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Oregon foreclosure rate leaps 20 percent, leaving the state No. 3 in the country

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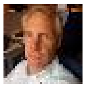
Jeff Manning, The Oregonian

Along with grass seed, hazelnuts and Christmas trees, Oregon is increasingly finding itself a national leader in a more dubious bumper crop -- foreclosures.

The rate at which Oregonians are falling into foreclosure unexpectedly jumped 20 percent in the first quarter, making the Beaver State No. 3 in the country.

Oregon still ranks far behind longtimeforeclosure champs Nevada and Florida in terms of lost homes. But the rate of increase in Oregon and Washington has put both Northwest states in the top five.

"It's very discouraging," said Tim Duy, an economics professor at the University of Oregon. "For all those people who said, 'No, we don't have a housing bubble,' well, we did."

The risingforeclosure numbers are in part a function of timing. Oregon was late to enter the recession, and it stands to reason that its foreclosure rate will stay higher longer than other states that crashed earlier, said Josh Harwood, senior economist for the state of Oregon.

Nevertheless, the foreclosures are an ominous sign for the region's struggling economy. Tens of thousands of Northwesterners, their personal finances shattered by unemployment, pay and benefit cuts and foreclosure's cousin, declining home values, are losing what for most is their largest single asset at a rate not seen since the Great Depression.

"It's a situation that is getting worse," Harwood said. "It will only get better when we see better job growth, which we're not expecting through the end of this year."

The U.S. Treasury Department has determined Oregon is one of the 20 states hardest hit by the foreclosure wave and has tentatively allocated $88 million in federal assistance to struggling homeowners. Oregon Housing and Community Services, the state's housing finance agency, hopes to disperse the money to at least 6,300 homeowners starting late this summer or early fall.

But at least 22,653 Oregon homeowners in foreclosure or more than 90 days delinquent on their mortgage as of January. That number is an estimate from the Federal Reserve Bank of New York, which acknowledges that its figures are probably 30 to 50 percent short of the actual totals.

Oregon's foreclosure hot spots

Some Oregon counties are feeling a disproportionate share of the foreclosure pain. At the top of the list:

Crook, 9.9 percent

Deschutes, 9 percent

Jefferson, 8.5 percent

Josephine, 7.1 percent

Jackson, 7 percent

Klamath, 6.1 percent

Yamhill, 5.8 percent

Columbia and Curry, 5.6 percent

Clackamas, Coos, Douglas and Marion, 5.2 percent

Source: Oregon

Homeownership Stabilization Initiative

The Federal Reserve number also doesn't count the tens of thousands of Oregonians who have already lost their homes since the housing bust.

Nationally, the numbers are downright frightening. The Center for Responsible Lending estimates that 2.5 million Americans have lost their homes during the housing bust and that 5 million to 6 million more are currently in foreclosure or seriously delinquent.

Multnomah County property records provide a somewhat more precise glimpse of the housing bust in action.

In 2006, at the height of the housing boom, about 300 county residents lost their home. In 2007, when the mortgage lending industry collapsed and foreclosures soared in much of the nation, Multnomah County was still fairly quiet. By the end of the year, 417 local residents had lost their homes.

At the time, area real estate and mortgage officials insisted Oregon was different and somehow protected from the housing crash. Builders here hadn't overbuilt (thanks more to the state's land-use laws than to any developer restraint). In-migration was still strong and the long run-up in Oregon home prices would continue, they predicted.

It was wishful thinking.

Nearly 1,100 county residents lost their homes to foreclosure in 2008, more than double the figure from a year before. It only got worse in 2009, when more than 1,900 locals gave up their homes.

Many hoped that 2009 marked the bottom of the ugly cycle. And it's true that new defaults are down slightly in 2010 from the prior year. But the number of completed foreclosures in the county is on track to top 2,000, well in excess of 2009.

Far from immune to the housing crash and resulting foreclosure wave, Oregon has proved to be exceptionally vulnerable to it. Between its large number of construction contractors, timber products workers, mortgage and real estate professionals, Oregon's economy was over-reliant on the housing industry, said Mark Vitner, senior economist at Wells Fargo.

Plus, Oregon's relatively low-wage economy paired with rapidly appreciating housing prices to create a situation in which many Oregonians borrowed heavily to get in their homes. Many worsened their situation by tapping into their home equity via second and third-mortgages.

Lenders, many of whom adopted reckless underwriting standards during the boom, showed little consideration for how much borrowers were leveraged.

The reckoning finally came in 2007 and 2008, when the housing bubble burst, taking Oregon's economy along with it. The state's unemployment has been lodged above 10 percent since early 2009. In the construction sector alone, total jobs went from a peak of 105,000 in March 2007 to 64,000 in February of this year.

As of January, 4.4 percent of all mortgages in Multnomah County were in foreclosure or more than 90 days delinquent. As bad as that is, it's the picture of health compared with central and southern Oregon.

In Crook County, 9.9 percent of mortgages are in foreclosure or seriously delinquent. Deschutes County stands at 9 percent. In Jackson and Josephine counties, where the steady flow of equity-rich Californians slowed to a trickle, 7 percent or more of the mortgage loans are in serious trouble.

Some help may be on the way.

The state is hurriedly crafting its Oregon Homeownership Stabilization Initiative, a program that could disburse $88 million in federal dollars to homeowners struggling to fend off foreclosure.

The details of the program, including the qualifying standards, are still being worked out. But state officials hope to have a pilot program running by late summer or early fall.

More information is available at oregonhomeownerhelp.org.

The new federal assistance is good news, said Angela Martin, of Our Oregon, an advocate for consumers in the foreclosure fight. But she said the financial industry should be required to match the $88 million. After all, the money will simply pass through homeowners to the nation's lenders and loan servicers anyway.

"The taxpayer is bearing the brunt of this," Martin said. "The banks need to step up. It was the greed and abuse of trust by the financial industry that put these homeowners into these terrible loans."

Homeowners can only hope that the new assistance program works better than the U.S. Treasury Department's initial effort -- the Making Homes Affordable program, which pays servicers to modify struggling homeowners' loan terms.

Making Homes Affordable has secured at least temporary modifications for 340,000 people. But the program has more dropouts than success stories. Many participants have been unable to make even their lowered mortgage payments.

Dealing with the loan modification bureaucracy set up by the nation's lenders and loan servicers has also proved a nightmare for many would-be participants.

Portland resident Charles Rascher is living that nightmare.

Rascher, 27, went into default on his Johns Landing neighborhood house last spring. He had just graduated from Portland State and couldn't find a job. He reached out to his lender, MetLife Home Loans, to inquire about a loan modification.

Rascher got the protracted run-around familiar to many who tried to get modifications. He dealt with an ever-changing cast of officials at MetLife, who asked repeatedly for the same documents.

But as of February of this year, Rascher says he was told that he'd received preliminary approval.

Then, Harold Zeagler showed up at his front door introducing himself as the new owner. Zeagler had just bought Rascher's home at a foreclosure auction.

A stunned Rascher immediately called MetLife seeking an explanation and help. He says he got neither. He had little choice but to hand over the keys.

Asked via phone and e-mail for its version of events, MetLife declined to comment.

Rascher has since hired Phil Goldsmith, a Portland consumer lawyer, and is considering suing. He's not sure whether he was the victim of a monumental bureaucratic mistake or whether MetLife was simply stringing him along while intending to foreclose all along. But he intends to find out.

"My goal is not to get the house back; I don't see that ever happening," Rascher said. "My goal is to stop this from happening to anyone else."

--Jeff Manning