

# Division of Housing, Colorado Department of Local Affairs 3rd Quarter 2012 Report on Releases of Deeds of Trust



## Report findings, November 5, 2012

Within the counties surveyed, releases of deeds of trust in Colorado rose 54.4 percent from the third quarter of 2011 to the third quarter of 2012, rising from 50,682 to 78,240, year over year.

Releases rose 20.2 percent from the second quarter of 2012 to the third quarter of 2012, with release totals rising from 65,090 during the second quarter to 78,240 during the third quarter. During the third quarter, releases reached the highest total reported since the fourth quarter of 2010, when releases reached 80,265.

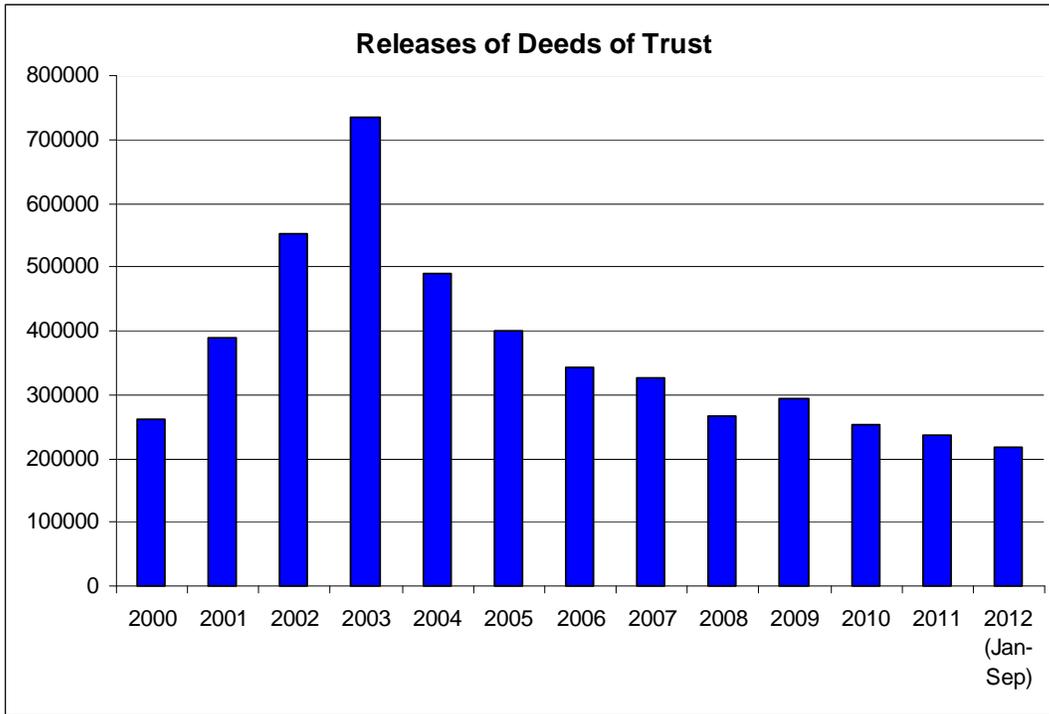
Compared to the peak years of 2002 and 2003, release totals continue to be well below peak levels. Annual releases reached a total of 733,373 during 2003 within the counties surveyed. By 2011, total releases had fallen by 67 percent. This year, releases are on pace to top 2010 and 2011 annual totals.

Table 1 and Graph 1 below show the number of annual releases of deeds of trust since 2000. Graph 2 compares quarterly totals since the first quarter of 2008. See the appendices for quarterly totals.

