

Foreclosures spike to 14-year high
Lost jobs, credit-card debt to blame
By WAYNE HEILMAN THE GAZETTE

El Paso County homeowners continued to end up in financial trouble last year even as the local economy began to recover from a three-year downturn.

Mortgage foreclosures jumped to a 14-year high in 2004. Lenders sought foreclosure of 2,298 mortgages, up 17.6 percent from 2003 and the most filed since 1990.

The number is still a long way from eclipsing the record 3,476 filings in 1988, when the local housing market was collapsing from an oversupply of unsold homes and a severe recession that would last until the early 1990s.

Holly Williams, El Paso County's public trustee, sees no signs that the number of foreclosure filings her office receives is slowing.

"These (financial) problems are left over from the recession," Williams said. "We can only hope we will see some relief this year, now that the local economy is recovering. You won't see any decline until six months or a year after the recovery."

Williams attributed the rising number of foreclosures to a combination of more than 10,000 county residents losing jobs since 2001 and homeowners accumulating too much debt, including second mortgages to pay off balances from credit cards.

"Ninety-five percent of the problem is easy credit," Williams said. "People get into new homes and build up credit card debt. Then they refinance the mortgage and use some of the money to pay off the credit cards. They end up getting over their heads in debt."

Dave Bamberger of Bamberger & Associates, a local economic and market research firm, doubts foreclosures triggered by the downturn have peaked. Although foreclosures will continue increasing this year, he doesn't expect them to come close to setting a record.

"We will see more mortgage fallout in the next year or so. We may be close to the peak, but we are not completely through the cycle yet," Bamberger said. "Consumer debt is still sky-high, and a lot of it will depend on the economic situation this year."

Fred Crowley, senior economist for the Southern Colorado Economic Forum, expects foreclosures will begin declining during the second half of this year and will fall even more sharply in 2006 as the local economy continues to gain strength.

He warned that significantly higher mortgage rates are likely this year and will send some homeowners with adjustable-rate loans into foreclosure because they won't be able to afford higher payments triggered by increasing rates.