

Division of Housing, Colorado Department of Local Affairs 4th Quarter 2013 Report on Releases of Deeds of Trust



Report findings, February 19, 2013

Within the counties surveyed, releases of deeds of trust in Colorado fell 28.2 percent from the fourth quarter of 2012 to the fourth quarter of 2013, falling from 86,816 to 62,312.

Releases also fell from the third quarter of 2013 to the fourth quarter of 2013, dropping 30.3 percent from 89,372 during the third quarter of this year to 62,312 during the fourth quarter of this year. The fourth quarter's release total marks the third quarter-to-quarter decline this year.

In spite of the declines seen during the fourth quarter of the year, 2013 as a whole experienced more release activity than 2012. Total releases for 2013 were up 13 percent over 2012, with total annual releases increasing from 305,141 in 2012 to 344,942 in 2013.

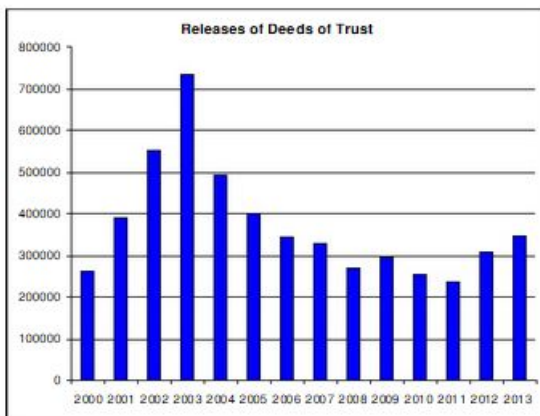
Annual release totals continue to be well below peak levels reached during 2003 when releases totaled 733,373 within the counties surveyed. By 2010, total releases had fallen by 67 percent from the 2003 peak.

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.

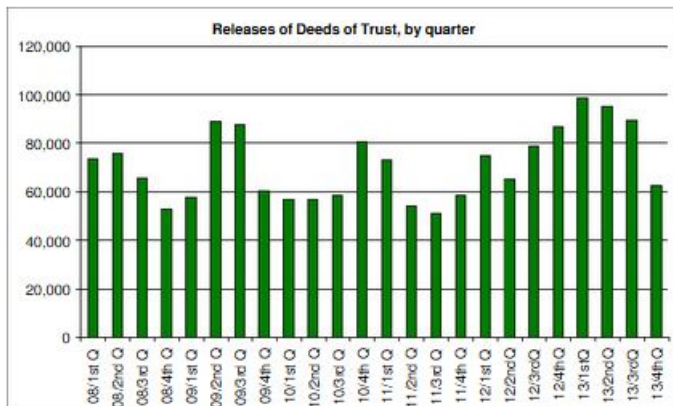
Table 1: Releases of Deeds of Trust

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	344,942

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



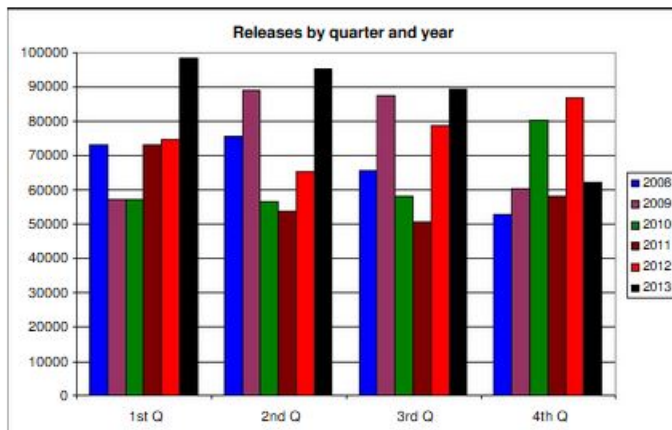
Graph 2: Quarterly release totals.



Comparing release totals for each quarter

The number of releases reported during the fourth quarter was the third-highest total recorded during the fourth quarter since 2008.

Graph 3: Release totals compared by quarter.