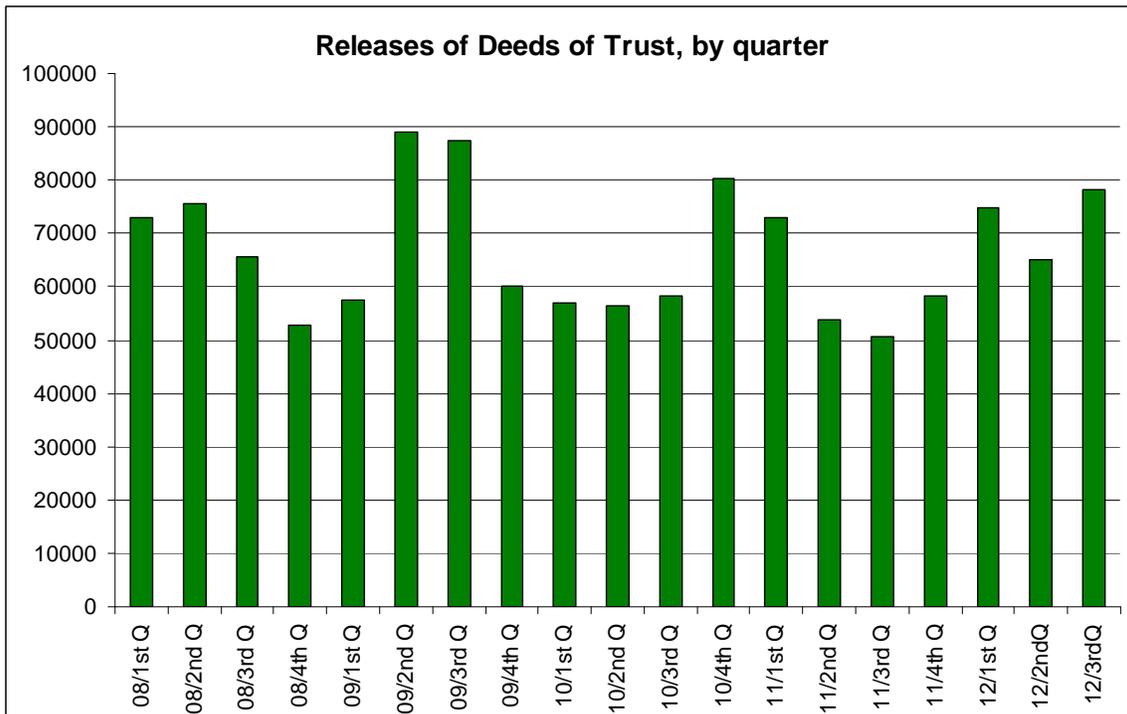
**Table 1: Releases of Deeds of Trust**

Year	Releases of Deeds of Trust
2000	260,973
2001	390,072
2002	551,072
2003	733,373
2004	491,088
2005	400,565
2006	343,127
2007	327,457
2008	266,971
2009	293,731
2010	251,861
2011	235,925
2012 (January-September)	218,138

