

LOCAL

CORNER
from 1A

County, said investors and international buyers are scooping up much of the Treasure Coast's foreclosure inventory.

"I think it's a pretty interesting sign that investors with a lot of cash see this as an opportunity," said Preuss, owner of Adam Preuss Appraisal Services Inc. in Sebastian. "I think (investors) realize it's smart to take out money from the stock market now and put it into real estate. Buy low, sell high, right?"

But others say the downward trend of foreclosures might not be permanent.

Palm Beach Gardens-based Brad Hunter, chief economist for national housing firm Metrostudy, has observed and studied the Treasure Coast's housing market for the past decade. Hunter said the region's first wave of foreclosures were primarily composed of subprime loan borrowers and speculators who defaulted when their adjustable-rate mortgages reset. Subprimes were riskier loans offered to those with little or a checkered credit history. The interest rates were higher than those banks traditionally charge customers with better credit.

As job losses compound, property values have spiraled downward and, in many cases, home values have fallen far below the outstanding balance on the mortgage.

That result in another wave of defaults could be on the horizon, Hunter said.

"We haven't seen those waves of foreclosures yet. The ones who took out a typical, conforming, 30-year loan who lost a job or whose income went down," Hunter said. "It's important to remember that the banks are still sitting on a lot of properties that haven't gone through the court system yet."

BANKS SITTING ON 'SHADOW UNITS'

The properties Hunter describes are part of a looming phenomenon ominously referred to as "shadow" or "phantom" units.

Anthony Gambardella, president of the Realtors Association of St. Lucie Inc., warns that an unknown number of properties with mortgages 90 to 120 days delinquent, or homes that might already be in foreclosure but are sitting in legal limbo, have not been processed by the banks and local court systems yet.

Even the most knowledgeable housing experts say there's no way to know how many phantom units are out there.

Stan Gerberer, an economist with Fishkind & Associates, an economics and research consulting firm with offices in Orlando, Naples and Port St. Lucie, calls the phantom unit phenomenon a "festering" crisis that could take up to seven years to clear through the court system.

"It's still a very big problem because there's so much confusion as to who owns these loans and what documentation was transferred with respect to ownership with the payoff amounts," he said. "Instead of adjusting the prices of

these homes, the burden has been placed at the foot of the homeowner — to the degree of the banks taking no responsibility or blame for a flawed mortgage process at the outset."

Gerberer said thousands of foreclosure cases are sitting idle at local courthouses because of questionable work by Florida's foreclosure mills — law firms that used so-called "robo-signers" to sign foreclosure documents on behalf of lenders without reading them. Just under a dozen statewide law firms are under investigation by the Florida attorney general on allegations of using false documents to foreclose on homeowners.

"We won't see a return to the foreclosure levels of 2008 or 2009," Gerberer said. "But these (phantom) units are lingering out there."

On top of that, analysts say some banks are stalling, almost dragging their feet on finalizing ownership on thousands of foreclosures. Mainly because taking legal ownership of those properties would require banks to pay for lawn upkeep, utilities, homeowner association dues, property insurance and taxes.

"That's about \$250 per month for each home," said Jack McCabe, a Deerfield Beach-based real estate analyst and owner of McCabe Research & Consulting. "That's not much when you're talking about one or two homes, but we're talking thousands upon thousands of homes in Florida alone."

TOUCHING VIRTUALLY EVERY HOME

Jessica Cecere, South Florida president of the nonprofit counseling agency CredAbility, said the foreclosure crisis has touched virtually every home on the Treasure Coast, through lower property values, jobs lost in the construction industry and sluggish home sales.

And those affects will continue — and possibly compound — as long as foreclosures continue to occur at a high rate.

Cecere said predatory lending schemes, subprime mortgages and robo-signer problems in Florida have devastated some families. About 60 percent of CredAbility's Treasure Coast clients are dealing with a foreclosure. A total of 2,100 Treasure Coast clients sought foreclosure prevention services from CredAbility in 2010, she said.

"We're still uncovering all this information so it's still an evolution," Cecere said. "Two years ago, no one heard of robo-signing and we still don't know how consumers are going to be affected by that process."

In 2003, Jensen Beach resident Nicole West purchased a \$330,000 home through mortgage lender Option One with a monthly adjustable-rate payment of \$1,900. Two years later, West and her husband requested to refinance the loan at a fixed-rate with American Home Mortgage, which had taken over Option One. West claims during the closing, the terms of her original good faith estimate were suddenly and arbitrarily changed increasing her monthly mortgage payments to \$3,100.

The family lived on a shoestring budget to make payments, but in January 2007, West's husband was laid off from his 10-year executive career at Gateway computers. They could no longer afford the mortgage, she said.

The couple asked American Home to modify the loan terms in February 2007, sending the company their financial documents to verify finances. She was stunned when a foreclosure notice from Deutsche Bank, a trustee for Soundview Home Loan Trust, was served at the home in March.

"We didn't realize (American Home Mortgage) were not the owners of the mortgage until we received the foreclosure notice," West said. "When I called American Home Mortgage, they said that (the letter) was just a procedural thing and to

just ignore it."

Finally, West alleges she was told she qualified for a forbearance agreement, but the terms would require a \$13,000 down payment to be wired by Western Union. Mortgage payments would then resume again in July for \$4,700.

"That was literally everything we had in savings. And they knew it and they took it all," said West, who has two children in middle school.

West and her attorney later discovered her foreclosure documents were prepared by Fort Lauderdale-based law firm Ben Ezra & Katz, a firm under investigation by Florida Attorney General Pam Bondi for its foreclosure practices. West said the name of accused "robo-signer" Kathy Smith appears in her foreclosure documents.

