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Numbers from foreclosure statistics company questioned

By Elizabeth Rhodes

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As governments and lenders ponder bailouts for homeowners facing foreclosure, a major supplier of foreclosure statistics has come under fire for overstating the problem.

RealtyTrac, based in Irvine, Calif., has drawn complaints that its method of counting the number of homes in foreclosure has led to double and even triple reporting the same property.

In Colorado, for example, RealtyTrac reported 54,747 foreclosures last year — one of the highest in the nation. The state's Division of Housing, however, said the actual number was 28,453 and publicly chastised the firm for inflating numbers.

But even that lower figure may overstate the problem, some real-estate experts said.

"The big noise you're hearing is not the number of families losing their homes. What you're hearing is the number of properties going into default," said Chris Matty, spokesman for ForeclosurePoint in Bellevue, which, like RealtyTrac, collects and sells foreclosure data.

In other words, the owners have missed enough house payments — usually three — to trigger foreclosure proceedings.

RealtyTrac's foreclosure statistics have been widely quoted in the news media as proof that the foreclosure problem is serious. The statistics also have been used by the Federal Reserve and Congress to try to get a handle on the problem.

Reacting to criticism of its numbers, RealtyTrac spokesman Daren Blomquist said: "We think there are some valid concerns, and we appreciate getting that type of feedback so we can adjust our data to address those concerns. But we're confident that our measurement is an accurate measurement of foreclosure activity the way it stands now."

Still, the firm plans as early as next month to revise its methods and count each property only once, instead of at each step of what can be a yearlong process.

The problem with understanding foreclosure statistics, according to Blomquist, is in the understanding of foreclosure itself.

Rather than an event — the loss of a home — foreclosure is a process. It can be halted if homeowners resolve their debt, as many do.

In Washington state, foreclosure begins with a notice of trustee sale filed with the county. That's where RealtyTrac and other foreclosure-information providers get much of their data.

Last month 2,149 property owners in King, Snohomish and Pierce counties received such notices, RealtyTrac said.

Those are reported as being in foreclosure.

But RealtyTrac doesn't report how many are eventually sold at foreclosure auctions — a truer measure of the problem — although it does report the number that don't sell and revert to the lender.

ForeclosurePoint, however, compiles fuller statistics. Last month it found that 87 homes were auctioned off in the three counties. That's 46 for King, 23 for Pierce and 18 for Snohomish.

ForeclosurePoint also reported that 60 properties failed to sell at auction and reverted to the lender: 17 in King, 36 in Pierce and seven in Snohomish. RealtyTrac's numbers were different: it found 43 reverted back to the lender.

By either company's count, fewer than 150 homes in the three-county area were lost through foreclosure in May.

By comparison, 24,996 homes were for sale last month in those counties, according to the Northwest Multiple Listing Service.

Nationally, the potential for large numbers of foreclosed homes coming on the market has raised concerns this will destabilize neighborhoods and property values.

ForeclosurePoint's Matty said the number of Puget Sound-area properties going into default "is growing substantially," but the actual number going to auction has been dropping.

He cites two reasons. More than 40 subprime lenders recently have declared bankruptcy, and that puts foreclosures involving their customers on hold.

Also, "banks absolutely don't want homes to default," Matty said, because that costs them money. So they're finding ways to help homeowners stay put.

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