**Graph 1: Annual release totals.**



**Graph 2: Quarterly release totals.**

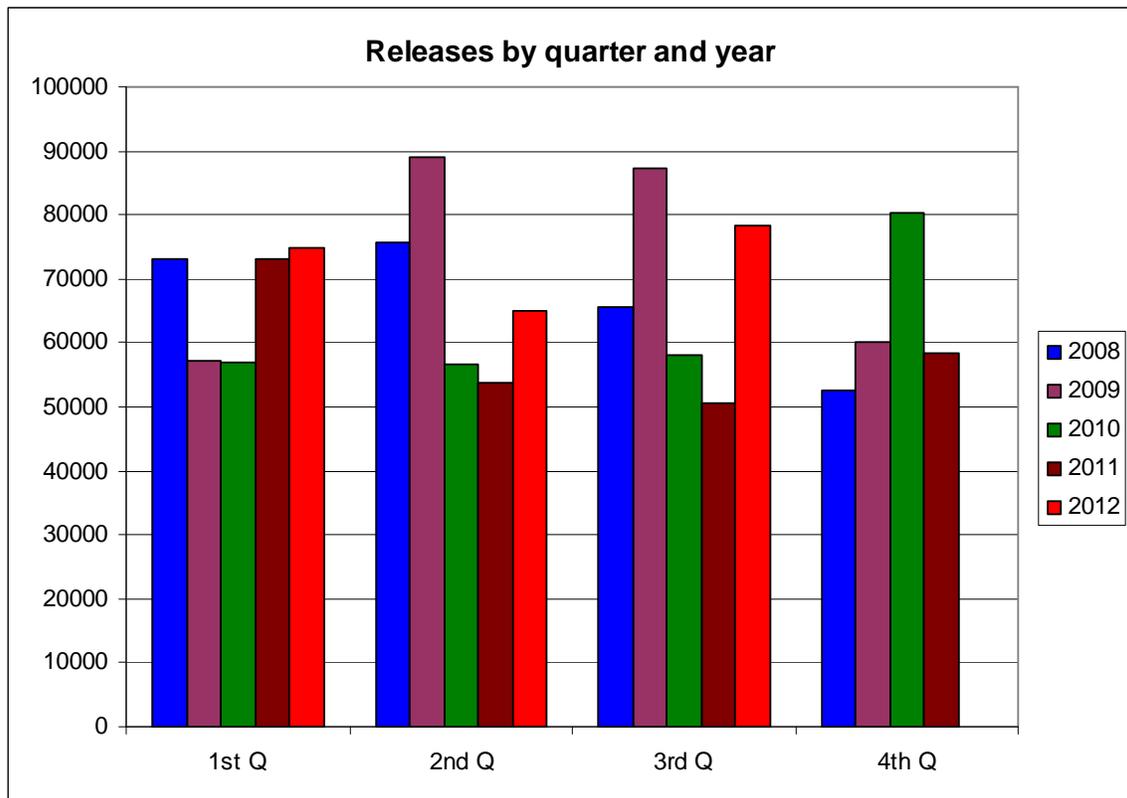


### Comparing release totals for each quarter

The third-quarter total for releases this year was at a three-year high and was the second-highest total recorded in the third quarter since 2008. In recent years, third-quarter release totals have tended to be similar to second-quarter totals in each year, or they have tended to be similar. This year's increase from the second quarter to the third quarter is the first time in five years that there has been a significant increase in release totals from the second quarter to the third quarter.

Graph 3 shows the release totals broken out by quarter.

