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## Foreclosure crisis far from over for South Florida

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If you think the torrent of foreclosures affecting every city and nearly every neighborhood and street in South Florida is as bad as it can get, here is a harsh new reality:

There's a new wave of foreclosures making its way through the courts that has nothing to do with exotic subprime loans, real-estate flippers out to make a quick buck or people who bought way more house than they could afford.

Now, double-digit unemployment, sagging home prices and a lingering recession are to blame.

"The second tsunami of foreclosures is coming," said Miami Beach-based John Tur, who teaches people how to invest in real estate.

The numbers already are staggering.

During the second quarter of the year, nearly one in four Florida home loans were past due or in foreclosure, making Florida the most delinquent state in the nation, according to the Mortgage Bankers Association.

This could delay a serious recovery in Florida, because a market with many foreclosures tends to drive down housing prices.

Within Florida, First American CoreLogic reports that Miami-Dade County had the second highest foreclosure rate in August, after California's Osceola County. Broward was sixth.

And foreclosure tracking firm RealtyTrac found that Homestead -- the epicenter of the boom just two years ago -- had the highest rate of new foreclosure filings in the county.

And it could get worse.

New foreclosure filings in Miami-Dade, Broward and Monroe counties are on pace to top 120,000 this year. Court clerks say filings could even go as high as 135,000. That's 17,000 to 32,000 more filings than last year.

### THE REALITY

Those statistics are played out daily in neighborhoods such as Malibu Bay, a gated community in Homestead where property values have plummeted. A two-bedroom, two-bath home that sold for \$242,000 in August 2006, for example, is now listed for \$70,000, said Karen Klores, a Realtor at The Keyes Company.

Malibu Bay is a quiet, well-manicured community of sand-colored homes with no foreclosure signs in sight. But as in many South Florida neighborhoods, that serene picture masks secrets: In a 200-yard stretch of Northeast 11th Drive in the Ventura section of Malibu Bay, 14 out of 48 townhomes are in some stage of foreclosure.

Although the grass is kept trimmed by the homeowners association, many of the homes are shuttered and empty, with padlocks on the doors.

Leslee Ramos doesn't often visit her three-bedroom townhome in Malibu Bay, which was built by Lennar Corp. during the housing boom, but she checked in last week.

Ramos moved to Northeast 11th Drive in October 2006, paying \$255,490. The home is now worth \$121,800, according to property records.

After losing her job about two years ago, she started eating into her savings to make payments but still couldn't afford the mortgage. Her home went into foreclosure earlier this year, and in May she moved back to Kendall to live with her mother.

Now Ramos' house is empty, and she expects the bank to sell it in February.

"It feels horrible to go through foreclosure," said Ramos, who now does marketing for a nursing home. "I can't apply for anything. I have no credit."

It isn't just suburban subdivisions feeling the impact of foreclosures. Condominium foreclosures are also on the rise. In early 2008, single-family-home foreclosures outpaced condos by about three to one. But now condos make up 41 percent of the residential foreclosures in Miami-Dade, 67 percent in Broward and a whopping 83 percent in the Florida Keys, according to RealtyTrac.

"I don't think there's any question the first wave of foreclosures we saw up until this year was driven by bad loans -- the subprime loans with squirrely features of big jumps in rates or payments," said Guy Cecala, publisher of Bethesda, Md.-based Inside Mortgage Finance. "This year, we're feeling the full brunt of the deep recession in the country. It's economic-driven."

Jose and Priscilla Andino also were decimated by a drop in household income, but they are still trying to save their four-bedroom home in Miami.

The Andinos and their two young kids and dog had just moved to the house in December 2007 when they got unexpected bad news: Priscilla had been laid off from her accounting job of 13 years.

"It was a shocker, but I said, 'We're fine. We've got money saved,'" said Jose Andino, an aviation security specialist for Miami-Dade County. "But with the economy going bad, my wife couldn't get another job right away. Now we're doing everything we can to save our home."

Priscilla eventually found a new job, but not before the couple fell way behind on their mortgage payments. They've been in foreclosure since March and are working with foreclosure defense attorney Dennis Donet to try to get a loan modification from their lender,

## Wells Fargo.

“Every day, it's a new monster,” Donet said of the foreclosure crisis.

Donet finds he must navigate a logjam in both the courts and with lenders that must deal with ever-changing federal, state and local assistance programs.

Lenders have been overwhelmed by the growing number of homeowners who've already fallen behind on their mortgages, thousands of acquired mortgages from failed banks, and the thousands of new cases that are cropping up as homeowners lose their jobs due to the recession.

“We do hear scenarios of people who go six to 10 months without making a payment and they have not received an initial default notice,” said Daren Blomquist, marketing communications manager of RealtyTrac. “That leads us to believe there is a logjam of activity. We have not seen the full extent of what's happening.”

