

## Division of Housing, Colorado Department of Local Affairs 1st Quarter 2014 Report on Releases of Deeds of Trust



### Report findings, April 14, 2014

Within the counties surveyed, releases of deeds of trust in Colorado fell 49.0 percent from the first quarter of 2013 to the first quarter of 2014, falling from 98,321 to 50,128.

Releases also fell from the fourth quarter of 2013 to the first quarter of 2014, dropping 19.6 percent from 62,312 during the fourth quarter of last year to 50,128 during the first quarter of this year.

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. However, 2014's first-quarter release total marks the fourth quarter-to-quarter decline in a row.

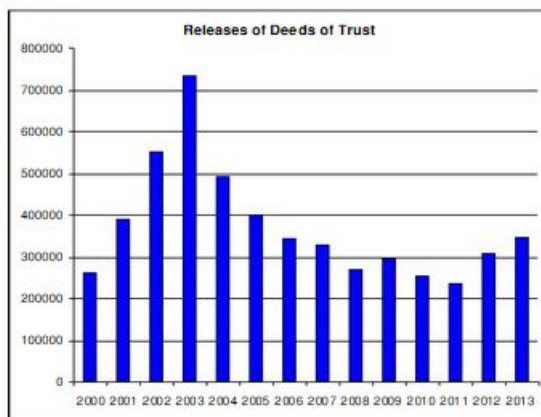
The first quarter's release total is down 49.0 percent from peak levels which occurred during the first quarter of 2013.

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.

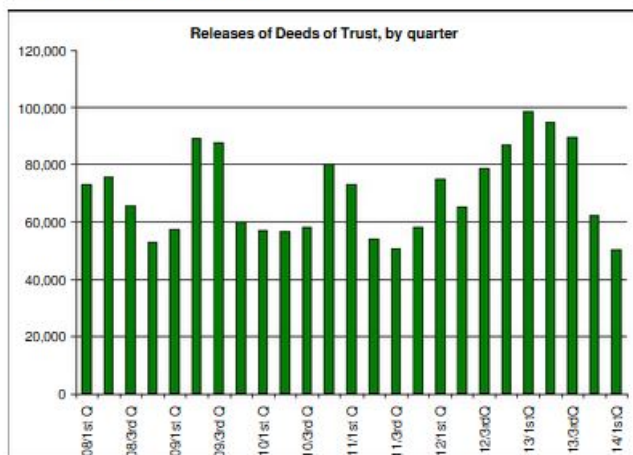
**Table 1: Releases of Deeds of Trust**

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
2014 (Jan-Mar)	50,128

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



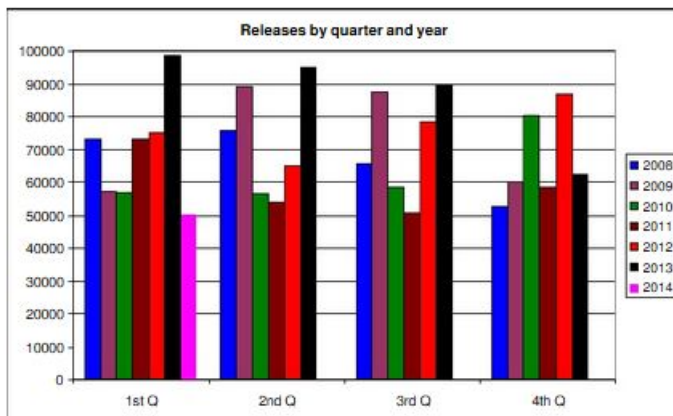
**Graph 2: Quarterly release totals.**



### Comparing release totals for each quarter

The number of releases reported during the first quarter was the lowest first-quarter total yet recorded, and was the lowest total recorded during any quarter. The report was initiated in 2008.

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

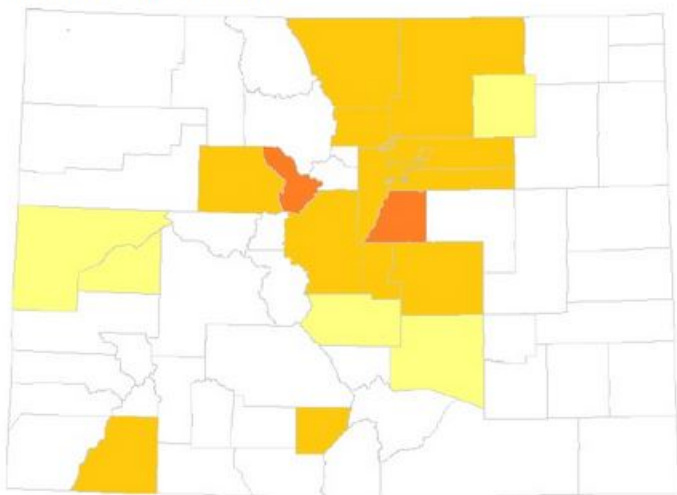


### County Trends

From the first quarter of 2013 to the first quarter of 2014, releases of deeds of trust decreased in all of the 21 counties surveyed. The largest decreases were found in Boulder and Broomfield counties where releases fell 58.9 percent and 61.5 percent, respectively. The counties with the smallest decreases were Eagle and Alamosa counties where releases fell 21.1 percent and 31.1 percent, respectively. See Table 2 for details.

