

Housing Boom has New Dark Side

By Terence J. Downing, *Enterprise* staff writer

As the housing market heated up in Massachusetts, buyers have looked at different ways to afford a home, such as living farther from urban centers, settling for less costly condominiums and turning to risky borrowing practices to get a mortgage. But there's a growing dark side to the pricey housing market — foreclosures.

"Massachusetts is experiencing a significant and long-term rise in foreclosures," said Jeremy Shapiro, president and co-founder of ForeclosuresMass. "This is evidence that skyrocketing housing prices, rising interest rates, complex loan arrangements and a relatively flat economy are combining to cause difficulty for thousands of homeowners," he said.

High home prices and questionable lending have pushed Massachusetts foreclosure rates to record levels, according to a new report released last week. Through July, foreclosure filings are up 29 percent statewide over last year, according to the report by ForeclosuresMass.com, a Web site for real estate professionals, investors and mortgage brokers.

In July, the most recent month for which data is available, 1,001 foreclosures were filed statewide, up from 611 during the same month in 2004, according to the company. Increases are taking place in every county, except Dukes.

Foreclosure filings in Bristol County so far this year are up 36.46 percent over 2004 — the third highest percentage increase of any county in the state. There were 83 foreclosures in Bristol County in July, compared to 50 in July 2004. Bristol County posted a total of 539 foreclosures so far this year, compared with 395 filings for the same period in 2004.

Foreclosure filings are up 33.5 percent with 708 so far this year in Plymouth County, where there were a total of 530 filings for the same period in 2004. In July, there were 100 foreclosure filings in Plymouth County, compared to just 82 in July 2004. Foreclosure filings are up 36.41 percent in Norfolk County, from 532 so far this year, compared with 390 in the same period in 2004.

"You will see a lot more foreclosures to come," said Mary Ellen Rochette, executive director of Pro-Home Inc., the Taunton-based nonprofit affordable housing advocacy group that serves 11 communities, including Raynham, Norton, Mansfield, Norton, Easton, Berkley, Lakeville and Middleboro. Pro-Home's counseling program saved 41 people from foreclosure in fiscal 2005, which ended June 30.

"That's more than we've ever had," said Rochette. "We're getting more and more calls coming in. It's unbelievable." Pro-Home was unable to save about 20 people from foreclosure because the agency was contacted too late in the foreclosure process, Rochette said.

"As soon as someone realizes they're going to miss a payment for whatever the reason, illness, loss of job, they need to contact us," said Rochette. She said the foreclosures are hitting all classes of people, including some who have purchased high-end homes and found themselves unable to make payments when they lost a job, illness struck or finances turned sour.

"It's not just low-income or working-class people. It's all kinds of people and people who have purchased very expensive homes getting in over their head," said Rochette.

She said many of the foreclosures are the result of "predatory lending practices" by some mortgage brokers who bend the numbers in order to get people into homes they really can't afford.

"We're seeing that more than ever before," said Rochette. "They fool with people's income to get them to buy houses they can't afford."

Hidden costs, balloon payments, interest-only mortgages and other items are being used on buyers, she said. There are also new mortgage products that allow borrowers to stretch their finances to pay for their homes, she said.

She said many first-time homebuyers have been using new, risky mortgage products that hold down costs in the early years of a loan, but they can face difficulties if payments rise later. "We keep telling people if it sounds too good to be true, it is," said Rochette.

In addition, people who already own homes have been tapping into rising property values to borrow money at historically low interest rates for college tuition, home improvements, credit-card debt, or other financial needs.

"We had one client from Raynham who was paying \$800 a month for her mortgage, then all of a sudden she got hit with a \$22,000 payment," said Rochette.

Once a homeowner is 90 days late on mortgage payments, the lender goes to court to begin the legal process of taking possession of the property. Foreclosure filings in Land Court do not mean a homeowner is in imminent danger of losing their home.

About two-thirds are never foreclosed on, either because the homeowner negotiates a repayment program or preempts seizure by selling the house and paying off the loan, according to Foreclosures.Mass.com.