**Graph 3: Release totals compared by quarter.**



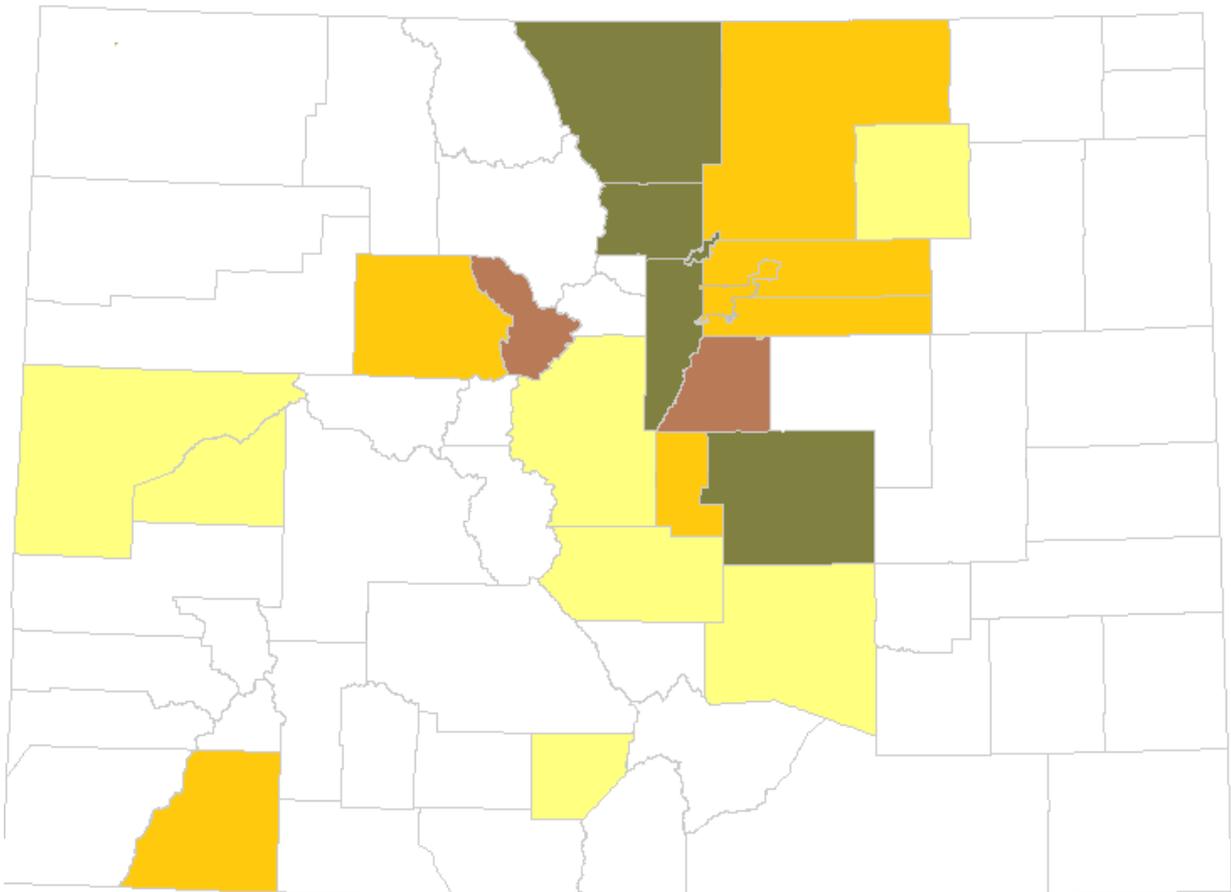
### County Trends

From the third quarter of 2011 to the third quarter of this year, releases of deeds of trust increased in all of the 21 counties surveyed. The smallest year over year increase was found in Teller County where releases rose by 11.5 percent, and the largest increase was found in Douglas County where releases rose 73.2 percent, year over year.

These variations across counties suggest substantial variations in the amount of refinance and home purchase activity occurring within different counties.

When release totals in each county are adjusted for the number of existing housing units in each county, the counties with the most release activity tend to be counties with higher median incomes, although this is not always the case. The counties with the most release activity, adjusted for total household numbers, were Douglas, Summit, Boulder, Broomfield, and Larimer counties. Map 1 shows all counties surveyed. Rates are based on third-quarter release totals and 2011 housing unit estimates from the Colorado State Demographer.

**Map1: Release activity rates by county.**

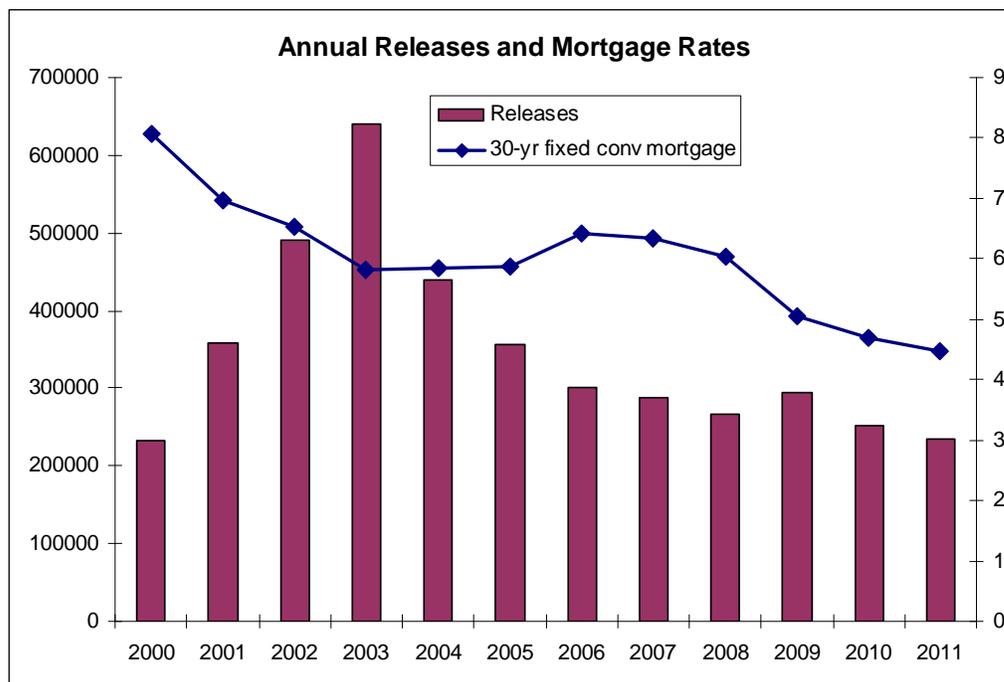


Release rates are split into 4 categories by index number: 1. (burgundy) Index value of more than 5.0. 2. (green) Index value from 4.0 to 4.9. 3. (orange) Index value from 3.0 to 3.9. 4. (yellow) Index value below 3.

