

Division of Housing, Colorado Department of Local Affairs 4th Quarter 2012 Report on Releases of Deeds of Trust



Report findings, February 25, 2013

Within the counties surveyed, releases of deeds of trust in Colorado rose 49.1 percent from the fourth quarter of 2011 to the fourth quarter of 2012, rising from 58,236 to 86,816, year over year.

Comparing the full year of 2011 to the full year of 2012, total releases were up 29.4 percent in 2012. There were 235,816 releases during 2011 and 305,141 releases during 2012.

Releases rose 10.7 percent from the third quarter of 2012 to the fourth quarter with release totals rising from 78,435 during the third quarter to 86,816 during the fourth. Releases rose for the second quarter in a row during the fourth quarter, and reached the third-highest quarterly total recorded since the survey began in 2008.

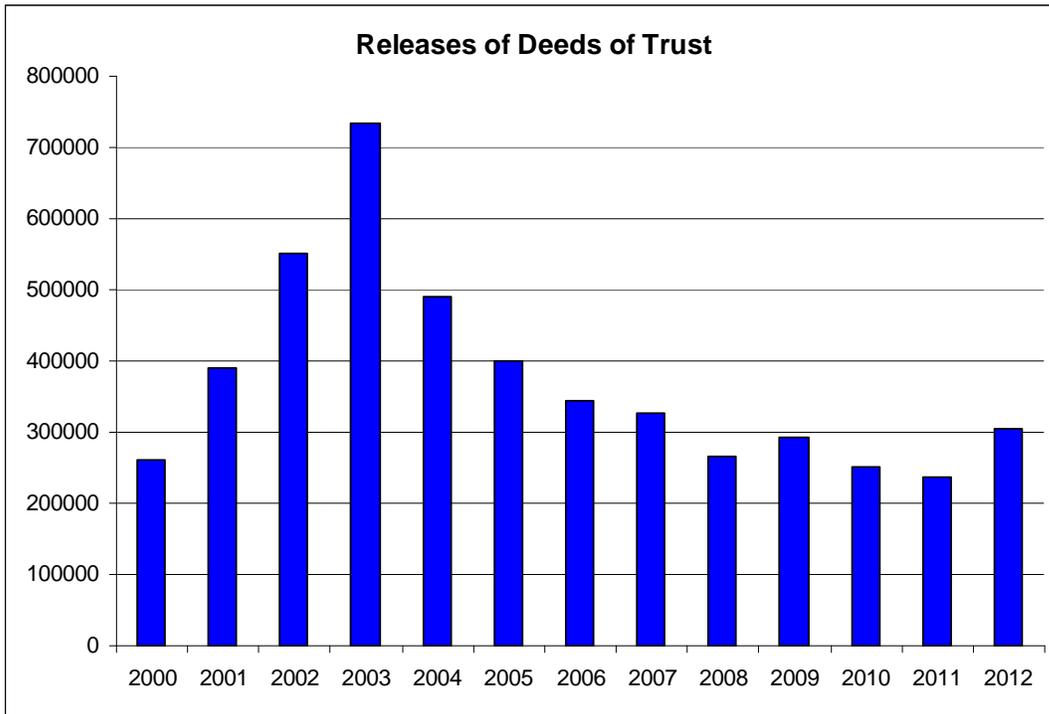
Annual release totals continue to be well below peak levels reached during 2003 when releases totaled 733,373 within the counties surveyed. By 2010, total releases had fallen by 67 percent.

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.