When release totals are adjusted for the number of housing units in each county, the counties with the most release activity are Douglas, Summit and Weld counties. The counties with the smallest amount of release activity in this measure are Delta, Pueblo, and Fremont counties. Not surprisingly, the counties with the most release activity tend to be counties with either higher median incomes, more job growth, or higher-priced real estate. Map 1 shows all counties surveyed.

**Map1: Release activity by county.**

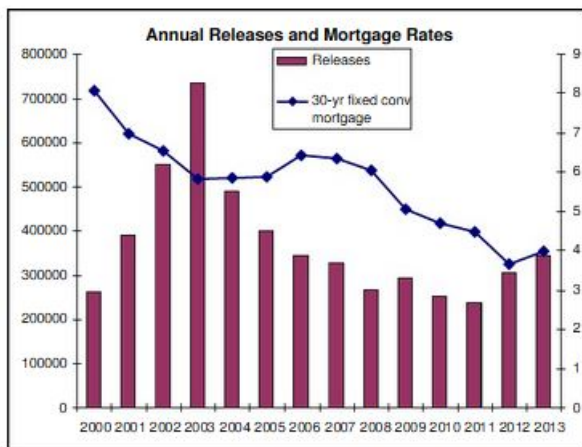


Release rates are split into 3 categories by index number: 1. (dark orange) Index value equal to or more than 3.0. 2. (lighter orange) Index value from 2.0 to 2.9. 3. (yellow) Index value from 1.0 to 1.9.

#### **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 to 2013, but has driven by increases seen almost entirely during the first half of 2013.

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

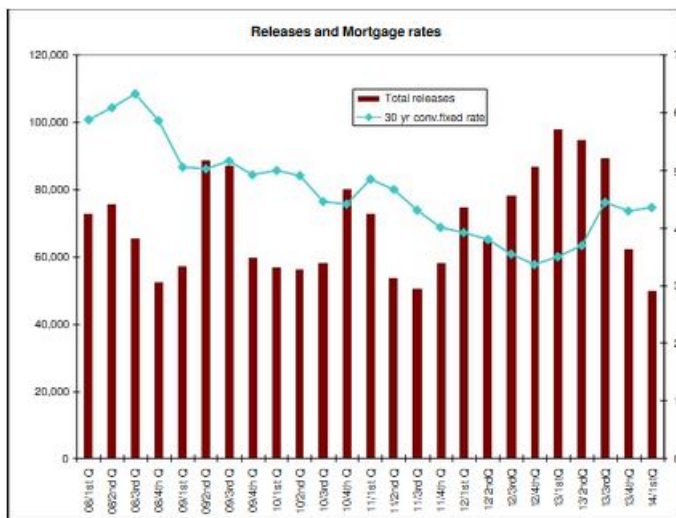


Similar trends can also be found on a quarter-by-quarter basis. In the case of quarterly numbers, however, there is often a one-quarter lag between a change in mortgage rates and a change in total releases.

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.

From 2011 to 2012, 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 first quarter.**

County	12/1st Q	13/1stQ	14/1stQ	% Change from 2012	% Change from 2013
Adams	4,569	7,407	4,213	-7.8	-43.1
Alamosa	164	196	135	-17.7	-31.1
Arapahoe	7,882	12,214	6,410	-18.7	-47.5
Boulder	5,827	7,284	2,992	-48.7	-58.9
Broomfield	1,060	1,440	554	-47.7	-61.5
Delta	269	382	169	-37.2	-55.8
Denver	8,957	11,335	6,839	-23.6	-39.7
Douglas	7,019	9,012	4,006	-42.9	-55.5
Eagle	980	1,016	802	-18.2	-21.1
El Paso	9,922	13,198	6,089	-38.6	-53.9
Fremont	453	567	333	-26.5	-41.3
Jefferson	11,841	13,317	6,481	-45.3	-51.3
La Plata	831	1,016	571	-31.3	-43.8
Larimer	5,646	7,166	3,544	-37.2	-50.5
Mesa	1,844	2,529	1,155	-37.4	-54.3
Morgan	254	353	200	-21.3	-43.3
Park	380	449	302	-20.5	-32.7
Pueblo	1,492	1,890	1,148	-23.1	-39.3
Summit	1,742	1,974	1,018	-41.6	-48.4
Teller	596	838	339	-43.1	-59.5
Weld	3,081	4,738	2,828	-8.2	-40.3
Total	74,809	98,321	50,128	-33.0	-49.0