At courthouses in Miami-Dade, Broward and Monroe counties, judges and the staff have been overwhelmed by the deluge. More than 90,000 new foreclosure cases were filed through September of this year in the three counties.

“It's pretty bad,” said Elizabeth le Sueur, a Miami-Dade County court operations officer whose staff used to handle an average of 9,000 foreclosure cases a year.

In August, the backlog got so severe that new cases and pleadings were stuffed in 70 cardboard boxes and mail bins scattered throughout the courthouse's ground level. With 4,972 new foreclosure filings in September, Miami-Dade's year-to-date tally climbed to 49,325.

“There is no end in sight right now,” le Sueur said.

Circuit Judge Jennifer D. Bailey, who heads a state foreclosure task force, said she is bracing for the crisis to continue well into next year. “Now what we are seeing is people in trouble because of changes in life, loss of their income, not changes in their loan,” she said.

A year ago, prime fixed-rate loans accounted for only one in five foreclosure filings nationally. Now these loans -- in which credit-worthy borrowers receive a bank's best rate at terms that don't change -- account for one in three foreclosures, according to Jay Brinkmann, the Mortgage Bankers Association's chief economist.

In South Florida, only a fraction of a percent of prime loans were in foreclosure in January 2007. The figure jumped to more than 9 percent in August, according to California-based First American CoreLogic, a real-estate information company.

## STANCHING LOSSES

The Florida Supreme Court is now considering recommendations that could help families like the Andinos.

Presented in August, the recommendations come from a 15-person emergency task force

led by Bailey that spent 20 weeks putting together a comprehensive plan to alleviate the burden on the state courts -- and to provide a potential win-win solution for borrowers and lenders.

The recommendations include a statewide-managed mediation program for all cases involving homesteaded property mortgaged by institutional lenders such as savings and loan associations, local and regional banks, mortgage companies, finance companies, and commercial lenders. Borrowers are required to attend foreclosure counseling before mediation.

The Legislature has also passed a new law, effective Jan. 1, that requires all unlicensed loan modifiers, loan originators and mortgage lenders to get a state broker's license.

That will bring state laws in line with a 2008 federal law that requires brokers to renew their licenses annually, have background checks and pass a written exam following training. A nationwide registry that includes employment history and disciplinary action will be introduced in 2011.

In another effort to prevent further foreclosures, most Florida lenders began in August to require credit scores of 740 to obtain Federal Housing Authority loans, said Valerie Saunders, president of the Florida Association of Mortgage Brokers.

``Anything over 700 used to be a great score," she said.

As the foreclosure crisis deepens, many people have flooded not-for-profit organizations such as Neighborhood Housing Services of South Florida, which averages between 50 and 70 new cases a week.

``We tend to deal with more folks at the lower end of the income spectrum, but we also see people clearly in the middle income, and we just helped one guy in Coral Gables with a million-dollar house," said Arden Shank, the executive director. ``The median income of the people we are working with is going up."

While most of the delinquent subprime loans have already worked through the system, there are some other mortgages that could ultimately lead to foreclosures when new rates take effect. Among them: adjustable rate mortgages that began as interest-only payments but will revert to full payments in the next couple of years, or those that give borrowers options on how they want to pay, including interest-only or partial interest.

``There are some ARM products still lurking in the shadows, readying to rear their heads," said Keith Gumbinger, a vice president at mortgage industry publisher HSH Associates in New Jersey. ``It will matter where the interest rates are and where the economy is at when those reset."

## **THE WAITING GAME**

For some, the first reset may not come until 2010 or 2011, Gumbinger said. ``That's why there could be some lingering effects down the road."

Of 1.1 million loans with adjustable rates in South Florida, 53 percent have already reset. But

at the beginning of August, another 22 percent were scheduled to reset in the next two years, according to First American CoreLogic.

Industry experts say the foreclosure crisis won't end until housing prices recover, not just flatten -- and until the employment situation improves.

"I've read guesstimates that some properties might not be back to the price borrowers paid for them for 10 to 12 years," Gumbinger said. "It could be ugly for a while yet."

The Andinos hope it's not too late for them to save their home. They have sold a vehicle and other property, cut back on cable, cellphone service and their annual Orlando trip with the kids, and now are at the mercy of their lender.

"I'm crossing my fingers every day and praying every night," Jose Andino said. "We just need a second chance."

For Marise Bazelais and her large extended family, which includes 11 children, it's already too late. After getting a four-day extension from the sheriff's office, they have until Monday morning to leave their Lauderhill house, which was foreclosed on in May. Bazelais said they have no money, no place to go.

"For now, to tell you the truth, my option is to take the kids in my car and live in my car with them. We don't have any idea," Bazelais said.

*Miami Herald staff writers Tania Valdemoro and Monica Hatcher contributed to this story.*

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