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Vermont foreclosures rise by 17 percent

By BRUCE EDWARDS STAFF WRITER

The recession continues to make its presence felt in Vermont as the number of homeowners facing foreclosure jumped 17 percent last year.

There were 1,928 foreclosures filed in the state in 2009 compared to 1,639 the prior year, according to the Department of Banking, Insurance, Securities and Health Care Administration.

With the exception of Rutland County, foreclosures increased in all 14 counties in the state last year.

Chittenden County, the state's most populous county, reported 304 foreclosures — 42 more than the prior year. Foreclosures soared in Windsor County with 238 filings last year — up 37 percent from 2008 — and the second highest number in the state. Rutland was third with 227.

Statewide, between 2007 and the end of 2009, foreclosures in the state have soared nearly 60 percent.

Foreclosure figures include primary, secondary and some commercial properties but the majority are primary residences.

The number of calls to the Mortgage Assistance Program hotline would indicate that more foreclosures are likely, at least in the near term, said Thomas Candon, deputy commissioner of the Department of Banking, Insurance, Securities and Health Care Administration.

Some distressed homeowners are working with lenders to modify the terms of their mortgage using a voluntary loan modification program. But Candon said a successful outcome for many homeowners is questionable.

"We've had people actually calls us, get into a loan modification, come out of it, go back into another one," said Candon, in pointing out the difficulty.

Maura Collins, a policy and planning manager with the Vermont Housing Finance Agency, said whether the housing crisis and the number of foreclosures abate this year will depend on the economy and whether the employment picture improves.

"There is a conventional wisdom ... when the unemployment rate crosses 7 percent then foreclosure filings increase," Collins said.

For most of 2009, Vermont's unemployment hovered close to or above the 7 percent mark, hitting a high of 7.4 percent in May. December's unemployment rate was 6.9 percent compared to a national average of 10 percent.

Collins said the biggest factors in foreclosures are loss of a job or a reduction in income when someone goes from full time to part-time work or has their hours cut back.

Of the 1,119 calls to the Mortgage Assistance Program hotline since April 2008, nearly 63 percent cited job loss or income reduction as the primary reason for their predicament. Medical bills accounted for 19.5 percent while divorce was another 13.6 percent.

Compared to the rest of the country, Vermont ranked 46th in the number of delinquencies and foreclosures started at the end of the fourth quarter, according to the Mortgage Bankers Association. Mississippi ranked first in delinquencies while Nevada ranked first in on foreclosures started.

Subprime loans started the nationwide housing crisis, which has since spread to conventional mortgages. The MBA noted that Vermont's mortgage portfolio is made up of only 10 percent subprime loans compared to a national average of 22 percent.

After posting the most foreclosures in the state in 2008, foreclosures in Rutland County declined 14 percent last year to 227 filings from 266 the prior year, according to the Rutland Superior Court clerk's office. (The Banking Division puts the 2008 number at 262 foreclosures).

But one housing advocate cautioned that the decline runs counter to what

her organization is experiencing.

"I don't think the incidents of catastrophe to various households has dropped dramatically," said Ludy Biddle, executive director of NeighborWorks of Western Vermont. "I think it's increasing dramatically."

Biddle said most of the foreclosures can't be blamed on subprime loans or people taking on mortgages they couldn't afford. Instead, she said most people are losing their homes because of loss of job, divorce and medical expenses. She added those economic circumstances have not changed over the past year.

For much of 2009, Rutland's unemployment rate was the highest in the state, hitting 10.4 percent in May.

Both Collins of the VHA and Candon of the Banking Division could offer no explanation for the decline in Rutland County foreclosures.

Candon did say the increase in Windsor County appears to be driven by vacation homeowners in trouble.

Last year, NeighborWorks of Western Vermont received 212 foreclosure prevention calls, up from 93 the previous year and 40 in 2007.

Biddle offered this advice for homeowners in distress: call the mortgage lender and enroll in foreclosure prevention counseling.

"Do not hide in the attic and think it will go away," she said.

NeighborWorks of Western Vermont offers Department of Housing and Urban Development approved one-on-one counseling and Financial Fitness for Foreclosure classes. For more information, call 438-2303, ext. 220.

The state Mortgage Assistance Program hotline can be reached at (888) 568-4547.

bruce.edwards@rutlandherald.com