**Table 3: Change in release totals from the fourth quarter of 2013 to the first quarter of 2014.**

County	13/4thQ	14/1stQ	Percent change from previous quarter
Adams	5,040	4,213	-16.4
Alamosa	185	135	-27.0
Arapahoe	7,950	6,410	-19.4
Boulder	3,875	2,992	-22.8
Broomfield	796	554	-30.4
Delta	255	169	-33.7
Denver	8,416	6,839	-18.7
Douglas	5,106	4,006	-21.5
Eagle	875	802	-8.3
El Paso	7,299	6,089	-16.6
Fremont	402	333	-17.2
Jefferson	8,272	6,481	-21.7
La Plata	819	571	-30.3
Larimer	4,279	3,544	-17.2
Mesa	1,367	1,155	-15.5
Morgan	251	200	-20.3
Park	344	302	-12.2
Pueblo	1,412	1,148	-18.7
Summit	1,562	1,018	-34.8
Teller	419	339	-19.1
Weld	3,388	2,828	-16.5
Total	62,312	50,128	-19.6

**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	14/1stQ	Total housing units (2012)	Release Index
Douglas	4,006	108,862	3.7
Summit	1,018	30,067	3.4
Weld	2,828	97,788	2.9
Jefferson	6,481	231,398	2.8
Arapahoe	6,410	240,812	2.7
Teller	339	12,736	2.7
Larimer	3,544	134,973	2.6
Adams	4,213	164,015	2.6
Eagle	802	31,474	2.5
Broomfield	554	23,087	2.4
El Paso	6,089	255,150	2.4
Denver	6,839	289,185	2.4
Boulder	2,992	128,300	2.3
La Plata	571	26,284	2.2
Park	302	14,145	2.1
Alamosa	135	6,623	2.0
Mesa	1,155	63,611	1.8
Morgan	200	11,531	1.7
Fremont	333	19,369	1.7
Pueblo	1,148	70,036	1.6
Delta	169	14,635	1.2
Combined	50,128	1,974,081	2.5

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

County	13/1stQ	13/2ndQ	13/3rdQ	13/4thQ	14/1stQ
Adams	7,407	6,934	7,406	5,040	4,213
Alamosa	196	180	185	185	135
Arapahoe	12,214	11,463	10,411	7,950	6,410
Boulder	7,284	6,603	6,521	3,875	2,992
Broomfield	1,440	1,329	1,263	796	554
Delta	382	346	316	255	169
Denver	11,335	12,250	11,156	8,416	6,839
Douglas	9,012	8,912	7,880	5,106	4,006
Eagle	1,016	1,195	1,135	875	802
El Paso	13,198	12,882	10,659	7,299	6,089
Fremont	567	550	569	402	333
Jefferson	13,317	11,867	13,193	8,272	6,481
La Plata	1,016	1,116	993	819	571
Larimer	7,166	6,985	6,475	4,279	3,544
Mesa	2,529	2,226	2,033	1,367	1,155
Morgan	353	361	355	251	200
Park	449	464	459	344	302
Pueblo	1,890	2,052	1,952	1,412	1,148
Summit	1,974	1,807	1,088	1,562	1,018
Teller	838	701	532	419	339
Weld	4,738	4,714	4,791	3,388	2,828
Total	98,321	94,937	89,372	62,312	50,128

**Table 6: 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	26787
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	42038
Boulder	55,261	32,751	25,610	19,970	20,943	18,983	24,805	20,767	19,657	25,002	24283
Broomfield	7,757	5,160	4,048	3,836	3,858	3,321	4,352	3,759	3,376	4,420	4828
Delta	3,287	2,916	2,438	2,443	2,334	2,116	1,969	1,470	1,170	1,277	1299
Denver	89,962	61,225	49,073	40,632	39,548	31,047	34,064	31,080	27,413	39,071	43157
Douglas	65,478	35,968	32,098	26,934	26,281	21,673	28,041	18,987	20,704	28,616	30910
Eagle	12,647	9,047	9,617	8,525	8,147	4,941	5,386	2,923	2,953	4,075	4221
El Paso	101,378	56,436	48,970	45,564	43,551	39,941	39,068	34,301	32,040	41,098	44038
Fremont	5,202	3,616	3,353	3,007	2,921	2,470	2,457	1,893	1,728	1,895	2088
Jefferson	101,777	68,894	49,135	39,808	40,166	30,015	36,578	30,663	32,303	38,619	46649
La Plata	7,846	5,928	5,478	5,286	3,867	4,137	4,542	2,973	2,942	3,517	3944
Larimer	50,874	33,162	28,489	24,061	23,695	19,383	23,198	20,259	18,470	24,040	24905
Mesa	19,134	15,151	14,548	14,900	14,761	14,523	12,648	7,838	6,315	7,853	8155
Morgan	2,426	2,180	1,969	1,630	1,527	1,201	1,013	1,150	1,259	1,138	1320
Park	4,694	3,339	3,026	2,680	2,340	1,786	1,778	1,416	1,416	1,538	1716
Pueblo	17,883	12,692	11,500	10,662	8,869	7,761	7,553	6,614	5,483	6,549	7306
Summit	10,035	9,547	6,968	6,831	8,452	6,365	6,258	4,796	5,408	6,925	6431
Teller	4,435	3,766	2,974	2,588	2,804	2,049	1,511	1,563	1,730	1,747	2490
Weld	32,123	25,117	20,966	19,265	15,700	12,166	12,456	11,327	10,086	13,272	17631
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.