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For sale: Jobless rate adds to foreclosure woes

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With the number of existing homes sold in Utah recently falling to the lowest level in 15 years, it's no surprise that some people who are trying to sell properties are becoming desperate — so desperate that about one of every six houses listed for sale is priced for less than was originally paid for it.

According to data compiled by the Salt Lake Board of Realtors, 17 percent of residential property listed for sale or under contract is a short sale — approximately double the amount of one year ago.

In real estate, a short sale occurs when a lender allows a customer to sell a home at fair-market value and pay off the loan for less than the amount owed on the loan.

"These are not just upper-end homes," Dave Anderton, Board of Realtors spokesman, told the Deseret News. "Roughly 75 percent of the 1,401 short sales listed ... are priced below \$300,000. Only 7 percent are priced above \$500,000."

In Utah, 8.42 percent of homeowners with a mortgage are either delinquent or in foreclosure, Anderton said. Nationally, just over 12 percent of homeowners are behind in their payments, he added.

Rick Bentley, sales manager and associate broker for Coldwell Banker Residential Brokerage, said another issue contributing to the rise in short sales is the faulty loan practices employed by lenders during the housing boom.

"You factor in the type of loans that were done ... the 100 percent financing, no income (verification) loans, the interest-only (adjustable rate mortgage) loans and job loss ... those numbers are extremely accurate as to where the short sales are coming from," he said.

Despite the challenges facing many Utah homeowners, the situation is worse in other states.

According to data compiled by Irvine, Calif.-based online market research firm RealtyTrac Inc., Utah ranked fifth in the midyear 2009 U.S. Foreclosure Market Report, with one in every 69 households registering a foreclosure filing, a rate increase of nearly 88 percent from the same period last year.

The report showed that foreclosure filings — default notices, auction sale notices and bank repossessions — nationwide climbed 9.5 percent in the first six months of 2009 and jumped almost 15 percent from the first six months of last year.

With that information in mind, Zions Bank chief economist Jeff Thredgold told the Deseret News that it is not surprising to see the values of homes falling, which is contributing to the increase in short sales.

"As painful as that is, you look at Las Vegas, the number (of short sales) is one in three," he said. "California is around one in three or one in four; Arizona, the same, and Florida, the same."

Thredgold said information from a recent Case-Shiller report indicated that home values in cities like Las Vegas, Los Angeles, Phoenix, San Diego and San Francisco are down 47 percent from their peak, showing extreme weakness in the regional housing market.

He said that one of the major factors contributing to people losing their homes is the rising unemployment rate in Utah and around the country.

"When you've got an economy in recession ... you've got 6.5 million fewer workers than you had 18 months ago," he said. "We have 46,000 fewer workers in Utah than we had a year ago, so many of these people are selling because they have to."

The Utah Department of Workforce Services reported last week that the seasonally adjusted unemployment rate rose to 5.7 percent in June, a 2.4 percentage point hike over the same month last year. The U.S. unemployment rate continued to rise, reaching 9.5 percent for June.

"If misery loves company, there is plenty," Thredgold said.

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