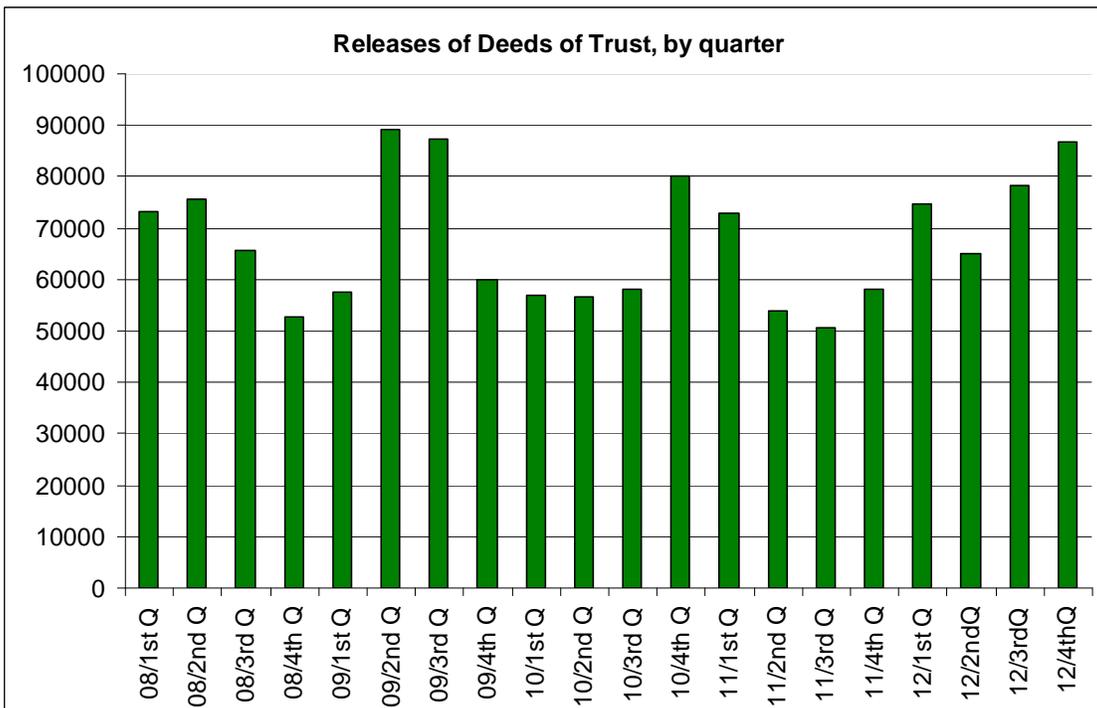
Table 1: Releases of Deeds of Trust

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	235,816
2012	305,141

Graph 1: Annual release totals.



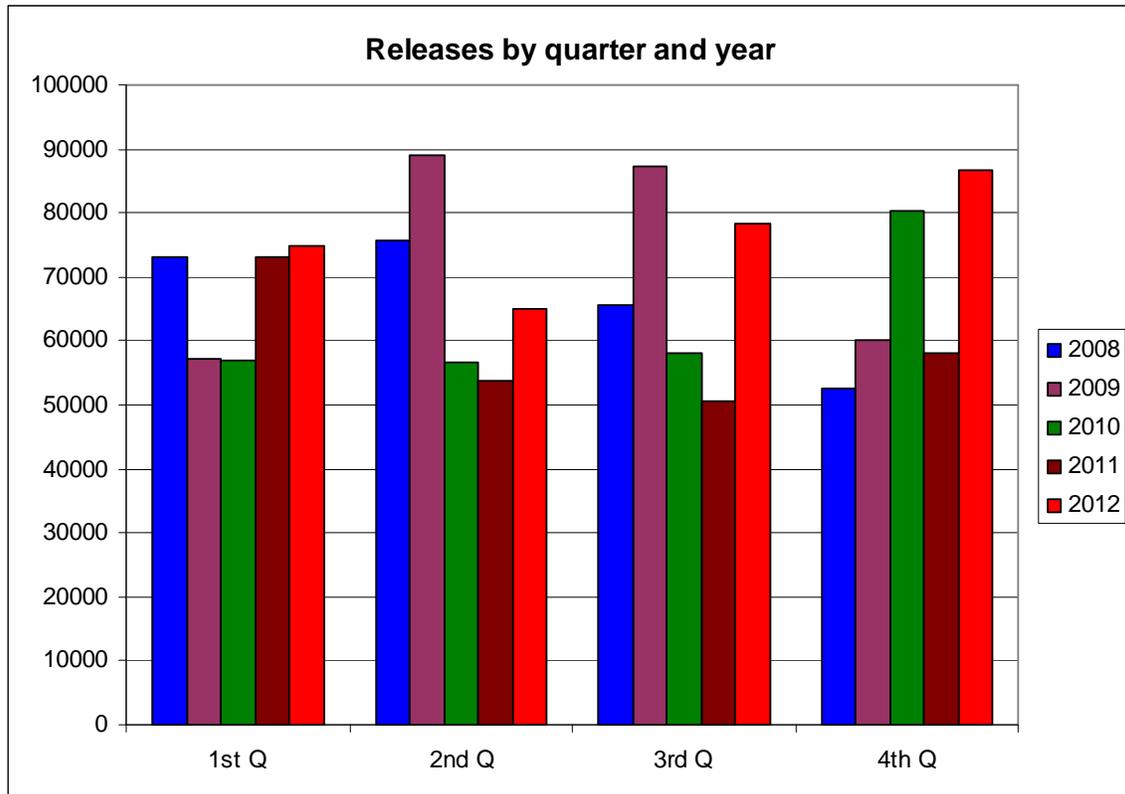
Graph 2: Quarterly release totals.



