

The State of Foreclosures in Seattle

Foreclosure Process: In Washington State, the stages of the foreclosure process are as follows:

- **Default:** A determination by a lender or servicer that a homeowner failed to comply with the terms of their mortgage promissory note. Often, this is due to nonpayment.
- **Notice of Trustee Sale (NOTS):** Following a default period, a lender may file a Notice of Trustee Sale with the county recorder's office. The Notice of Trustee Sale notifies the homeowner that the home will be sold at auction at a specific date and time. The notice period is typically 90 to 120 days. Proceeds from the sale of the home at auction are used to repay the lender's outstanding mortgage debt.
- **Real Estate Owned (REO):** At auction, if no purchaser offers to pay enough for the home to cover the outstanding mortgage debt, the lender may decide not to sell the home. At this point, the home becomes the lender's property and is referred to as Real Estate Owned. The lender will then try to sell the property to recover as much of the outstanding mortgage debt as possible. REO properties are vacant and can have a negative impact on a neighborhood. Estimates are that a single foreclosed property has a \$5,000 negative impact on neighboring properties value.

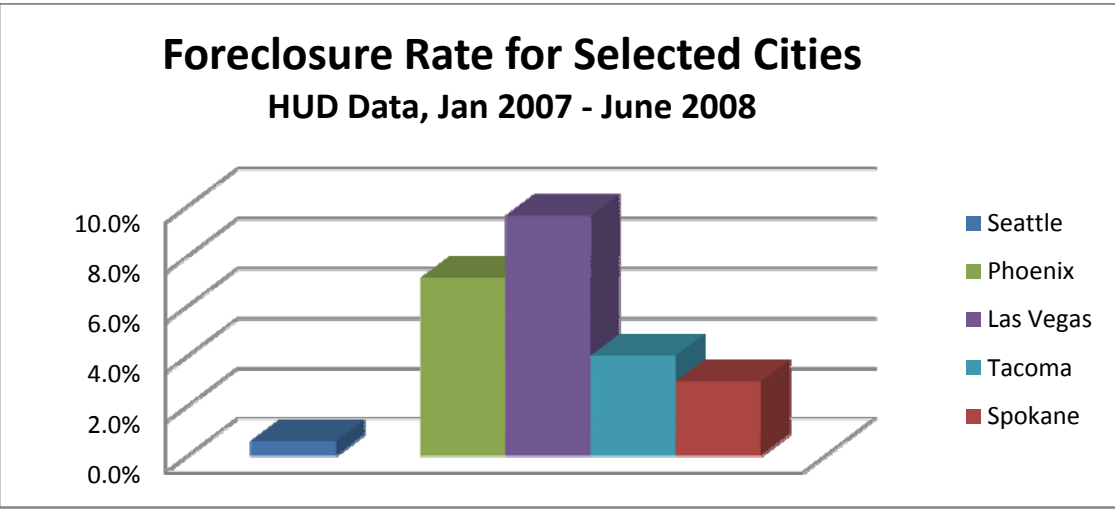
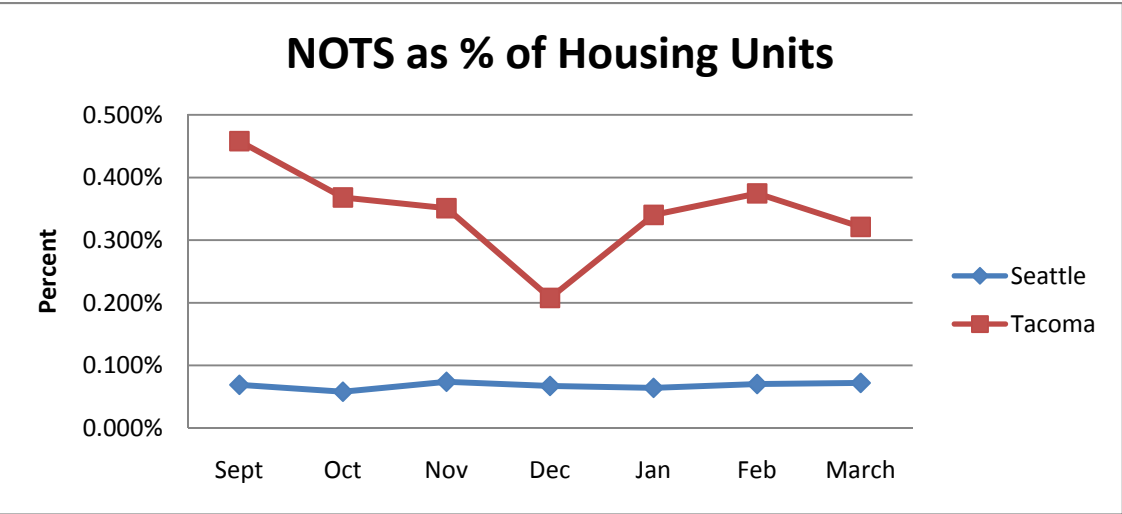
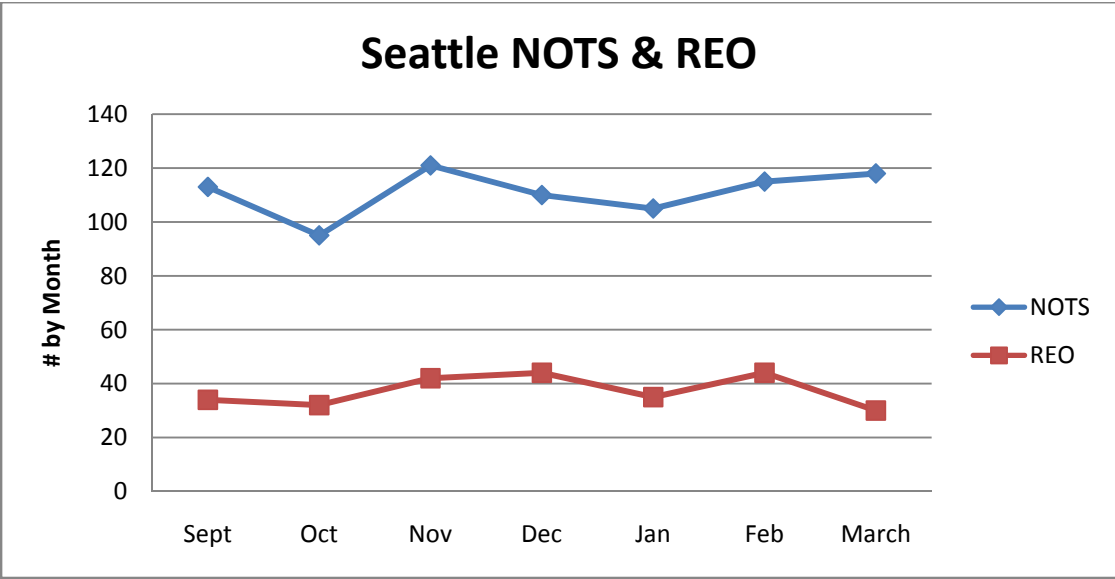
No Foreclosures with 2002 Levy Loans: While foreclosures are on the rise both nationally and in Seattle, among loans made to first time homebuyers with housing levy funds there have been no foreclosures. This is attributable to several factors, including:

