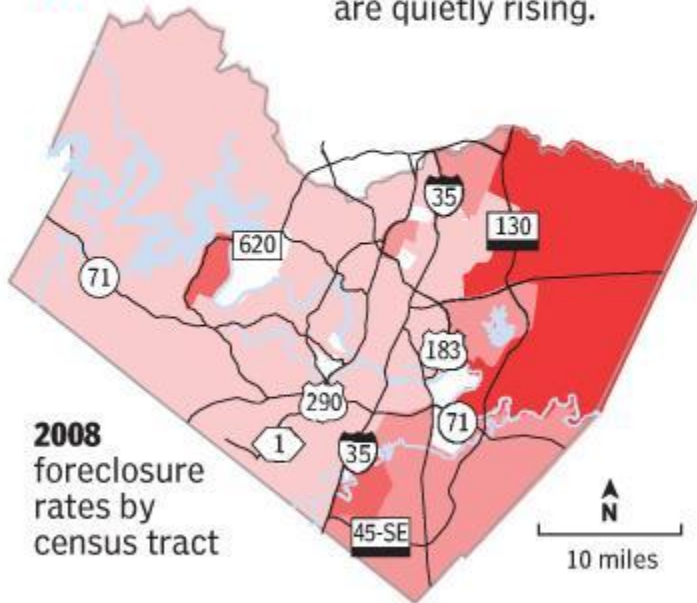


Travis County foreclosure postings

- 0 to 1.99%
- 2% to 3.99%
- 4% to 5.99%
- 6% to 7.99%

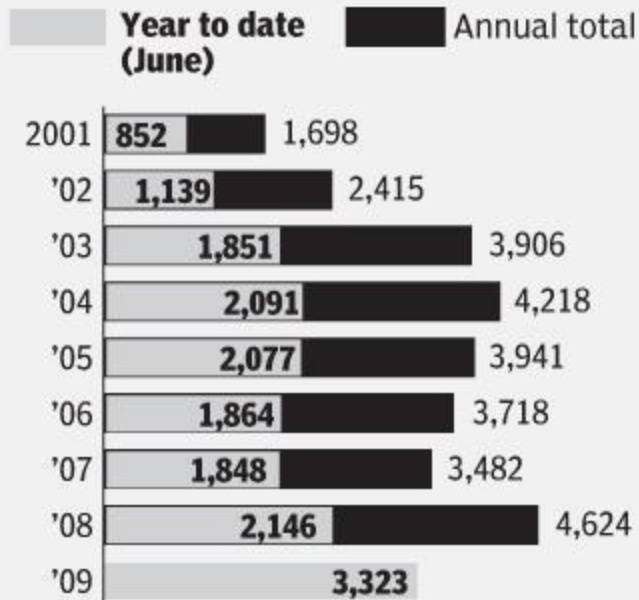
Although Travis County's foreclosure rate is still a fraction of the national average, foreclosures are quietly rising.



Sources: Chad Ballentine, In Young Jang, Meng Qi; Foreclosure Listing Service Inc.; U.S. Census Bureau; City of Austin

Travis County foreclosure postings

Year-to-date total for commercial and residential properties jumps in 2009.



Source: Foreclosure Listing Service Inc.

AMERICAN-STATESMAN

Austin area feeling the foreclosure bite

Filings lower than elsewhere, but they're on the rise, and families are struggling.

By Jeremy Schwartz
AMERICAN-STATESMAN STAFF
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GEORGETOWN — Alma and Adolfo Vasquez might not appear to be prime candidates for foreclosure. Their 3,100-square-foot home near two golf courses is appraised at nearly half a million dollars. They were far from irresponsible buyers, making a 20 percent down payment after selling their California home in 2006, just before the housing bubble burst.

But by early April, the Vasquez family, slammed by a double whammy of rising property taxes and tough times for Adolfo's home-renovation business, were three days from losing their home at a foreclosure auction.

"It's an emotional torture," Alma Vasquez said. "We never thought we could end up in this situation, but it happened. It's kind of embarrassing; you don't want to let your friends or anyone know."

The conventional wisdom is that Central Texas and Austin in particular — thanks to its dynamic economy — have largely escaped the foreclosure epidemic ravaging states like California, Florida and Arizona. The Austin area's foreclosure rate is still a fraction of the nation's: 0.5 percent of properties with active mortgages in May, compared to the nation's 1.8 percent.

But foreclosures are quietly rising here, according to First American CoreLogic, one of several private companies that compile foreclosure statistics.

