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Hub foreclosures go 'through roof'

By Jerry Kronenberg

Bay State homeowners are beginning to feel a hangover from the long-running real estate party, with foreclosures doubling in Boston and parts of the North Shore.

"It's through the roof at this point," said Jeremy Shapiro, president of ForeclosuresMass.com, which yesterday reported that foreclosure filings rose 95 percent in Suffolk County, which includes Boston, and 107 percent in Essex County in August.

ForeclosuresMass.com tracks year-over-year increases in "notices of default," the first step banks take in seizing homes for mortgage nonpayment.

Generally, banks file these notices when homeowners fall about three months behind on loans.

ForeclosuresMass.com's latest figures show filings rose the most in Western Massachusetts, soaring 275 percent in Franklin County and 212.5 percent in Berkshire County.

But Shapiro said the small number of cases in those areas – only about two dozen in each county – make those gains less statistically significant.

Statewide, default filings rose 66 percent from August 2004 levels to reach 1,128. For the entire January-August period, total Bay State defaults are running 33 percent ahead of year-ago levels.

Shapiro blames much of the problem on higher mortgage rates, a slower real estate market and so-called "cash-out" refinancings. That's where homeowners replace an old mortgage with a new, larger one and receive the difference in cash.

Add in a job loss, medical emergency, divorce or death in the family and many homeowners find themselves in trouble.

"A lot of people pulled out equity with a refinancing, (but) if they suddenly run into hardship, there's no money left," Shapiro said. "That equity is gone."

Want to avoid foreclosure?

Shapiro recommends that all homeowners build up enough emergency savings to last several months.

"One question I always ask folks is: 'How many paychecks away from foreclosure are you?'" he said.