West, like others in legal limbo, is in the depths of litigating her foreclosure with West Palm Beach-based attorney Ron Kaniuk, who is with the law firm Ricardo, Wasylik & Kaniuk. She still lives in the home with her family.

Kaniuk said its difficult to predict how long foreclosures stuck in the court system could take to resolve.

"In the last summary judgment, they wanted \$541,000 on a house that's worth \$200,000 now," West said.

MORTGAGE MODIFICATIONS ARE HARD TO COME BY

Others with financial hardships and job losses continue to make mortgage payments on homes that have negative equity with little hope of ever getting out of the mortgage.

Vero Beach resident and breast cancer survivor Diann Russano lost her job in human resources two years ago. When her husband also got laid off, the couple immediately contacted JPMorgan Chase & Co. for a mortgage modification on their primary home. The couple, who have survived on unem-

ployment and retirement savings, also own a small rental home and never missed a mortgage payment.

"I've probably sent (Chase) 10 packages since 2009 and we finally got denied in December 2010," Russano said. "But after my husband found a job, we applied again because our income changed."

Russano and her husband, who spent their \$200,000 retirement savings on living expenses and the mortgages, said they have now given up on ever getting a modification from Chase.

"They know they're making that 7 percent interest on our mortgage," Russano said. "That's probably the main reason they don't want to modify it."

Like Russano, other boom-time home buyers who managed to hang on to their properties now face serious problems because their homes are worth less than they owe.

Some cash-strapped families have forgone all discretionary spending and savings to stay current on their underwater mortgages while neighboring homes join the ranks of the phantom shadow units, receiving a foreclosure summons.

That further compounds the problem of decreasing property values, wreaking homeowners' chances of ever selling the property for what is owed on the original mortgage.

"It would not surprise me, and I hate to rain on anybody's parade, if foreclosures this year equal or even exceed last year," said Merle Dimbath, Treasure Coast economist and owner of Dimbath Economics in Stuart.

AREA'S TOTAL MARKET VALUE PLUMMETS

The problem of foreclosures bringing down property values expands well beyond the Treasure Coast.

In December, real estate analysis firm CoreLogic said 45.5 percent of mortgages in Florida were under water.

Martin County Property Appraiser Laurel Kelly said a host of factors contributed to the foreclosure crisis and falling property values including the deregulation of the financial services industry and lax credit standards. She thinks current market values will stay relatively "flat" in the coming years.

"We had never seen rapid increases (in home prices) like that before (the boom)," said Kelly, who has held her position since 1992. "People want to find blame, but there were issues with regulators, issues with lenders, issues with buyers. So, things will be flat for a long time. I don't see increases (in market values) for a while."

A luxury home on 121 Via Sangro in Port St. Lucie's Tesoro Preserve community was once on the market for more than \$2 million. In April, the home's listing price was \$599,900.

According to the Florida Department of Revenue, the entire Treasure Coast lost \$33.8 billion in total market value, before property tax exemptions, from 2007 through 2010.

Still, the entire region gained \$34.3 billion in market value between 2000 and 2010.

That's what keeps St. Lucie County Property Appraiser Ken Pruitt optimistic about the future of the Treasure Coast.

"Sooner or later we'll have more stability when these foreclosures leave the market," Pruitt said.

Sean Snaith, director of the University of Central Florida's Institute for Economic Competitiveness, said there's only one cure to the foreclosure crisis.

"The fundamental foundation of the economy is a strong labor market. We need to create jobs for the unemployment rate to come down," Snaith said. "It will slow the rate of foreclosures and it will also create demand for home buyers, people who will qualify to get a loan ... We'll see a housing recovery only when the labor market does well."

**ACHIEVEMENT:
TAKING CONTROL OF YOUR
FINANCIAL FUTURE**

1.00%

3-Month Introductory Interest Rate
\$10,000 minimum in new deposits
to a Premium Money Market account
and a Performance Checking account
are required.

0.47% APY¹

Annual Percentage Yield
Applies to balances between \$50,000
and \$99,999.99.

Get the security of FDIC insurance² and a guaranteed rate from one of America's best banks. Visit any branch, or call 1-877-CALL-PNC.



1 APYs are accurate as of 5/15/2011. A new Premium Money Market account opened by 5/20/2011 with an initial deposit of at least \$10,000 in new deposits and a Performance Checking account are required. (New deposits must be funds not currently on deposit at PNC Bank or invested with PNC Investments.) The initial introductory interest rate for your account is 1.00%. You will be paid this rate for the first three statement periods after account opening. The annual percentage yield is as follows: \$1,000-\$9,999.99 receives a variable rate, currently 0.11% APY (the introductory interest rate does not apply to this balance tier). The APY for balances of \$10,000-\$24,999.99 is 0.60%, 0.64% APY for balances of \$25,000-\$49,999.99, 0.67% APY for balances of \$50,000-\$99,999.99 and 0.55% APY for balances of \$100,000-\$499,999.99. Balances of \$500,000+ will earn our standard variable APY (the introductory interest rate does not apply to this balance tier). After the first three statement periods, your account will have our standard balance tiers and will earn our standard variable interest rate and Annual Percentage Yield. Fees may reduce earnings. Offer available for a limited time and may be modified or withdrawn at any time without prior notice and may vary by market. Business accounts not eligible.

2 FDIC insured to the maximum amount allowed by law.

©2011 The PNC Financial Services Group, Inc. All rights reserved. PNC Bank, National Association. Member FDIC