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Utah's foreclosure crisis: Worst lurks ahead Having lagged behind other hard-hit regions where housing markets are now slowly improving, Utah has yet to reach the peak of its crisis.

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Before a life-altering off-road vehicle accident in American Fork Canyon, Clancy Talbot of Bountiful earned as much as \$10,000 per month selling identity theft protection. Now, tens of thousands of dollars in medical bills later, she may be about to lose her home.

For eight months after Talbot's July 2008 accident -- she was literally impaled by a tree -- the 37-year-old mother of three could not work. She and her husband modified one of their mortgages, but have not been able to refinance the second. They've tightened everywhere they can. Payments are ballooning and the total is now more than they can afford.

Similarly painful stories are playing out statewide as Utahns in dramatically rising numbers confront financial disaster, defaulting on their mortgages and losing their homes.

More than 22,000 homeowners in Utah found themselves in some stage of foreclosure between July 2008 and April 2010, according to a *Salt Lake Tribune* computer analysis based on data from RealtyTrac, which tracks U.S. foreclosures. And having lagged behind other hard-hit regions where housing markets are now slowly improving, Utah has yet to reach the peak of its crisis.

In Salt Lake City, foreclosure filings doubled in the first three months of 2010 compared with the same time last year, the highest rate of increase for all U.S. cities. The number leapt an additional 44 percent in April, raising the share of all Utah homes in foreclosure to one in every 221, fifth highest in the nation.

"I truly believe that we have not seen the worst of this," said Julia Borst, president of the Utah Mortgage Lenders Association. "I can't even explain to you the gravity of it."

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Notice of default » Talbot is like many Utah homeowners in trouble, coping with financial woes along with the major medical event that triggered them. One doctor told her it looked like a grenade had gone off in her abdomen. Her ribs are still sore to the touch, she's on 11 medications and will probably need oxygen and blood thinners for the rest of her life.

The family saves money where it can. No dinners out. No vacations or cable TV. They had her car voluntarily repossessed. Talbot's 14-year-old son wants to play football, but they can't spare the \$600 in fees.

"I would bawl if I talked about it for more than about two seconds," Talbot said. "This is something you should be able to give your kids regardless of your income."

In Utah, the first sign that foreclosure looms is a notice of default, signaling the homeowner is 90 days or more behind on mortgage payments. Upwards of 18,000 families statewide have received an NOD since July 2008 -- and more than 4,720 of those notices were filed since 2010 began.

Over 7,800 homes in the state have gone on to auction since mid-2008, with nearly 3,720 of those trustee sales scheduled so far this year, *The Tribune's* analysis found. While a handful of Utah houses were being sold on a given auction day at the end of 2008, it is now about 45 houses per auction day. --

'They could say we're out' » Family roots are being torn out, leaving untold heartache, anxiety and disorientation in an agonizing succession of predictable events: Stomach-sinking notices in the mail. Frustrating hours on the phone with loan servicers. Lives hastily packed into boxes. Final good-byes to the neighbors, kids changing schools. Moving in with relatives or facing homelessness.

Since Alisa Madill and her husband moved into their dream home in Riverton four years ago, they've held baby showers and weddings there. Alisa's dad died in the house. "I've always felt like we were where we were supposed to be," she said.

But the recession devastated the family's concrete business as the value of their home plummeted. They've borrowed against her husband's life insurance policy and wiped out their 401(k) to pay bills. They recently consolidated debt and have grown a garden to save money on groceries.

Now seven months behind on their mortgage and with two failed attempts to modify their loan, Madill faces stark uncertainties. Concrete work is picking up again, which might help with the latest loan modification plans, but they still may not be able to keep the house.

"At any point, they could say we're out," Madill said. "It's not a home we really want to walk away from. All of our eggs are in one basket." --

'It gets ugly fast' » Typically, homeowners in default face a wide mix of credit issues, after years of denial, fending off creditors and paying some debts simply by borrowing more, debt counselors say. Foreclosure brings it all to a climax.

"They come to us on the worst day of their lives," said Ryan Carver, director of housing counseling at AAA Fair Credit Foundation of Salt Lake City, one of dozens of area nonprofit credit-counseling agencies inundated with new cases in recent months.

"Most people are living at the edge of their means, and all it takes is a slight hiccup and you have a equivalent of a World War III going on in your personal finances," Carver said. "It gets ugly and it gets ugly fast."

Having slammed Washington County in once-booming southwestern Utah especially hard, the focus of foreclosure activity then moved to Utah and Salt Lake counties, analysis shows. And while continuing their havoc in those areas, foreclosures are now growing in Weber and Summit counties, too, judging from a surge of default notices centered on Ogden and Park City. --

Properties languish » While devastating homeowners, foreclosures also pose challenges for local governments whose property tax bases and budgets are shrinking along with contracting home values. Few if any municipalities along the Wasatch Front are being spared.

Real-estate markets and lenders are taking hits as well.

