Home foreclosures take longest in Bklyn

Lenders took an average of 1,187 days to repossess homes in Brooklyn during the last three months of 2011, the longest amount of time in the nation. The state average was 1,056 days.

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(Bloomberg) - Brooklyn wears the crown as the U.S. community where it takes longest to foreclose on a delinquent homeowner.

Lenders took an average of 1,187 days—more than three years—to repossess a home in Kings County during the last three months of 2011, according to data compiled by Bloomberg. The protracted process led to just 32 fourth-quarter foreclosure completions in a borough where more than 27,000 homes got delinquency notices last year, New York Department of Financial Services data show.

The 10 U.S. counties with the longest foreclosure timelines were all in New York and New Jersey. While delays give some struggling homeowners time to renegotiate loan terms and limit supply on the market, they eventually depress housing values by postponing the inevitable for borrowers who can't pay their mortgages or maintain their properties, said Jonathan Miller, president of New York appraiser Miller Samuel Inc.

“You aren't doing anybody any favors in the long run,” he said. “In markets where it takes longer for the foreclosure process, it takes longer to recover.”

New York and New Jersey are two of the 26 states that require judicial review before lenders can seize a property. New York's Nassau, Bronx and Suffolk counties followed Brooklyn, with Queens ranking No. 8, according to a Bloomberg Rankings analysis of the data from RealtyTrac Inc., a real estate information service based in Irvine, Calif. New Jersey's Essex, Somerset, Passaic, Hudson and Mercer counties filled out the top 10.

For the top eight counties, foreclosures averaged more than 1,000 days after a default filing, also known as a *lis pendens*, was recorded with the courts against a borrower, according to the data. In the quarter ended March 31, the average U.S. foreclosure took 370 days, triple the amount of time in 2007, according to RealtyTrac. Fourth-quarter data is the latest available for individual counties.

The New York statewide average to repossess a home was 1,056 days in the first quarter, while New Jersey averaged 966 days, according to an April 12 report by RealtyTrac.

Texas, where court approval isn't required, has the shortest foreclosure timeline. During the first quarter, banks seized homes an average of 87 days after the first foreclosure notice was filed. In Guadalupe County, Texas, banks repossessed 49 homes in the fourth quarter, seizing them an average of 46.6 days after the filing of the first notice, the fastest pace of any U.S. county, according to data compiled by Bloomberg.

Court foreclosure filings in the New York metropolitan area, which includes northern New Jersey and Long Island, fell 41% in the first quarter from a year earlier, RealtyTrac reported Thursday. One in 981 New York metro area homes received a filing, such as a notice of default or sale at auction, compared with the U.S. average of one in 230. Stockton, Calif., had the highest filing rate of any metro area, at one in 60 homes.

New York state's time to foreclose has quadrupled since 2007. A 2009 state law required court-refereed settlement conferences for homeowners to negotiate payment modifications, which usually take six to eight meetings over 12 to 16 months, said Meghan Faux, director of the foreclosure prevention project at South Brooklyn Legal Services.

Loan servicers often drag out the process by misplacing paperwork and refusing to offer affordable mortgage modifications, driving homeowners deeper into debt, she said.

“They're not negotiating in good faith,” Ms. Faux said. “Delays aren't good for most homeowners.”

Homeowners in the greater New York City area have received 49,949 payment plan modifications as of February under the U.S. Making Home Affordable program, making it second only to the Los Angeles area, according to an April 6 report by the Treasury Department.

Bank of America Corp., which has the most housing-related writedowns of any U.S. bank, strives to “provide our customers timely and accurate decisions so they can move forward with their lives,” Sheila Sellers, senior vice president for lender's National Mortgage Outreach program, testified at a March 19 Congressional hearing on mortgage servicing and foreclosures that was held in Brooklyn.

"Our goal will be to help them stay in their home whenever possible," she said. "Where that is not possible, we will explore all other options available to help them avoid foreclosure."

Bank of America has agreed to sell more homes for a loss through short sales than any U.S. lender, according to RealtyTrac. In March, the Charlotte, N.C.-based bank announced a pilot program to enable 1,000 delinquent borrowers to stay in their homes as renters after it reclaims the title. Bank of America will start the program in Nevada, Arizona and New York, states with the first, third and 46th highest rates of foreclosure filings, respectively, according to RealtyTrac.

"New York is the judicial state and the other two are non- judicial," Rick Simon, a spokesman for Bank of America. "We wanted to try it in diverse areas."

Homeowners in Brooklyn last year received 27,311 pre-foreclosure delinquency notices, which alerted borrowers their lender plans to file a lis pendens after 90 days, according to an analysis by the Neighborhood Economic Development Advocacy Project, a Manhattan-based advocacy group. Those notices outnumbered eventual default filings 14 to 1, according to the study.

The number of court filings dropped after an October 2010 ruling by New York State Chief Judge Jonathan Lippman required bank lawyers to affirm they have documents to prove their right to seize a house, said Alexis Iwanisziw, a researcher at the advocacy group.

"The decline in foreclosure filings is largely attributable to banks' inability to produce documentation required to initiate foreclosure cases, as New York courts heighten their scrutiny of banks' foreclosure filings," Ms. Iwanisziw and her colleague Sarah Ludwig wrote in a January report on New York City foreclosures.

Almost two-thirds of the 2,201 Brooklyn homes affected by foreclosure filings in the fourth quarter were investor-owned, not owner-occupied, according to estimates in a March 28 report by the Furman Center for Real Estate & Urban Policy at New York University.

"There are definitely downsides to the delays," said Josiah Madar, a research fellow at the Furman Center. "Any blight the property is causing is likely to continue."

Brooklyn's median home price fell to $450,000 in the first quarter, down 5.3% from a year earlier, Miller Samuel reported on April 19. By contrast, prices in cities such as Miami and Phoenix, where the inventory of foreclosed homes has shrunk, have begun to recover. Miami's median price was $141,300 in the first quarter, up 1.1% from a year earlier, while the median price in Phoenix rose 2.8%, according to an April 25 report by Zillow Inc.

The Phoenix metropolitan area had the ninth-highest foreclosure rate, Miami ranked 13th and New York was 181st in the three months ended March 31, according to RealtyTrac.

"Most of the efforts that have been done on the state and local level have actually extended the crisis," said Mr. Miller of appraiser Miller Samuel. "In New York, you can have someone who stops paying their mortgage for three years. How does that help the housing market recover? It doesn't."

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