- the skill of our nonprofit partners in working with the homebuyers to make sure buyers can afford and are ready to purchase their first home;
- OH requirement that all homebuyers take a first-time homebuyer class; and
- OH requirement that homebuyers using OH funds only use fixed rate first mortgages.

Seattle Foreclosures:

- **NOTS:** OH began tracking NOTS in January 2008 and uses them as an indicator of market stress on homeowners. In 2008, there were a total of 1,219 NOTS in Seattle. It is important to note that a significant portion of NOTS do not proceed to REO. Rather, the homeowner works out a loan modification with their lender, agrees to a short sale, or the home is sold at auction.
- **REO:** OH began tracking REO properties in July 2008. As of March 2009, there were 366 REO properties in the City of Seattle. In considering REO data, it is important to note both the overall number of REO properties in a specific area as well as how many properties are being added to the REO stock.

The following tables show NOTS and REO for Seattle as well as for other markets. **Note:** According to the Seattle Dept. of Planning and Development, Seattle has approximately 152,000 homeownership units.



As the previous discussion illustrates, while the foreclosure situation in Seattle is not nearly as dire as in other parts of Washington or the nation, it is important to continue monitoring foreclosure trends. In addition to data on NOTS and REOs, the Office of Housing is analyzing the default risk of high cost and adjustable rate mortgages. Often, homeowners with these types of mortgages are the first to experience trouble should their personal situation change or the rates on their mortgages adjust.

Foreclosure Prevention Programs:

- **City of Seattle Foreclosure Pilot Program:** In June 2008, the City of Seattle, together with the Urban League and Solid Ground, launched the Foreclosure Prevention Pilot. The Pilot combines preforeclosure counseling, stabilization loans, and repayment plans to help low-income families who, due to job loss, illness or predatory loan are in danger of losing their home. The program is not intended for investors or irresponsible homebuyers who knowingly purchased a home they could not afford. Since June 2008, program partners closed nine loans, with counselors currently working on several more. In addition, the Urban League and Solid Ground assisted over 200 homeowners through mortgage default counseling.
- **Seattle Foreclosure Community Forum:** OH, together with nonprofit partners and local lending institutions is planning on hosting an event for Seattle homeowners who are interested in refinancing or modifying their existing mortgages. Counselors will be on-site to answer questions and lenders will be present to offer immediate refinancing and loan modification services.
- **Federal Making Home Affordable Program:** Under this program, the federal government hopes to assist up to 9 million homeowners to either refinance out of expensive mortgages or modify their loans so they are better able to make the payments.
- **Federal Neighborhood Stabilization Program:** The NSP program is designed to put foreclosed and abandoned properties back into active use and stem their negative impact on neighboring properties and the community as a whole. The City of Seattle, which is a subgrantee for funds from Washington State, received \$458,000 in federal NSP funds.

Collectively, these programs may help Seattle avoid the rash of foreclosures seen in other cities. Despite increasing economic pressures that could lead to an increase in foreclosures, NOTS have remained largely unchanged over the last seven months. In addition, anecdotal evidence suggests that an increasing number of lenders are pursuing loan modifications for troubled homeowners.