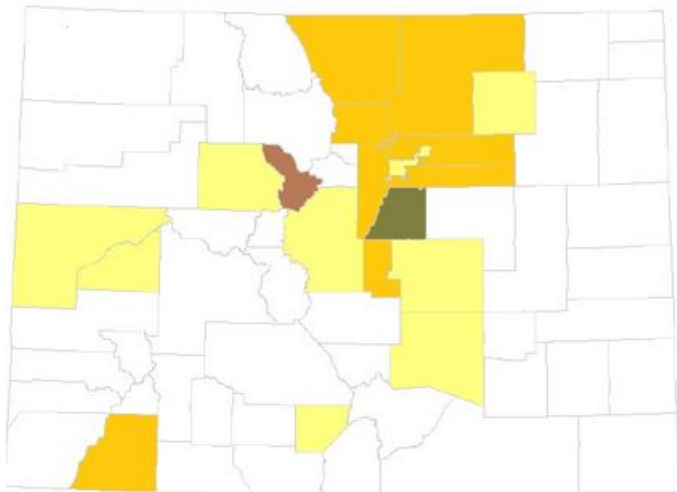
County Trends

From the fourth quarter of 2013 to the fourth quarter of this year, releases of deeds of trust decreased in 20 of the 21 counties surveyed, with only Alamosa County reporting a year-over-year increase. The largest decreases were found in Boulder and Mesa counties where releases fell 48.1 percent and 49.1 percent, respectively. The counties with the smallest decreases were Jefferson and Adams counties where releases fell 7 percent and 10.8 percent, respectively. Year over year, total releases rose 20.9 percent in Alamosa 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 fourth quarter of 2013, the

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

Map1: Release activity by county.



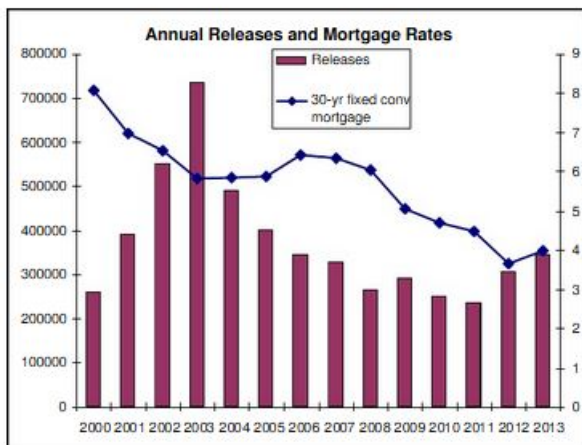
Release rates are split into 4 categories by index number: 1. (brown) Index value of more than 5.0. 2. (green) Index value from 4.0 to 4.9. 3. (orange) Index value from 3.0 to 3.9. 4. (yellow) Index value below 3.0.

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,

third, and fourth quarters of 2013, we saw a quarter-to-quarter decline in release activity. Total release activity rose from 2012, but 2013's increase was driven by large amounts of release activity that occurred in the first half of 2013. Release activity began to fall during the second half of the year.

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

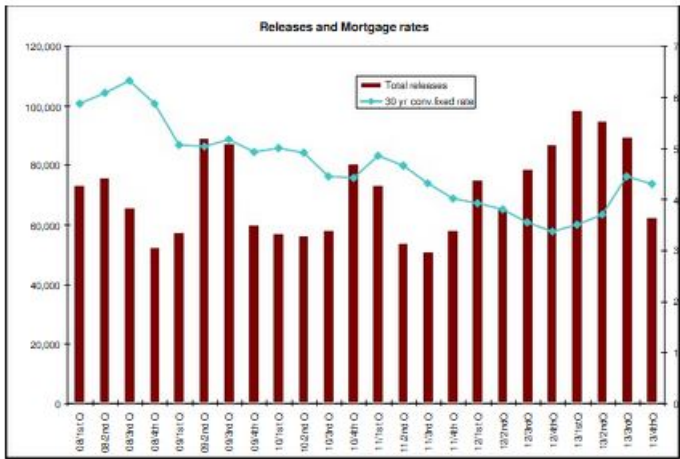


Similar trends can also be found on a quarter-by-quarter basis. In the case of quarterly numbers, however, there is often a one-quarter lag between a change in mortgage rates and a change in total releases.

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 fourth quarter.