Cumulative foreclosure filings for the year ending in April rose to more than 17,000 in Central Texas, up 33 percent from the previous 12 months, compared with an 11 percent increase statewide, according to the California-based company. Filings include documents registered at all stages of the foreclosure process.

Meanwhile, the number of homes listed for foreclosure auction in Travis County — the last stage in the process — soared 64 percent in the first six months of 2009 over the first half of 2008, according to the Addison-based Foreclosure Listing Service Inc.

Some experts say that's a sign Austin is now feeling the same pain as the rest of the nation.

"We have this idea that it's not a big deal in Texas, or in Austin," said Elizabeth Mueller, a foreclosure expert at the University of Texas. "Certainly there aren't as many foreclosures as in other places, but we certainly have some troubling trends."

Among them: Growing numbers of upscale properties are now entering foreclosure, alongside less expensive starter homes that are typically the most vulnerable to economic downturns, said George Roddy, president of Foreclosure Listing Service.

This trend is being seen throughout the state.

"The average price of homes have been inching up over the last couple years," Roddy said. "No class of person is escaping this phenomenon. ... Someone making \$300,000 a year can make the same mistakes as someone making \$50,000 a year. It's all about how long you can hold out when you lose your job."

Though foreclosures in the Austin area have yet to cause large-scale economic damage — in the first three months of 2009, one of every 279 local housing units was in the foreclosure process, compared with one out of every 27 in Nevada — Austin economist Jon Hockenyos said the numbers bear close monitoring.

"If there were a flood of foreclosed homes at fire-sale prices, that would (mean) a depressed real estate market," Hockenyos said. "In addition to the negative impact on property values, local governments could see their property taxes go down."

Today, foreclosures in Austin largely play out behind closed front doors. There are few obvious signs of carnage, no streets lined with foreclosure signs. In most cases, neighbors aren't aware of the personal turmoil unfolding around them.

The place to be

Sitting at the edge of Lake Travis, Steiner Ranch is a sprawling subdivision of wide, comfortable streets, stately stone homes (some appraised at more than \$1 million), highly rated schools and numerous signs reminding residents that it was the "Best Master Planned Community of 2006."

During the school year, Cups and Cones is the place to be after classes let out: Preteens smear bagels with cream cheese, toddlers watch cartoons on a flat screen, while parents gossip over lattes.

"It's suburbia, that Wisteria Lane type of feeling," said Mahesh Reddy, an engineer who moved to Steiner Ranch 2½ years ago with his wife.

For some neighbors, it was a surprise to learn that in May, this subdivision had the most foreclosures in Travis County.

But Steiner Ranch had 13 homes listed in advance of the June foreclosure auction, more than any other subdivision in the county, according to San Antonio-based Real Estate Foreclosures Inc.

As of June 15, foreclosed homes made up 4.1 percent of those on the market in Steiner Ranch, compared with 3.2 percent overall in the Austin metro area, according to Steiner Ranch real estate agent Eric Bramlett. The homes with foreclosure notices ranged from a \$260,000 home to an \$818,000 mansion in a gated community.

Homeowners who are late with their payments might get foreclosure notices and have their properties publicly posted, often while they try to work out a solution with the lender. But their homes aren't actually foreclosed until they are sold at the courthouse auction, either to a third party or back to the lender that holds the mortgage.

One reason for the striking numbers at Steiner Ranch might be its sheer size: With nearly 4,000 homes, it's one of the biggest developments in Central Texas.

Another reason might be an influx of out-of-town investors from places like California, who scooped up hundreds of properties in upscale subdivisions. Now they're having a hard time keeping up with mortgage payments, according to experts in Central Texas. Nearly half of the Steiner Ranch foreclosure listings in May belonged to out-of-state owners.

"Steiner Ranch was the place," said Kelly Diamond, who moved there with her husband from California in 2005, when she says builders were offering all manner of incentives to lure buyers.

"People came in eager to get the incentives, and they ended up getting in over their heads," said Diamond, who lives on a block near three homes listed for foreclosure. "They were not in a place that if something happened they could stay in this neighborhood. There was no room for error."

Diamond, who works part time at a nearby Starbucks to supplement her husband's income as a pharmaceutical salesman, says she sees an aspirational factor in some of her neighbors' difficulties: "There were a lot of starter families going, 'I don't have to start in Round Rock, I can start in Steiner,' " she said. "They skipped a step."

Austin has lost thousands of high-paying high-tech jobs in the past 18 months, and some experts say that foreclosures in affluent areas such as Steiner are to be expected as the recession grinds on.