## Analysis:

Release activity is closely associated with home loan refinance activity and, to a lesser extent, to home purchase activity. Refinance and home purchase activity are in turn heavily influenced by mortgage rates. Graph 4 shows the 30-year fixed conventional mortgage rate for each year since 2000. In general, as mortgage rates decline, release activity increases. This can be seen from 2000 to 2003 as the mortgage rate dropped 27 percent and total releases increased 174 percent. Similar but less dramatic trends can be found from 2005 to 2006 when the mortgage rate increased 9 percent and total releases fell 15 percent. Likewise, when mortgage rates fell again following the 2008 financial crisis, falling by 16 percent, total releases rose by 10 percent. From 2009 to 2011, however, declining mortgage rates did not produce an increase in the number of releases.

**Graph 4: Annual releases compared with annual mortgage rate averages.**



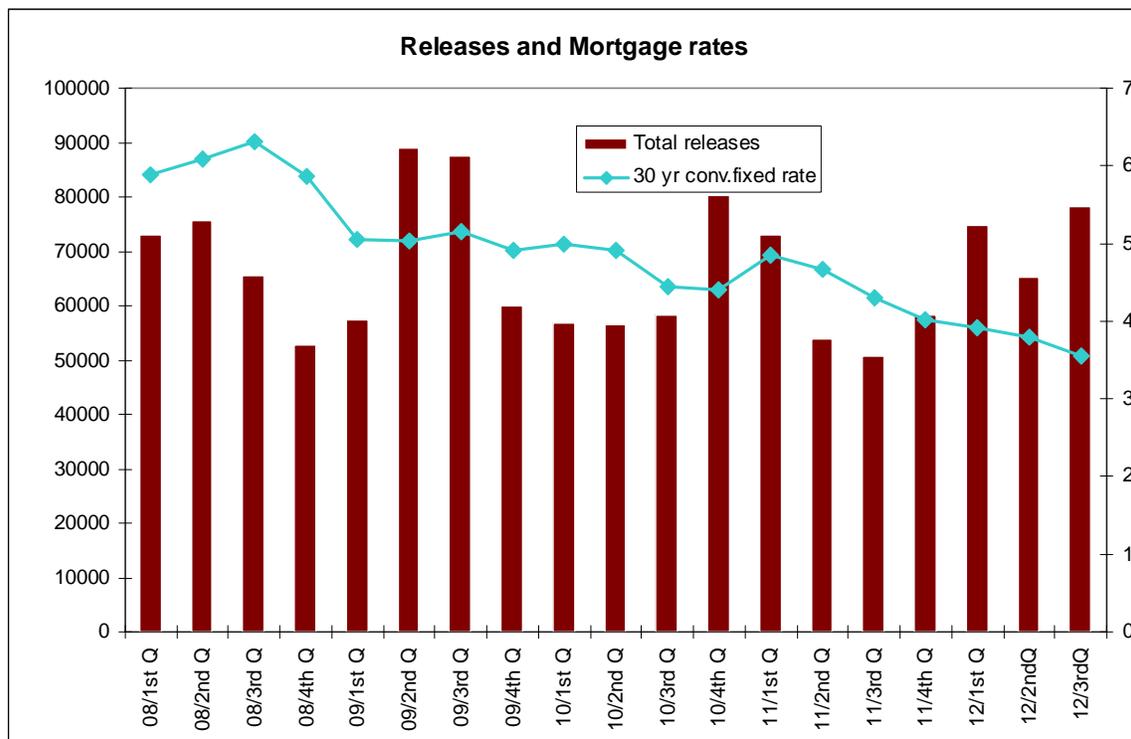
Similar trends can also be found on a quarter-by-quarter basis. In the case of quarterly numbers, however, there is a one-quarter lag between a change in mortgage rates and a change in total releases.