County	11/4th Q	12/4thQ	13/4thQ	% Change from 2011	% Change from 2012
Adams	3,776	5,648	5,040	33.5	-10.8
Alamosa	166	153	185	11.4	20.9
Arapahoe	6,584	10,213	7,950	20.7	-22.2
Boulder	5,269	7,469	3,875	-26.5	-48.1
Broomfield	998	1,210	796	-20.2	-34.2
Delta	315	409	255	-19.0	-37.7
Denver	6,830	11,542	8,416	23.2	-27.1
Douglas	5,107	8,236	5,106	0.0	-38.0
Eagle	863	1,161	875	1.4	-24.6
El Paso	8,023	11,619	7,299	-9.0	-37.2
Fremont	419	550	402	-4.1	-26.9
Jefferson	6,616	8,890	8,272	25.0	-7.0
La Plata	809	1,008	819	1.2	-18.8
Larimer	4,639	7,032	4,279	-7.8	-39.1
Mesa	1,418	2,686	1,367	-3.6	-49.1
Morgan	250	301	251	0.4	-16.6
Park	325	438	344	5.8	-21.5
Pueblo	1,389	1,863	1,412	1.7	-24.2
Summit	1,596	2,191	1,562	-2.1	-28.7
Teller	310	317	419	35.2	32.2
Weld	2,534	3,880	3,388	33.7	-12.7
Total	58,236	86,816	62,312	7.0	-28.2

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

County	13/3rdQ	13/4thQ	Percent change from previous quarter
Adams	7,406	5,040	-31.9
Alamosa	185	185	0.0
Arapahoe	10,411	7,950	-23.6
Boulder	6,521	3,875	-40.6
Broomfield	1,263	796	-37.0
Delta	316	255	-19.3
Denver	11,156	8,416	-24.6
Douglas	7,880	5,106	-35.2
Eagle	1,135	875	-22.9
El Paso	10,659	7,299	-31.5
Fremont	569	402	-29.3
Jefferson	13,193	8,272	-37.3
La Plata	993	819	-17.5
Larimer	6,475	4,279	-33.9
Mesa	2,033	1,367	-32.8
Morgan	355	251	-29.3
Park	459	344	-25.1
Pueblo	1,952	1,412	-27.7
Summit	1,088	1,562	43.6
Teller	532	419	-21.2
Weld	4,791	3,388	-29.3
Total	89,372	62,312	-30.3

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

County	13/4thQ	Total housing units (2012)	Release Index
Summit	1,562	30,067	5.2
Douglas	5,106	108,862	4.7
Jefferson	8,272	231,398	3.6
Weld	3,388	97,788	3.5
Broomfield	796	23,087	3.4
Arapahoe	7,950	240,812	3.3
Teller	419	12,736	3.3
Larimer	4,279	134,973	3.2
La Plata	819	26,284	3.1
Adams	5,040	164,015	3.1
Boulder	3,875	128,300	3.0
Denver	8,416	289,185	2.9
El Paso	7,299	255,150	2.9
Alamosa	185	6,623	2.8
Eagle	875	31,474	2.8
Park	344	14,145	2.4
Morgan	251	11,531	2.2
Mesa	1,367	63,611	2.1
Fremont	402	19,369	2.1
Pueblo	1,412	70,036	2.0
Delta	255	14,635	1.7
Combined	62,312	1,974,081	3.2

Table 5: Quarterly totals for most recent five quarters.

County	12/4thQ	13/1stQ	13/2ndQ	13/3rdQ	13/4thQ
Adams	5,648	7,407	6,934	7,406	5,040
Alamosa	153	196	180	185	185
Arapahoe	10,213	12,214	11,463	10,411	7,950
Boulder	7,469	7,284	6,603	6,521	3,875
Broomfield	1,210	1,440	1,329	1,263	796
Delta	409	382	346	316	255
Denver	11,542	11,335	12,250	11,156	8,416
Douglas	8,236	9,012	8,912	7,880	5,106
Eagle	1,161	1,016	1,195	1,135	875
El Paso	11,619	13,198	12,882	10,659	7,299
Fremont	550	567	550	569	402
Jefferson	8,890	13,317	11,867	13,193	8,272
La Plata	1,008	1,016	1,116	993	819
Larimer	7,032	7,166	6,985	6,475	4,279
Mesa	2,686	2,529	2,226	2,033	1,367
Morgan	301	353	361	355	251
Park	438	449	464	459	344
Pueblo	1,863	1,890	2,052	1,952	1,412
Summit	2,191	1,974	1,807	1,088	1,562
Teller	317	838	701	532	419
Weld	3,880	4,738	4,714	4,791	3,388
Total	86,816	98,321	94,937	89,372	62,312

