

Chatham home foreclosures skyrocket

By William Sommers

The breakdown of the sub-prime real estate market, which began in 2006, turned into a national epidemic that found its way to North Carolina and – not surprisingly – to Chatham. Foreclosure became a key word spread throughout newspapers, radio and TV commentary; the term also entered into general conversation and street talk. Yet there was, at least for this county, an absence of statistics on the rate of foreclosures, their specific locations and the process by which foreclosures happened and how they were handled. This prompted a personal investigation into the details culminating in the July report, "A Study of Foreclosures and Their Implications, Chatham County, North Carolina," issued by Arkadia Consulting, which I wrote.

The 30-page study sets the stage by first examining the national and state sub-prime arena, relying on current newspaper and magazine articles supplemented by a number of general reports. The report focuses on foreclosure activity in Chatham County. To derive a meaningful comparison, the report compares the foreclosure activity in 2002 — a reasonable upswing year for the real estate market — with that of 2007, when the downturn became more apparent. A further comparison is made by using figures for the first five months of 2008.

The report walks the reader through the foreclosure process and

its often-used companion, bankruptcy filing. North Carolina has a "non-judicial" system which although administered through the district court, does not have the more uncompromising "judicial foreclosure" system of many states. With the rise in foreclosures many of those being foreclosed are able to stay the process by filing for bankruptcy hoping to work out a repayment procedure.

The figures collected for the three years show that 2007 foreclosures (195) rose by 57 percent over those counted for 2002 (124). The foreclosure figure for the first 5 months of 2008 was 93, which when put on a straight-line projection would result in an estimated 224. This would yield a probable increase of 81 percent over 2002 foreclosure action and a 15 percent rise over 2007's figure. At the same time bankruptcy applications in 2007 increased over 400 percent over those applied for in 2002. Moreover, general bankruptcy files in Chatham have increased in 2007 and in 2008 compared to those in 2002, even though the overall numbers have dropped because of the stringent changes in the US Bankruptcy Law passed by the US Congress in 2005.

The report includes three maps of Chatham, identifying general trends in the location of foreclosures. In 2002 the foreclosure problem was largely confined to that part of Chatham west of the Haw River. The maps for 2007 and 2008, however,

indicate a spread of foreclosures in all parts of the county. At the same time it is the western part of the county that exhibits the most foreclosures in each of the three years.

The more affluent county residential areas – Fearington Village, Governor's Club, The Preserve and others – are relatively immune from these foreclosures.

The rise in foreclosures is linked to a downturn in other related activities. These are generally stated in the county manager's budget statement, which is included in one of the report's appendices. Building permits, for example, in 2008 fell by 20 percent compared to the same period in 2007, while the value of the permits issued in 2008 were 41 percent lower for the comparable time span in 2007. Moreover, the Chatham Water Utility

indicates that 312 residential meter installations were made in FY 2007 while only 200 meters were installed in FY 2008.

While the sub-prime problem is expected to extend into 2009, recent reports indicate that the same infection is now moving into the "good credit" area where homeowners are falling behind in their payments in growing numbers. The number of these owners in arrears rose to 12 percent in April, a four-fold increase from the previous years.

William Sommers is a Chatham resident living in Fearington Village. His full report on Chatham foreclosures can be purchased for \$10, including postage, by contacting William Sommers, Arkadia Consulting, at bsommers@earthlink.net.

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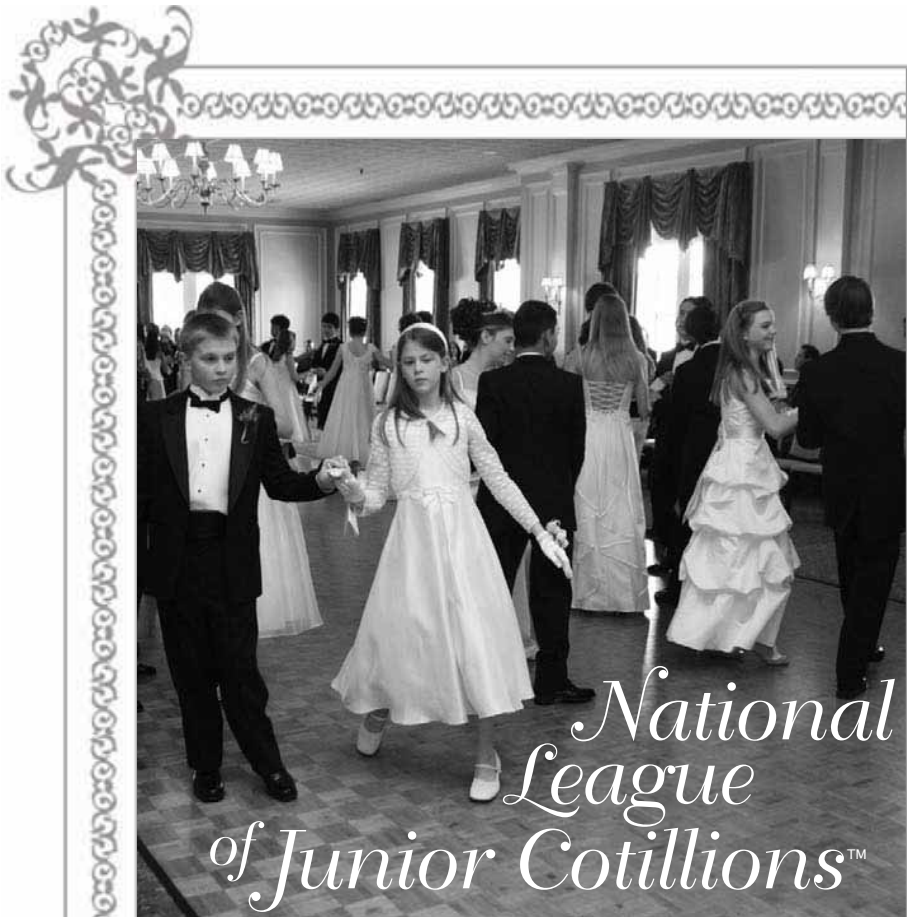
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