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Chicago-area foreclosure auctions hit new high

More than 9,300 homeowners lost properties last quarter

By Mary Ellen Podmolik, Tribune reporter

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More Chicago-area homeowners lost their homes to foreclosure in the first three months of the year than in any quarter in the past five years. This disturbing statistic raises doubts about the effectiveness of mortgage loan modification efforts and could put more downward pressure on property values.

Within the six-county Chicago region during the first quarter, 9,302 homes went through a court-ordered auction, the last step in the foreclosure process, and 95 percent of those properties were taken back by lenders. Within the city of Chicago, almost 3,500 homes went to auction, and 95 percent of those also became bank-owned, according to data to be released Thursday by Woodstock Institute, a Chicago-based think tank.

A portion of the increase in auctions can be attributed to various moratoriums lenders put in place during the holiday season and while they evaluated homeowners either for the federal government's Home Affordable Modification Program or their own internal programs. However, it appears clear lenders are now stepping up efforts to push properties through the foreclosure system as homeowners fail to qualify for loan modifications or default again.

More than half of all loan modifications fell 60 days or more past due by nine months after the initial modification, the federal Office of the Comptroller of the Currency said in a report last month on fourth-quarter mortgage performance.

Lenders "put a halt on the process, but did it help [borrowers] in the end?" said Geoff Smith, Woodstock Institute's senior vice president. "Are these foreclosure prevention programs working? If HAMP was working, you'd have less completed foreclosures. More people lost their homes. That's undisputed."

Some community groups that have worked to combat the growing number of foreclosures and abandoned properties expressed surprise about the rise in bank-owned properties, particularly given the attention paid to foreclosures.

In Chicago, Local Initiatives Support Corp., a community development support group, helps fund programs that support neighborhood redevelopment, but senior program officer Marva Williams acknowledged it was impossible to get ahead of the problem, and more abandoned homes mean a greater threat to a neighborhood's safety. Compared with 2009's first quarter, completed auctions within the city spiked 59 percent in the last three months.

In Schaumburg, officials require owners of vacant property to register those addresses with the village. While some 300 are registered, the village estimates there are a few hundred homes it doesn't know about. During the year's first quarter, foreclosure auctions were completed on 83 homes, an increase of 186 percent over 2009's first quarter. More than 100 foreclosed homes in Schaumburg are listed for sale.

Housing counselors, meanwhile, say the rising number of auctions in so many communities demonstrates HAMP's ineffectiveness. "What we see and what we hear from servicers is they have to file foreclosure if a person is 90-plus days delinquent," said Liz Caton, director of counseling services at the Northwest Side Housing Center. "They will keep pushing it through and they will get their judgment and they'll go all the way through to auction. They aren't slowing it down."

In Chicago's Jefferson Park neighborhood on the Northwest Side, more than 30 foreclosures are for sale and 24 homes became bank-owned during the first quarter, pushing down property values in a neighborhood that has already seen them tumble, according to Merrill Miller, president of the Jefferson Park Neighborhood Association.

"We're seeing a lot of for-sale signs," she said. "There's a lot of concern."

Judicial Sales Corp., one of several companies that handles foreclosure auctions for Cook County, has auctions scheduled on 110 homes Thursday. The firm, a subsidiary of Attorneys' Title Guaranty Fund, predicted that auction volume would rise for the first half of the year but slowly subside as foreclosure filings moderate, President Peter Birnbaum said.

And at least in the first quarter, filings did ease in some areas.

The bright spot in Woodstock Institute's report was a 12.4 percent year-over-year first-quarter decline in initial foreclosure filings within the city of Chicago, to just under 5,000 filings. That enabled Cook County to record an overall drop of 4.7 percent in filings. However, double-digit increases in some of the collar counties — namely 11.2 percent in DuPage; 16 percent in Lake and 11.5 percent in McHenry — meant an overall 1 percent increase in initial foreclosure filings in the six-county region.

Birnbaum predicts that more banks will move to get properties off their balance sheets by putting them up for sale rather than carrying them while they wait for an improved housing market and better prices.

"We think the market will stabilize down the road but it will be a couple years," Birnbaum said. "There's phantom inventory. There's a lot to come, and that's going to depress prices in the near term."