Table 6: Releases of Deeds of Trust for the full year, (Q1+Q2+Q3+Q4):

County	YTD 2011	YTD 2012	YTD 2013	YOY Change from 2011	YOY change from 2012
Adams	15,040	19,283	26,787	78.1	38.9
Alamosa	586	629	746	27.3	18.6
Arapahoe	25,737	34,577	42,038	63.3	21.6
Boulder	19,657	25,002	24,283	23.5	-2.9
Broomfield	3,376	4,420	4,828	43.0	9.2
Delta	1,170	1,277	1,299	11.0	1.7
Denver	27,413	39,071	43,157	57.4	10.5
Douglas	20,704	28,616	30,910	49.3	8.0
Eagle	2,953	4,075	4,221	42.9	3.6
El Paso	32,040	41,098	44,038	37.4	7.2
Fremont	1,728	1,895	2,088	20.8	10.2
Jefferson	32,303	38,619	46,649	44.4	20.8
La Plata	2,942	3,517	3,944	34.1	12.1
Larimer	18,470	24,040	24,905	34.8	3.6
Mesa	6,315	7,853	8,155	29.1	3.8
Morgan	1,259	1,138	1,320	4.8	16.0
Park	1,416	1,538	1,716	21.2	11.6
Pueblo	5,483	6,549	7,306	33.2	11.6
Summit	5,408	6,925	6,431	18.9	-7.1
Teller	1,730	1,747	2,490	43.9	42.5
Weld	10,086	13,272	17,631	74.8	32.8
Total	235,816	305,141	344,942	46.3	13.0

Table 7: Total annual releases.

County	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Adams	54,130	38,450	32,223	26,194	21,713	15,451	14,639	17,108	15,040	19,283	26,787
Alamosa	630	630	630	630	630	699	572	617	586	629	746
Arapahoe	86,414	65,113	47,452	37,681	35,350	26,943	30,843	30,357	25,737	34,577	42,038
Boulder	55,261	32,751	25,610	19,970	20,943	18,983	24,805	20,767	19,657	25,002	24,283
Broomfield	7,757	5,160	4,048	3,836	3,858	3,321	4,352	3,759	3,376	4,420	4,828
Delta	3,287	2,916	2,438	2,443	2,334	2,116	1,969	1,470	1,170	1,277	1,299
Denver	89,962	61,225	49,073	40,632	39,548	31,047	34,064	31,080	27,413	39,071	43,157
Douglas	65,478	35,968	32,098	26,934	26,281	21,673	28,041	18,987	20,704	28,616	30,910
Eagle	12,647	9,047	9,617	8,525	8,147	4,941	5,386	2,923	2,953	4,075	4,221
El Paso	101,378	56,436	48,970	45,564	43,551	39,941	39,068	34,301	32,040	41,098	44,038
Fremont	5,202	3,616	3,353	3,007	2,921	2,470	2,457	1,893	1,728	1,895	2,088
Jefferson	101,777	68,894	49,135	39,808	40,166	30,015	36,578	30,663	32,303	38,619	46,649
La Plata	7,846	5,928	5,478	5,286	3,867	4,137	4,542	2,973	2,942	3,517	3,944
Larimer	50,874	33,162	28,489	24,061	23,695	19,383	23,198	20,259	18,470	24,040	24,905
Mesa	19,134	15,151	14,548	14,900	14,761	14,523	12,648	7,838	6,315	7,853	8,155
Morgan	2,426	2,180	1,969	1,630	1,527	1,201	1,013	1,150	1,259	1,138	1,320
Park	4,694	3,339	3,026	2,680	2,340	1,786	1,778	1,416	1,416	1,538	1,716
Pueblo	17,883	12,692	11,500	10,662	8,869	7,761	7,553	6,614	5,483	6,549	7,306
Summit	10,035	9,547	6,968	6,831	8,452	6,365	6,258	4,796	5,408	6,925	6,431
Teller	4,435	3,766	2,974	2,588	2,804	2,049	1,511	1,563	1,730	1,747	2,490
Weld	32,123	25,117	20,966	19,265	15,700	12,166	12,456	11,327	10,086	13,272	17,631
Total	733,373	491,088	400,565	343,127	327,457	266,971	293,731	251,861	235,816	305,141	344,942

Methods

This report tracks releases of deeds of trust as reported by public trustees in Colorado. The report includes twenty-one counties that 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.