Graph 5 shows total releases and average mortgage rates for each quarter available since 2008. From the fourth quarter of 2008 to the first quarter of 2009, the average mortgage rate fell 13 percent, followed by a 55 percent increase in total releases from the first quarter to the second quarter of 2009. By contrast, when the average mortgage rate

increased 9.9 percent from the fourth quarter of 2010 to the first quarter of 2011, total releases fell by 9 percent during the following quarter.

The number of releases rose during the fourth quarter of 2011 following three quarters of falling mortgage rates, but release totals then rose again with the fourth quarterly drop in the mortgage rate, driving up release activity to a 5-quarter high. During the first quarter of 2012, the 30-year fixed conventional mortgage rate reached a record low of 3.92 percent, and as mortgage rates headed down even more during the third quarter of this year, release activity hit a two-year high.

**Graph 5: Quarterly release totals compared with quarterly average mortgage rates.**



## Appendices

**Table 2: Year-over-year change in release totals for the third quarter of each year.**

<b>County</b>	<b>11/3rd Q</b>	<b>12/3rdQ</b>	<b>Change 2011- 2012</b>
<b>Adams</b>	3405	5160	51.5
<b>Alamosa</b>	125	164	31.2
<b>Arapahoe</b>	5875	9367	59.4
<b>Boulder</b>	4409	6258	41.9
<b>Broomfield</b>	721	1116	54.8
<b>Delta</b>	258	297	15.1
<b>Denver</b>	6186	10566	70.8
<b>Douglas</b>	4267	7392	73.2
<b>Eagle</b>	669	1029	53.8
<b>El Paso</b>	7376	10381	40.7
<b>Fremont</b>	393	452	15.0
<b>Jefferson</b>	5539	9499	71.5
<b>La Plata</b>	585	897	53.3
<b>Larimer</b>	4195	6219	48.2
<b>Mesa</b>	1345	1635	21.6
<b>Morgan</b>	224	300	33.9
<b>Park</b>	289	410	41.9
<b>Pueblo</b>	1186	1676	41.3
<b>Summit</b>	1124	1631	45.1
<b>Teller</b>	381	425	11.5
<b>Weld</b>	2130	3366	58.0
<b>Total</b>	50682	78240	54.4

**Table 3: Change in release totals from the second quarter of 2012 to the third quarter of 2012.**

<b>County</b>	<b>12/2ndQ</b>	<b>12/3rdQ</b>	<b>Change from previous quarter</b>
<b>Adams</b>	3906	5160	32.1
<b>Alamosa</b>	148	164	10.8
<b>Arapahoe</b>	7115	9367	31.7
<b>Boulder</b>	5448	6258	14.9
<b>Broomfield</b>	1034	1116	7.9
<b>Delta</b>	302	297	-1.7
<b>Denver</b>	8006	10566	32.0
<b>Douglas</b>	5969	7392	23.8
<b>Eagle</b>	905	1029	13.7
<b>El Paso</b>	9176	10381	13.1
<b>Fremont</b>	440	452	2.7
<b>Jefferson</b>	8389	9499	13.2
<b>La Plata</b>	781	897	14.9
<b>Larimer</b>	5143	6219	20.9
<b>Mesa</b>	1502	1635	8.9
<b>Morgan</b>	283	300	6.0
<b>Park</b>	310	410	32.3
<b>Pueblo</b>	1518	1676	10.4
<b>Summit</b>	1361	1631	19.8
<b>Teller</b>	409	425	3.9
<b>Weld</b>	2945	3366	14.3
<b>Total</b>	65090	78240	20.2

**Table 4: Comparisons between the first nine months of this year and the same period of last year. Each period includes nine-month totals from January through September.**

<b>County</b>	<b>YTD (Jan- Sep) 2011</b>	<b>YTD (Jan- Sep) 2012</b>	<b>Change 2011- 2012</b>
<b>Adams</b>	11264	13635	21.0
<b>Alamosa</b>	420	476	13.3
<b>Arapahoe</b>	19153	24364	27.2
<b>Boulder</b>	14388	17533	21.9
<b>Broomfield</b>	2378	3210	35.0
<b>Delta</b>	855	868	1.5
<b>Denver</b>	20583	27529	33.7
<b>Douglas</b>	15597	20380	30.7
<b>Eagle</b>	2090	2914	39.4
<b>El Paso</b>	24017	29479	22.7
<b>Fremont</b>	1309	1345	2.8
<b>Jefferson</b>	25687	29729	15.7
<b>La Plata</b>	2133	2509	17.6
<b>Larimer</b>	13831	17008	23.0
<b>Mesa</b>	4902	4980	1.6
<b>Morgan</b>	1009	837	-17.0
<b>Park</b>	1091	1100	0.8
<b>Pueblo</b>	4094	4686	14.5
<b>Summit</b>	3812	4734	24.2
<b>Teller</b>	1420	1430	0.7
<b>Weld</b>	7552	9392	24.4
<b>Total</b>	177585	218138	22.8

