.4	4.1
Mesa	1,340	1,830	2,033	51.7	11.1
Morgan	224	300	355	58.5	18.3
Park	289	410	459	58.8	12.0
Pueblo	1,186	1,676	1,952	64.6	16.5
Summit	1,124	1,631	1,088	-3.2	-33.3
Teller	381	425	532	39.6	25.2
Weld	2,130	3,366	4,791	124.9	42.3
Total	50,677	78,435	89,372	76.4	13.9

**Table 3: Change in release totals from the second quarter of 2013 to the third quarter of 2013.**

County	13/2ndQ	13/3rdQ	Percent change from previous quarter
Adams	6,934	7,406	6.8
Alamosa	180	185	2.8
Arapahoe	11,463	10,411	-9.2
Boulder	6,603	6,521	-1.2
Broomfield	1,329	1,263	-5.0
Delta	346	316	-8.7
Denver	12,250	11,156	-8.9
Douglas	8,912	7,880	-11.6
Eagle	1,195	1,135	-5.0
El Paso	12,882	10,659	-17.3
Fremont	550	569	3.5
Jefferson	11,867	13,193	11.2
La Plata	1,116	993	-11.0
Larimer	6,985	6,475	-7.3
Mesa	2,226	2,033	-8.7
Morgan	361	355	-1.7
Park	464	459	-1.1
Pueblo	2,052	1,952	-4.9
Summit	1,807	1,088	-39.8
Teller	701	532	-24.1
Weld	4,714	4,791	1.6
Total	94,937	89,372	-5.9



**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	13/3rdQ	Total housing units (2011)	Release Index
Douglas	7,880	107,982	7.3
Jefferson	13,193	230,723	5.7
Broomfield	1,263	22,878	5.5
Boulder	6,521	127,891	5.1
Weld	4,791	97,114	4.9
Larimer	6,475	133,572	4.8
Adams	7,406	163,550	4.5
Arapahoe	10,411	239,870	4.3
El Paso	10,659	253,852	4.2
Teller	532	12,699	4.2
Denver	11,156	287,891	3.9
La Plata	993	26,130	3.8
Summit	1,088	29,957	3.6
Eagle	1,135	31,390	3.6
Park	459	14,072	3.3
Mesa	2,033	63,239	3.2
Morgan	355	11,517	3.1
Fremont	569	19,327	2.9
Alamosa	185	6,600	2.8
Pueblo	1,952	69,933	2.8
Delta	316	14,632	2.2

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

County	12/3rdQ	12/4thQ	13/1stQ	13/2ndQ	13/3rdQ
Adams	5,160	5,648	7,407	6,934	7,406
Alamosa	164	153	196	180	185
Arapahoe	9,367	10,213	12,214	11,463	10,411
Boulder	6,258	7,469	7,284	6,603	6,521
Broomfield	1,116	1,210	1,440	1,329	1,263
Delta	297	409	382	346	316
Denver	10,566	11,542	11,335	12,250	11,156
Douglas	7,392	8,236	9,012	8,912	7,880
Eagle	1,029	1,161	1,016	1,195	1,135
El Paso	10,381	11,619	13,198	12,882	10,659
Fremont	452	550	567	550	569
Jefferson	9,499	8,890	13,317	11,867	13,193
La Plata	897	1,008	1,016	1,116	993
Larimer	6,219	7,032	7,166	6,985	6,475
Mesa	1,830	2,686	2,529	2,226	2,033
Morgan	300	301	353	361	355
Park	410	438	449	464	459
Pueblo	1,676	1,863	1,890	2,052	1,952
Summit	1,631	2,191	1,974	1,807	1,088
Teller	425	317	838	701	532
Weld	3,366	3,880	4,738	4,714	4,791
Total	78,435	86,816	98,321	94,937	89,372

**Table 6: Releases of Deeds of Trust for the first nine months of each year, (Q1+Q2+Q3):**

County	YTD 2011	YTD 2012	YTD 2013	YOY Change from 2011	YOY change from 2012
Adams	11,264	13,635	21,747	93.1	59.5
Alamosa	420	476	561	33.6	17.9
Arapahoe	19,153	24,364	34,088	78.0	39.9
Boulder	14,388	17,533	20,408	41.8	16.4
Broomfield	2,378	3,210	4,032	69.6	25.6
Delta	855	868	1,044	22.1	20.3
Denver	20,583	27,529	34,741	68.8	26.2
Douglas	15,597	20,380	25,804	65.4	26.6
Eagle	2,090	2,914	3,346	60.1	14.8
El Paso	24,017	29,479	36,739	53.0	24.6
Fremont	1,309	1,345	1,686	28.8	25.4
Jefferson	25,687	29,729	38,377	49.4	29.1
La Plata	2,133	2,509	3,125	46.5	24.6
Larimer	13,831	17,008	20,626	49.1	21.3
Mesa	4,897	5,167	6,788	38.6	31.4
Morgan	1,009	837	1,069	5.9	27.7
Park	1,091	1,100	1,372	25.8	24.7
Pueblo	4,094	4,686	5,894	44.0	25.8
Summit	3,812	4,734	4,869	27.7	2.9
Teller	1,420	1,430	2,071	45.8	44.8
Weld	7,552	9,392	14,243	88.6	51.7
Total	177,580	218,325	282,630	59.2	29.5

**Table 7: 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.