"The people who purchased in upscale (areas) had more resources to hold on," said Peter Sajovich, president of a foreclosure investment firm. "On the low end, people are closer to month-to-month. Now that we've had a protracted recession, even some of the more affluent people are having difficulty holding on."

No escape for lower-priced homes

On the other side of Travis County, Austin's Colony is a very different kind of subdivision.

Developed in the 1980s, it was among the first in its area to offer new homes in the \$80,000 range, luring families to the semi-rural area along the Colorado River. With hundreds of houses, it remains the home of many first-time buyers and is now one of countless similarly priced subdivisions throughout the region.

Before the June Travis County foreclosure auction, nine homes in Austin's Colony were listed for foreclosure, including three in the same corner in the southwest part of the subdivision.

Of the 28 homes for sale in Austin's Colony on June 15, one, or 3.6 percent, had been foreclosed.

Lisa Wallace lives at the end of a cul-da-sac within shouting distance of the distressed homes, next to a house that's been empty for two years. She's seen numerous friends and neighbors leave after being unable to afford all the costs of home ownership.

Other houses on her block are now home to a rotating cast of renters and often sit vacant for stretches of time.

"It's quiet, which I like, but it's empty, you know what I'm saying?" she said. "When I first started seeing people just drop, I thought 'What's next? Am I going to have to move, too?' "

Wallace said she worries about becoming another victim of the economy. The single mother of three has taken a pay cut at her job at an electronics factory and has gotten a second job at a fast-food restaurant.

"It makes me worried, the way the economy is," she said. "I don't know what the next months or year will bring."

Families in trouble as jobs vanish

Austin mostly escaped the large-scale disaster of subprime mortgages, which helped turn neighborhoods in Arizona and Florida into ghost towns. Here, continuing job losses now pose the main threat, local foreclosure counselors say.

Though the Austin-Round Rock metro area has posted a small net gain in jobs during 2009, the May unemployment rate — 6.1 percent — is far higher than it was a year ago, a result mostly of significant losses in manufacturing and construction jobs and a growing labor force.

Rory O'Malley of Frameworks Community Development Corp., an Austin nonprofit that helps homeowners facing foreclosure, said the organization is on track to help nearly 1,000 families this year, double the number of last year.

The percentage of cases that are job-related has also doubled, to about 50 percent, from 2008.

O'Malley said the problem might be deeper than those numbers suggest: Most people whom Frameworks helps aren't on a foreclosure list yet but are falling behind in their payments.

"Every single one of these families are in trouble and need help to resolve that problem," he said. "(Foreclosure) means values are going down, the quality of life is going down. It may not sound like the inflated numbers in other places, but it's important."

Arnulfo Barco, 39, went to Frameworks after Dell Inc. closed its desktop manufacturing factory last summer. An independent trucker with a contract to move Dell computers, Barco could no longer pay the lease on his 18-wheeler.

"I couldn't afford to keep my business and my house, so I had to let go of one," he said. "Eventually it was my business."

But the Barcos' home nearly followed. The adjustable rate mortgage on his \$137,000 newly constructed home in Pflugerville jumped to 11.99 percent, raising his monthly payment from \$1,100 to \$1,800. He got a foreclosure notice and worried about where he and his wife and children would go.

"Sometimes I couldn't even sleep, that's how bad it was," he said.

At Frameworks, Barco found counselors who were able to work out a loan modification with Barco's lenders. The lowered interest rate will probably reduce his monthly payment to less than \$1,000 if he makes it through a three-month trial period.

With a new job for another trucking firm, and his wife entering the work force as a hair stylist, Barco said he hopes he can keep his house.

In Georgetown, Alma and Adolfo Vasquez had also gone to Frameworks for help in renegotiating their home loan.

For months, the Vasquezes had kept their precarious financial situation secret, even from close friends.

"Sometimes people don't ask for help because they feel ashamed," Adolfo said.

But by early April, they were just days from seeing their dream home being sold out from under them at auction at the Williamson County Courthouse. "You can't imagine the stress we were living," Alma Vasquez said.

They planned to spend the weekend packing before the Tuesday auction. They wondered where they would end up. What apartment would take the chickens they raised on their 15 acres?

Then they got the call: The bank had agreed to lower their interest rate from 7.1 to 5.5 percent. Their monthly payments would drop from \$3,600 per month to a manageable \$2,700.

"Sometimes we have to be tested in this world," Alma Vasquez said. "But you don't have to go by yourself through this nightmare."

Courtesy of JB Goodwin