



Florida could soon become No. 1 state for foreclosures



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Florida isn't quite the foreclosure capital of the country. But it's getting closer.

The gap between the Sunshine State and No. 1 California continues to shrink dramatically, despite California having twice the overall population.

About 157,000 Florida properties received some sort of foreclosure filing from July to September, compared with about 191,000 in California, according to a RealtyTrac report released today.

And they're headed in opposite directions: Florida's foreclosure activity surged 12 percent from earlier this year, while California's ticked down 1 percent.

The latest foreclosure snapshot comes amid growing charges that some mortgage companies mishandled documents and broke laws in hundreds of thousands of foreclosure cases. Several major lenders have recently halted foreclosure sales to review charges of sloppy paperwork and the alleged use of "robo-signers" to falsely verify foreclosure documents.

Add the continued surge in foreclosures to the partial slowdown in getting them approved and you wind up with a nightmare scenario clogging Florida's court dockets.

"There's still a thousand cases a month, I think, coming into" Pinellas-Pasco courts, said Robert Eckard, a Palm Harbor lawyer who handles foreclosure cases. "It may be 12 to 24 months before we're likely to have this foreclosure crisis under a more manageable scheduling."

Experts have cited Florida's lengthy court process as one reason the state is lagging others, including California, in purging its backlog of delinquent properties. Florida is one of 23 states that require court approval and legal verification of information on mortgage documents for a foreclosure to proceed. California's streamlined process has contributed to its 24 percent decrease in foreclosures compared to a year ago, experts say.

Florida's process could become even more murky now that both judges and lenders have added incentive to scrutinize affidavits and other paperwork for problems.

The documentation imbroglio grew Wednesday when officials in 49 states, including Florida, said they have launched a joint investigation into the allegations.

Four large lenders — PNC Financial Group, Ally Financial Inc.'s GMAC Mortgage Unit, Bank of America and JPMorgan Chase & Co. — already have halted questionable foreclosures. Other banks, including Citigroup Inc. and Wells Fargo & Co., have not stopped processing foreclosures, saying they did nothing wrong.

In a joint statement, the state officials said they would look into evidence that legal documents were signed by mortgage company employees who "did not have personal knowledge of the facts asserted in the documents." They also said that many of those documents appear to have been signed without a notary public witnessing that signature, a violation of most state laws.

In the Tampa Bay area, the impact of the partial foreclosure moratorium has been mixed. Some courts have reported dozens of hearings canceled at the request of lenders doing paperwork reviews, but others say halts have been haphazard.

St. Petersburg lawyer Charles R. Gallagher III, who is representing borrowers in more than 300 active foreclosure litigations, was exasperated Wednesday that Bank of America was moving forward with two of his cases. "They are not giving any reason at all for not honoring the stay," he said.

Bank of America has said its moratorium affects only certain stages of the process, namely pending judgments and final sales.

Randall Sutherland, 61, of St. Petersburg, who has fallen more than five months behind on his mortgage with Deutsche Bank, figures the renewed scrutiny over paperwork may slow banks' foreclosing — at least temporarily — as they sort out the paperwork. "This is getting to be a huge, gigantic mess on who should have been or should not have been foreclosed upon," he said. But "they will file on you in a heartbeat if they know they've got their ducks in a row."

Lenders aren't the only ones taking heat as the foreclosure crisis persists.

Eckard, the Palm Harbor lawyer, acknowledges homeowners associations have accused attorneys like him of using legal technicalities to delay or stop foreclosures on homeowners and investors who stopped making mortgage payments long ago. It not only angers homeowners who are paying their mortgages, but forestalls recovery of the housing market. Eckard said some delinquent homeowners were caught in high-risk mortgages and vanishing equity that they couldn't foresee. But he also acknowledges, "At end of day, you say the homeowner has to take some responsibility."

Information from Times wires was used in this report.

Foreclosure woes

With one in every 56 housing units receiving a foreclosure filing last quarter, Florida's foreclosure rate is now third highest, behind two much smaller states: Nevada and Arizona.

All told, 930,437 U.S. properties received some type of foreclosure filing — default notices, scheduled auctions and bank repossessions — according to RealtyTrac. That's up 4 percent from the previous quarter but down 1 percent from the year-ago quarter.

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