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Foreclosures keep squeeze on region

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The Columbus neighborhoods where Carl Woodford spends much of his time these days aren't the best, so the real estate agent takes precautions when navigating the rundown, crime-ridden streets.

"It's not prudent to go into certain areas with a new BMW," said Woodford, who drives a 4-year-old Dodge when doing business.

Woodford has been spending more time on those streets over the last three years for Woodford Contemporary Realty, his family's real estate company.

That's because property foreclosures in Franklin County have been hovering around 6,000 a year, more than double the rate in 2000.

Woodford specializes in buying and reselling foreclosed properties, and low-income neighborhoods, he said, are especially plagued by foreclosures during difficult economic times.

"In the last year or two it's been unbelievable," Woodford said.

He expects to be just as busy in 2005.

It's entirely possible, too.

Though there were fewer foreclosure lawsuits filed last year in Franklin County, the decline from 2003 was modest. And bankruptcies in Central Ohio hit another record in 2004, portending mounting foreclosures into 2005.

Foreclosure filings in Franklin County fell 3.3 percent to 5,862 last year from 6,062 in 2003. They ebbed by 0.3 percent in Delaware County.

But in the region's five other suburban counties, where home building has been heavy in recent years, foreclosure filings rose between 2.3 percent to 24.7 percent.

Personal and business bankruptcies in Central Ohio's seven counties, meanwhile, rose 3.3 percent to 20,487 last year from 19,829 in 2003.

Statewide, more homeowners are in trouble. More than 57,000 foreclosure filings were made at Ohio courts in 2003, up 3.2 percent from 55,274 filings in 2002, the latest figures available. An analysis from the Policy Matters Ohio think tank in Cleveland shows the 2002 and 2003 foreclosure rates were more than double the 25,862 filings made statewide in 1998.

The mounting residential foreclosures are attracting attention. Officials from the Federal Reserve Bank of Cleveland and the Cincinnati office of the Neighborhood Reinvestment Corp., met in Columbus on Feb. 3 to talk about strategies to stem the tide.

The Washington, D.C.-based Neighborhood Reinvestment Corp. was created by Congress to provide financial support and services for community revitalization efforts.

"More people have become first-time home owners in recent years, which is good news," said Ruth Klevinger, a vice president for the Cleveland Fed. "What worries us is how quickly those gains are being lost."

Indeed, a September 2004 report from the Mortgage Bankers Association of America found Ohio is sagging under the highest percentage of home owners in foreclosure or with mortgage payments 90 days or more past due.

"I think the major item tied to (foreclosures) is interest rates and life changes," said Doug McCloud, president of the Columbus Board of Realtors.

When home owners holding adjustable-rate mortgages suddenly face an uptick in interest rates, or even worse, lose their income, the trouble begins, McCloud said.

"I think the people who find themselves in that situation are typically first-time home buyers who don't manage their consumer debt as well as they should," he said.

Others place blame for increasing foreclosures on lending to risky borrowers.

The Cleveland Fed's report Feb. 3 cited a Harvard University study that found explosive growth in subprime lending over the last decade. In 1993, there were fewer than 50,000 subprime loans made. Ten years later, the total reached about 250,000.

Subprime loans come with greater costs than conventional loans and are typically offered to customers with credit problems. Those loans may have opened the door to home ownership for many, but they figure prominently in Ohio's foreclosure struggle.

More than one in every nine subprime one- to four-unit residential mortgage loans in Ohio was in foreclosure proceedings as of the first quarter of 2004, according to the Mortgage Bankers Association survey.

A few banks and groups are trying to slow the pace of foreclosures.

At JPMorgan Chase & Co., loan officers attempt to find problems early so they can work with home owners to avoid foreclosure, said bank spokesman Jeff Lyttle. Telltale signs include late or partial payments or dramatic changes in banking activity, he said.

But it's often difficult to spot problems because home owners feel ashamed when they get into financial hot water.

"A bank's foreclosure is a last resort. We don't want that real estate," Lyttle said. "That's why we always encourage home owners to let the bank know when something changes."

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