**Table 5: Release totals in each county adjusted for the total number of housing units in each county. Index value = (releases/housing units)\*100**

<b>County</b>	<b>12/3rdQ</b>	<b>Total housing units (2011)</b>	<b>Release Index</b>
<b>Douglas</b>	7392	107982	6.8
<b>Summit</b>	1631	29957	5.4
<b>Boulder</b>	6258	127891	4.9
<b>Broomfield</b>	1116	22878	4.9
<b>Larimer</b>	6219	133572	4.7
<b>Jefferson</b>	9499	230723	4.1
<b>El Paso</b>	10381	253852	4.1
<b>Arapahoe</b>	9367	239870	3.9
<b>Denver</b>	10566	287891	3.7
<b>Weld</b>	3366	97114	3.5
<b>La Plata</b>	897	26130	3.4
<b>Teller</b>	425	12699	3.3
<b>Eagle</b>	1029	31390	3.3
<b>Adams</b>	5160	163550	3.2
<b>Park</b>	410	14072	2.9
<b>Morgan</b>	300	11517	2.6
<b>Mesa</b>	1635	63239	2.6
<b>Alamosa</b>	164	6600	2.5
<b>Pueblo</b>	1676	69933	2.4
<b>Fremont</b>	452	19327	2.3
<b>Delta</b>	297	14632	2.0
<b>Combined</b>	78240	1964819	4.0

**Table 6: Quarterly totals for most recent five quarters.**

<b>County</b>	<b>11/3rd Q</b>	<b>11/4th Q</b>	<b>12/1st Q</b>	<b>12/2ndQ</b>	<b>12/3rdQ</b>
<b>Adams</b>	3405	3776	4569	3906	5160
<b>Alamosa</b>	125	166	164	148	164
<b>Arapahoe</b>	5875	6584	7882	7115	9367
<b>Boulder</b>	4409	5269	5827	5448	6258
<b>Broomfield</b>	721	998	1060	1034	1116
<b>Delta</b>	258	315	269	302	297
<b>Denver</b>	6186	6830	8957	8006	10566
<b>Douglas</b>	4267	5107	7019	5969	7392
<b>Eagle</b>	669	863	980	905	1029
<b>El Paso</b>	7376	8023	9922	9176	10381
<b>Fremont</b>	393	419	453	440	452
<b>Jefferson</b>	5539	6616	11841	8389	9499
<b>La Plata</b>	585	809	831	781	897
<b>Larimer</b>	4195	4639	5646	5143	6219
<b>Mesa</b>	1345	1522	1843	1502	1635
<b>Morgan</b>	224	250	254	283	300
<b>Park</b>	289	325	380	310	410
<b>Pueblo</b>	1186	1389	1492	1518	1676
<b>Summit</b>	1124	1596	1742	1361	1631
<b>Teller</b>	381	310	596	409	425
<b>Weld</b>	2130	2534	3081	2945	3366
<b>Total</b>	50682	58340	74808	65090	78240