Comparing release totals for each quarter

The number of releases reported during the fourth quarter was the highest total recorded during any fourth quarter since 2008.

Graph 3: Release totals compared by quarter.



County Trends

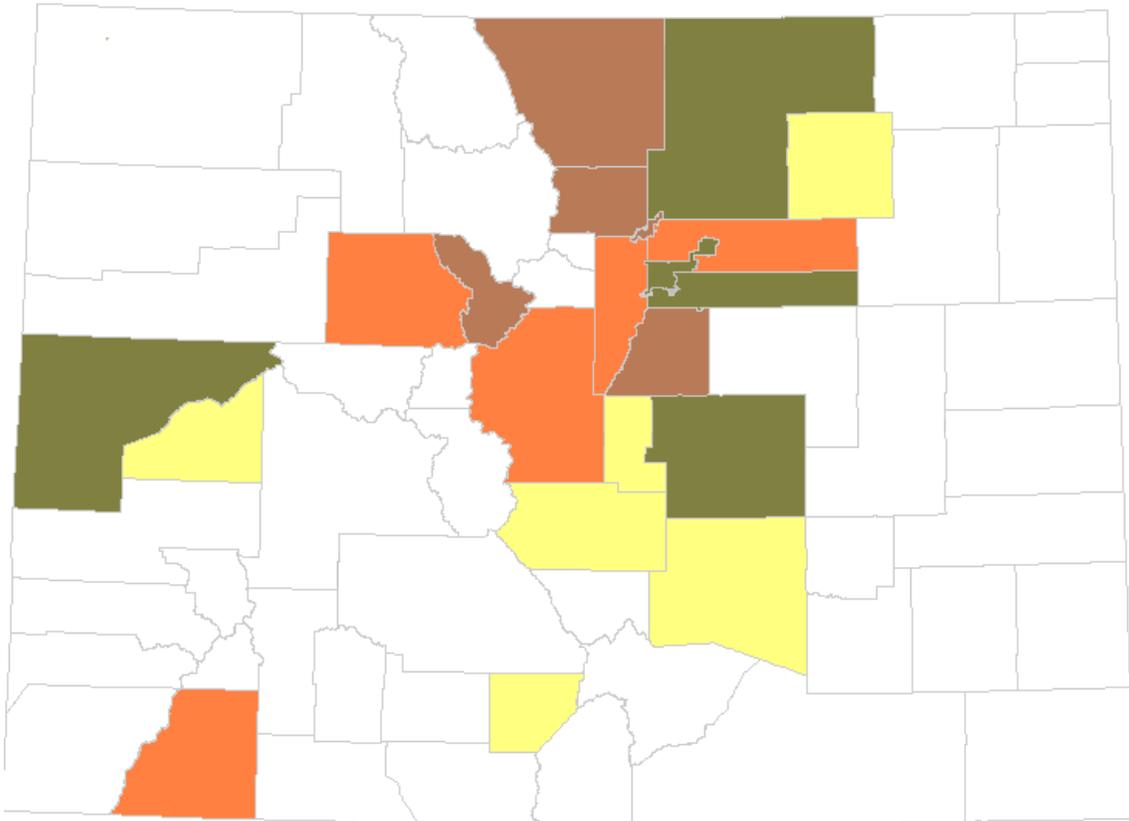
From the fourth quarter of 2011 to the fourth quarter of 2012, releases of deeds of trust increased in 20 of the 21 counties surveyed, and decreased in one. The year-over-year decrease occurred in Alamosa County. The largest increases were found in Mesa and Denver counties. See Table 2 for details.

Comparing 2012 with 2011, releases rose in all counties surveyed except Morgan County. The largest increases were found in Denver and Douglas counties. See Table 3 for details.

