

Local group targets foreclosure spike

Loan defaults can contribute to, result from drop in home values

By David Smith, Journal and Courier

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A sign on the front door at 1102 S. 20th St. offers a gloomy hint of the foreclosure that left this four-room, one-story house standing empty more than a year ago.

The warning, posted by a finance company, says the water pipes have been filled with antifreeze, to keep them from bursting in winter.

Sherrie Cocanower, a Re/Max broker in Lafayette, is the latest Realtor to try her hand at selling the property. When she took it over Feb. 2, it had been on the market 424 days. It won't be an easy sell, even after reducing the price from \$57,500 to \$45,900.

"It's hard to sell existing homes right now -- unless a house with just that sort of character comes along," she says.

Foreclosed properties have character, all right, but not the kind that lends itself to an easy sale. And such challenges are becoming more common these days.

In the year that ended Sept. 30, 2004, there were 249 foreclosed properties sold at sheriff auctions in Tippecanoe County, according to a group calling itself the Tippecanoe County Homeownership Preservation Initiative.

The group organized a foreclosure prevention "summit" this past week. More than 85 local brokers, appraisers, lenders and government leaders gathered to examine the extent and causes of foreclosures in Tippecanoe, as well as to brainstorm solutions.

Foreclosures occur after a homeowner stops making payments and the lender initiates legal proceedings to force the sale of the property.

Cocanower said the legal process may last a year, during which the owner may not be motivated or financially able to maintain the property. Foreclosures affect not only the property owner and lender but the surrounding community.

"It brings the value of nonforeclosure properties down. The majority of the foreclosure properties are not left in decent condition, and they have to be priced accordingly," she said.

Statewide problem

Depressed property values, in turn, can make it hard for a financially strapped homeowner to sell his or her house for a price that will pay off the mortgage, leading to still more foreclosures.

"Property foreclosures are often the first bad thing that happens to a community," said Perry Brown, a Lafayette city councilman who called a foreclosed property "a hole in the block ... a tear in the neighborhood."

Tippecanoe County Sheriff Smoky Anderson said that one of his longtime process servers remembers the early 1990s when fewer than a dozen foreclosed properties would be auctioned in a year. Those days are gone.

"It's a huge problem for us. If you could put us back in the 1990s, that would be great," he told the workshop audience.

Foreclosures are not just a local problem. In 2003, Indiana had the second highest mortgage loan default rate in the country, with 2.5 percent of loans in foreclosure, according to the Mortgage Bankers Association.

Mildred Wilkins, president of Home Ownership Matters LLC in Indianapolis, told workshop participants there are four major causes of today's high loan default rates:

- * Predatory lending practices, including high fees on refinanced loans, and high interest rates.
- * Economic hardship, such as a layoff, high medical bills or other calamity.
- * Mortgage fraud.
- * Lending practices that lure first-time home buyers into assuming more debt than they can afford.

Unwise use of credit, such as using a home equity loan to pay off a credit card debt, can be another factor, said Sarah Hicks, vice president and Indiana manager for Bank One's Community Partnership Office.

"You can charge your cheeseburger at McDonald's and mortgage your house to pay for it."

Marie Morse, associate executive director of Lafayette Neighborhood Housing Services, said the task force plans to use ideas generated at the workshop to come up with ways to reduce mortgage foreclosures.

"Our hope is to get this group of people really understanding the issues so we can take it to the public," she said. That could include raising community awareness, educating homebuyers and hiring counselors.

How to get the most for your home

Selling a house can be a challenge anytime, especially in a market of slow appreciation.

The average time a Greater Lafayette home is on the market prior to sale has grown from 86 days in 2002 and 2003 to 91 days in 2004, according to data from the Lafayette Regional Association of Realtors.

Still, the volume of sales has been growing. There is no shortage of buyers -- just more competition for their attention, says Lou Johnson, a broker/owner with F.C. Tucker of Lafayette.

She offered the following advice to sellers who want to get the most for their homes:

- * Start with the lawn, the first thing that prospective buyers see. Is it trimmed and edged? Are flower beds weeded? Are light posts, grills, mailboxes, fences or basketball hoops in good condition? Planting flowers is a worthwhile investment, Johnson says.
- * "Make sure the approach to the home is inviting." That includes making sure the porch is clean and in good repair. Give the front door a fresh coat of paint if necessary.
- * Make sure that it's "extremely clean," especially the kitchens and bathrooms. Pick up any unnecessary items or clutter and move it out. Rent a storage unit to get unnecessary items out of the house. That will make the rooms and closets look bigger, and make it easier to walk through rooms and up and down stairways.
- * Simple decorating can go a long way. Paint walls and ceilings, replace outdated or stained wallpaper, clean or replace old switchplates, fill holes and cracks, and replace old toilet seats.

-- *David Smith/Journal and Courier*

If you are a current or prospective homeowner in Tippecanoe or any of the surrounding counties and have questions about acquiring or holding onto your home, call Lafayette Neighborhood Housing Service at (765) 423-1284.