**Table 7: Total annual releases.**

<b>County</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Adams</b>	15696	29336	43903	54130	38450	32223	26194	21713	15451	14639	17108	15040
<b>Alamosa</b>	630	630	630	630	630	630	630	630	699	572	617	586
<b>Arapahoe</b>	34535	57336	73991	86414	65113	47452	37681	35350	26943	30843	30357	25737
<b>Boulder</b>	20282	33431	42672	55261	32751	25610	19970	20943	18983	24805	20767	19657
<b>Broomfield</b>	n/a	n/a	5364	7757	5160	4048	3836	3858	3321	4352	3759	3376
<b>Delta</b>	1604	2111	2851	3287	2916	2438	2443	2334	2116	1969	1470	1170
<b>Denver</b>	36604	48384	67114	89962	61225	49073	40632	39548	31047	34064	31080	27413
<b>Douglas</b>	17022	29912	39384	65478	35968	32098	26934	26281	21673	28041	18987	20704
<b>Eagle</b>	6130	7430	10349	12647	9047	9617	8525	8147	4941	5386	2923	2953
<b>El Paso</b>	30187	33884	65734	101378	56436	48970	45564	43551	39941	39068	34301	32040
<b>Fremont</b>	2573	3559	4072	5202	3616	3353	3007	2921	2470	2457	1893	1728
<b>Jefferson</b>	35677	59597	76688	101777	68894	49135	39808	40166	30015	36578	30663	32303
<b>La Plata</b>	3141	4459	6333	7846	5928	5478	5286	3867	4137	4542	2973	2942
<b>Larimer</b>	17711	30453	40293	50874	33162	28489	24061	23695	19383	23198	20259	18470
<b>Mesa</b>	n/a	n/a	15011	19134	15151	14548	14900	14761	14523	12648	7838	6424
<b>Morgan</b>	1324	1629	1912	2426	2180	1969	1630	1527	1201	1013	1150	1259
<b>Park</b>	4532	4692	4736	4694	3339	3026	2680	2340	1786	1778	1416	1416
<b>Pueblo</b>	12934	13391	13867	17883	12692	11500	10662	8869	7761	7553	6614	5483
<b>Summit</b>	4198	5536	7992	10035	9547	6968	6831	8452	6365	6258	4796	5408
<b>Teller</b>	2392	2990	3759	4435	3766	2974	2588	2804	2049	1511	1563	1730
<b>Weld</b>	13701	21312	25117	32123	25117	20966	19265	15700	12166	12456	11327	10086
<b>Total</b>	260873	390072	551772	733373	491088	400565	343127	327457	266971	293731	251861	235925

## **Methods**

This report tracks releases of deeds of trust as reported by public trustees in Colorado. The report includes twenty-one counties which are chosen based on population size and to ensure that as many regions of the state as possible are represented. More than 90 percent of occupied households in the state are within the twenty-one counties chosen.

A deed of trust is similar to a mortgage and is a lien on real property to secure payment of an indebtedness. The deed of trust contains a grant of the property to the public trustee for the benefit of the holder. The deed of trust grants to the public trustee a power of sale which allows the public trustee to execute foreclosures.

In the State of Colorado, the standard means of securing a loan on real estate is with a deed of trust. There are three parties involved with a deed of trust: the borrower, the lender, and the public trustee. When a property owner executes a deed of trust, the owner is essentially deeding the property to the Public Trustee to hold in trust for the benefit of the lender until the indebtedness is paid in full. When it is paid, the lender sends the public trustee a Request for Release and the public trustee releases and cancels the deed of trust that encumbers the property. Both the deed of trust and the release of deed of trust are legal documents.

Colorado Revised Statutes Section 38-39-102 has set out requirements for releasing a deed of trust. Based on these statutes, a release of deed of trust may be processed by the public trustee of the county where the property is located when the appropriate documentation has been properly presented.

The release totals included in this survey include releases of all deeds of trusts, including commercial real estate and vacant land, and also include partial releases of deeds of trust (where only a portion of the indebtedness has been paid and only a portion of the encumbered property is released).

Note on sources: Average mortgage rate information is based on 30-year conventional mortgage rate information provided by the Federal Reserve Bank of Saint Louis.

### **Releases of Deeds of Trust as Economic Indicator**

The release of a deed of trust is a helpful economic indicator because an increase in the number of the releases of deed of trust is usually a sign of an increase in refinance and home purchase activity. Deeds of trust can also be released when a homeowner pays off a loan secured by a deed of trust, which is often referred to as “paying off the mortgage.” Generally speaking, however, the majority of releases of deed of trust during a given time period indicates debts being paid off through refinancing of home loans and through new home or real estate purchases.

Consequently, increases in release activity are often observed during periods of increases in refinance activity and during periods when home purchase activity increases. Declining numbers of releases of deed of trust can be one indicator of a “flat” or “slow” real estate market.