When release totals in each county are adjusted for the number of housing units in each county, the counties with the most release activity tend to be counties that are either in

mountain areas or which border mountain areas. Releases also tend to be more common in areas with higher median incomes. The counties with the most release activity, adjusted for total housing unit numbers, were Douglas, Summit, Boulder, Broomfield, and Larimer counties. Map 1 shows all counties surveyed. Rates are based on fourth-quarter release totals.

Map1: Release activity by county.



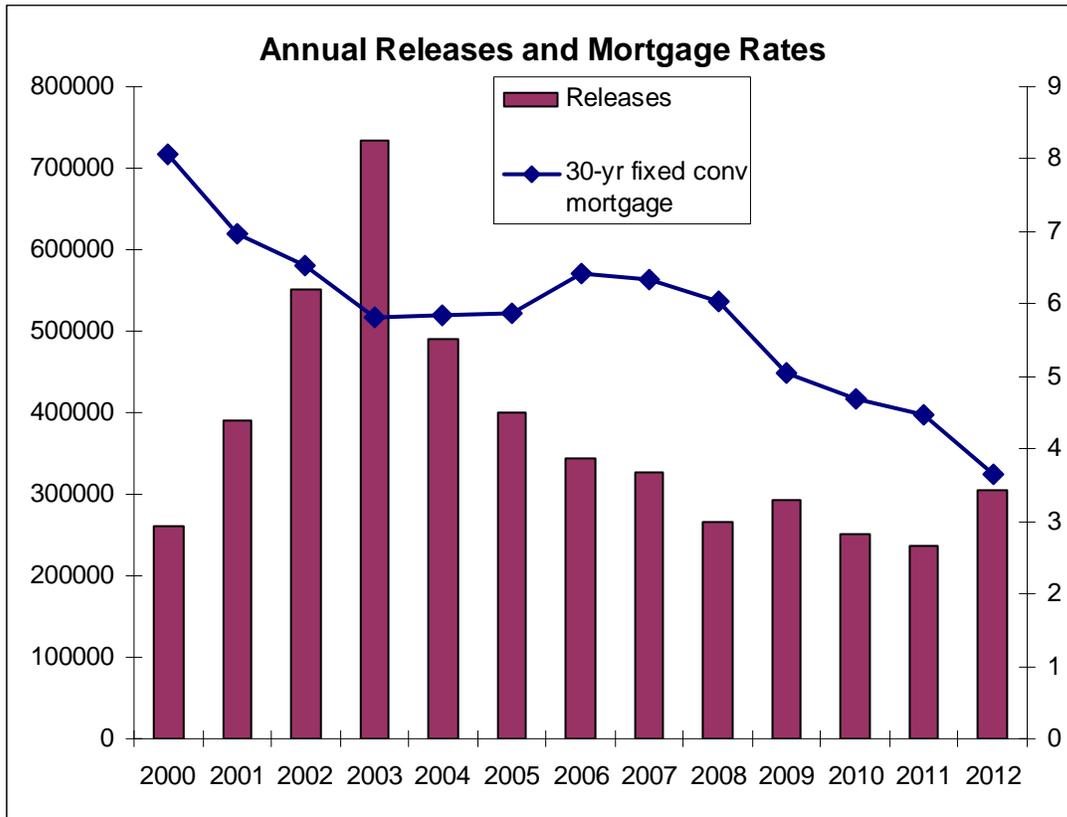
Release rates are split into 4 categories by index number: 1. (brown) Index value of more than 5.0. 2. (green) Index value from 4.0 to 4.9. 3. (orange) Index value from 3.0 to 3.9. 4. (yellow) Index value below 3.

Analysis:

Release activity is closely associated with home loan refinance activity and, to a lesser extent, to purchases of existing homes. 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. The mortgage rate has now fallen four years in a row, and has produced one year of increasing release activity since 2009.