The Tribune's analysis found that nearly 12,100 foreclosed properties have languished unsold across Utah, often for months, held by banks or lenders after auctions failed to bring a buyer. These real-estate owned, or REO, properties exert a downward pull on property markets and overall home values, especially when empty houses are allowed to deteriorate.

This burgeoning stock of REOs is straining the ability of lenders and loan servicers to keep up, Borst said. "They had no idea it would happen like this."

The list of top banks and lenders now filing foreclosures in Utah includes some of the largest institutions bailed out by the federal government because of the recession, such as Wells Fargo and Bank of America, as well as the government-backed lenders Fannie Mae and Freddie Mac.

Thousands more Utah foreclosures are being filed by loan servicers and companies fronting for banks, such as BAC Home, Aurora Loan Services and Mortgage Electronic Registration Systems, or MERS, a controversial mortgage registry set up by lenders in the 1990s whose name is now on millions of foreclosure actions across the country.

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'So unregulated and nobody cared' » Foreclosures have hit Utah in two distinct waves. A collapse in housing prices coupled with questionable lending practices propelled the first, affecting homeowners across the income spectrum.

In the mid-2000s, lenders in Utah and nationally wrote large numbers of subprime, adjustable-rate mortgages (ARMs) and homebuyers -- of high, moderate and low incomes alike -- snapped them up. Credit was so fluid, many banks and private lenders gave only passing scrutiny to a borrower's ability to repay. In some cases, lending practices bordered on predatory.

"We're seeing a lot of bad mortgages out there," said Jeremy Roberts, a mortgage consultant for Satterfield Organization in Draper. "It was the real estate people. It was the appraisers. It was the mortgage officers. They were flipping pages faster than you could read them.

"It really was a real estate bubble that was about to burst," he said. "It was just so unregulated and nobody cared."

All involved, it seemed, tacitly assumed home prices would keep pushing skyward, and many borrowers bet on refinancing those tricky mortgages later on, before their adjustable loan payments ballooned. But as soon as home prices dipped, those homeowners found their exits blocked and the initial bout of foreclosures began.

The Tribune's analysis confirms several projections made in early 2008 by the U.S. Federal Reserve and other agencies that areas with concentrations of high-cost, ARMs were likely to be hit badly. --

Second wave strikes » Digital maps also show that cities with pockets of rapid housing growth and new subdivisions -- St. George in Washington County; Lehi, Orem, Provo, Eagle Mountain and Saratoga Springs in Utah County; and West Jordan, South Jordan, Sandy, Herriman, Draper and Magna in Salt Lake County -- have endured especially heavy shares of foreclosures.

Those mortgages in the first wave, of course, had been sliced up and sold into complex securities traded on Wall Street and global markets. Widespread defaults brought those investments crashing down and economies around the world fell with them, triggering a more traditional recession with tightening credit, slowdown and cascading joblessness.

A second, more pronounced wave of Utah foreclosures has come with widespread unemployment. Utah's jobless rate, while consistently below the national average, is now at 7.4 percent, its highest level since 1984.

"We saw a lot of people up front [who] had loans ... and the value of homes that exceeded their capacity," said Darin Brush, executive director of the Community Development Corp. of Utah, which develops sustainable and affordable housing. "The second wave, a lot of that is now [because] there's been a job loss or a medical tragedy."

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Responsible homeowners now victims » While the first wave built up with an element of real-estate speculation, the current onslaught comes as the economy shows early signs of improving. And it is made up of people, by and large, who borrowed within their means and never contemplated losing their primary asset.

Foreclosures no longer cluster in the heyday subdivisions, but instead are spread more evenly across many of the state's more densely populated areas, with some of the greatest damage being done to low- and moderate-income neighborhoods. Stressed, humiliated and

desperate, defaulters are blue-collar workers as well as business owners and IT professionals thrown out of work.

"It's not the irresponsible people anymore. It's the responsible homeowners who have fallen victim to the economy," said Cheryl Stevenson, housing counselor at Salt Lake Community Action Program, which advocates for low-income residents.

With the economy starting to boom in 2003, Steve Newton of Kearns leveraged his home to boost his growing industrial manufacturing business, and it seemed a safe gamble. He had paid the mortgage off several years before. With \$5 million annually in sales, Newton never imagined taking loans against the property might put his home and family at risk.

But problems surrounding the construction of a new facility eventually led to corporate and personal bankruptcy.

After applying for more than 125 jobs from laborer to chief executive, Newton remains unemployed. Now he uses his unemployment dollars to make monthly payments on his debt, cover the utilities and buy a little food.

With help from family, he's caught up some, but the bank is demanding cash he doesn't have.

"My plan is to do the best I can to keep these two banks from repossessing this home and kicking my family out in the street," said Newton, the father of two small children. "What everybody needs is time, and what these banks don't need are more repossessed homes."

"The point is for anyone who thinks there's a recovery or jobs out there," the 49-year-old said, "there isn't."

Tribune reporter Lesley Mitchell contributed to this story.