Executive Summary

The number of Ohioans who lost their homes to foreclosure and sheriff sales grew again in 2003. Foreclosure filings in Ohio were up, though not at the rapid pace of recent years. But sheriff sales of foreclosed properties continued to soar. Ohio ranks second in the country in new foreclosure rates, according to a recent survey by the Mortgage Bankers Association of America, and those remain far above historical levels.

Foreclosures usually occur when a borrower, unable to meet mortgage payments, defaults on a loan. Sheriff sales are the actual auctions of the foreclosed homes. Policy Matters Ohio analyzed foreclosure data from the Ohio Supreme Court and obtained data on sheriff sales by surveying the state's county sheriffs. Our research finds:

- During 2003, 57,083 new foreclosure filings were made in Ohio courts, up 3 percent from a year earlier, 31 percent from 2001 and more than double the number in 1998.
- County sheriff departments put more than 36,425 foreclosed properties up for sale, meaning in most instances that the families that once lived there no longer do now. That represents a 26 percent increase from 2002 and a 57 percent increase from just two years earlier.
- The number of properties put up for sale last year equated to about one in every 117 Ohio households. That compares to one out of every 185 households in 2001.
- The recent growth comes after a dramatic increase between the mid-1990s and 2001, as detailed in a previous Policy Matters Ohio study.
- The number of sheriff sales grew in 76 of the 81 counties for which we obtained data in both 2001 and 2003. Even fast-growing suburban counties such as Delaware, Warren and Medina saw big increases.
- About 63 percent of all 2003 sales occurred in the 10 most populous Ohio counties, in which about 58 percent of all households are located (these data reflect the 81 counties covered in the survey, out of the state's 88).

There are some signs of improvement. New foreclosure filings fell in 22 Ohio counties last year. A survey by the Mortgage Bankers Association of America found that the number of new foreclosures started as a share of all 1- to 4-unit residential mortgage loans in Ohio declined in the first quarter of 2004 from the previous quarter. However, the rate was still well above that of a year earlier and any other quarter since 1979. The leveling off of foreclosure growth probably will lead eventually to lower growth in sheriff sales as well, but such sales may well continue to increase this year, since they often come many months after foreclosure filings.

More than one factor has played a role in continued increases in foreclosures and sheriff sales. A weak economy and predatory lending clearly are major contributors. Among 57 sheriff departments that responded to survey questions asking about what was behind the foreclosures, 31 ranked predatory lending first, while 16 cited job loss or a weak economy.

Predatory lending covers an array of practices generally involving deceptive, high-cost loans with excessive interest rates, fees and penalties. Minority and elderly borrowers often have been targeted. Predatory lending has grown with subprime loans, which are offered at higher cost than conventional loans to customers who have had credit problems. Such loans have allowed some

families to buy homes that otherwise would have been unable to do so, but they also figure prominently in Ohio's foreclosure problems. According to the MBA survey, more than one in every nine subprime loans in Ohio was in the process of foreclosure proceedings as of the first quarter of 2004.

So far, however, the state of Ohio has not taken major steps to curb predatory lending practices. Two laws passed by the General Assembly took only modest steps, while restricting municipal authority and assigning a committee to examine the issue. A year after the Predatory Lending Study Committee issued its report, no bill has even received a hearing on the subject. Two bills, Senate Bill 205 and House Bill 482, have been introduced this year that would provide additional protection against abusive lending practices, and both deserve approval. The House bill would require licensing for appraisers, as well as other measures that the study committee said the General Assembly should seriously consider. It stands a better chance of passage than the Senate bill, but by itself, it does not go far enough. If legislators do not approve the Senate bill, which would provide broader protections, they should at least cover mortgage lending through the Consumer Sales Practices Act. This would prohibit unfair, deceptive and unconscionable acts between mortgage lenders and their customers and give consumers the right to bring private suits for lending fraud.

In the last two years, more than 112,000 foreclosures have been filed in Ohio. Sheriff sales have rocketed upward, claiming homes from Ohioans across the state. "It's amazing what we're seeing," said one sheriff department official. Ohio's lawmakers need to respond.