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

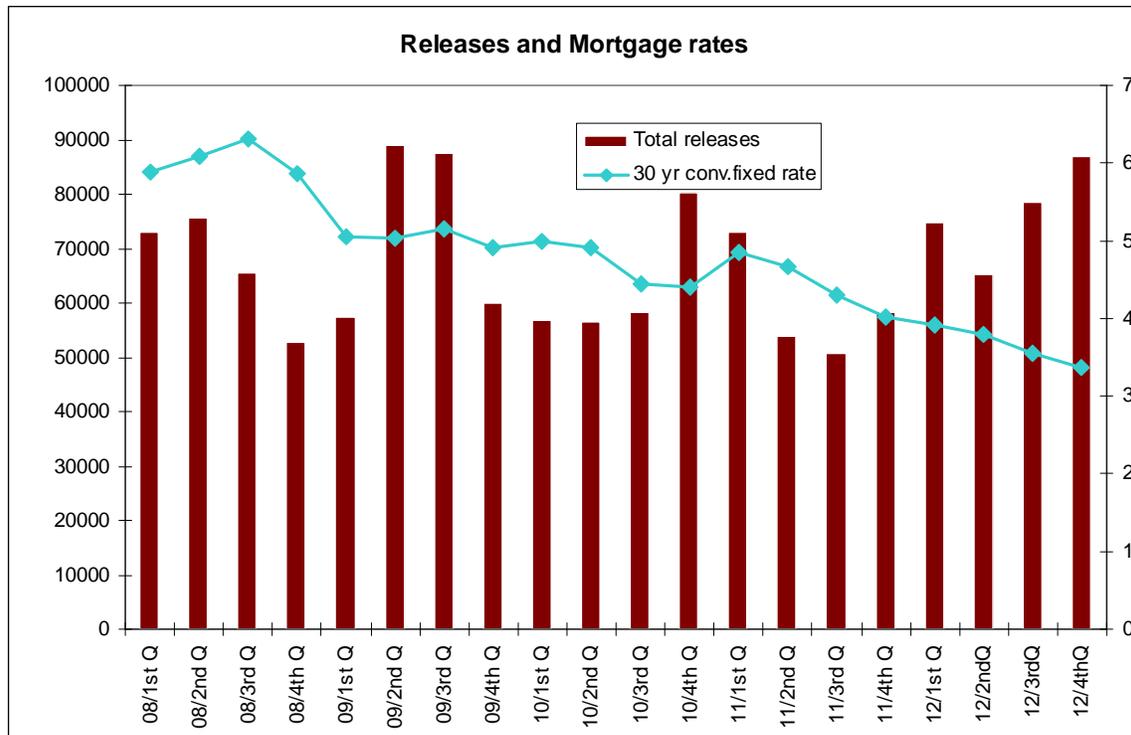


Similar trends can also be found on a quarter-by-quarter basis. In the case of quarterly numbers, however, there is often a one-quarter lag between a change in mortgage rates and a change in total releases.

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.

From the first quarter of 2011 to the third quarter, total releases fell in spite of a falling mortgage rate. The number of releases rose during the fourth quarter of 2011 following three quarters of falling mortgage rates, and continued to generally rise through the fourth quarter of 2012.

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



Appendices

Table 2: Year-over-year change in release totals for the fourth quarter.

County	10/4th Q	11/4th Q	12/4thQ	% Change from 2011	% Change from 2010
Adams	6,217	3,776	5,648	49.6	-9.2
Alamosa	181	166	153	-7.8	-15.5
Arapahoe	9,867	6,584	10,213	55.1	3.5
Boulder	6,718	5,269	7,469	41.8	11.2
Broomfield	1,269	998	1,210	21.2	-4.6
Delta	432	315	409	29.8	-5.3
Denver	9,432	6,830	11,542	69.0	22.4
Douglas	8,362	5,107	8,236	61.3	-1.5
Eagle	1,300	863	1,161	34.5	-10.7
El Paso	10,062	8,023	11,619	44.8	15.5
Fremont	529	419	550	31.3	4.0
Jefferson	8,184	6,616	8,890	34.4	8.6
La Plata	893	809	1,008	24.6	12.9
Larimer	6,249	4,639	7,032	51.6	12.5
Mesa	2,314	1,418	2,686	89.4	16.1
Morgan	337	250	301	20.4	-10.7
Park	429	325	438	34.8	2.1
Pueblo	1,803	1,389	1,863	34.1	3.3
Summit	1,886	1,596	2,191	37.3	16.2
Teller	378	310	317	2.3	-16.1
Weld	3,423	2,534	3,880	53.1	13.4
Total	80,265	58,236	86,816	49.1	8.2

Table 3: Release totals for all quarters (Q1+Q2+Q3+Q4) of each year.

County	2008	2009	2010	2011	2012	YOY Change from 2011	YOY change from 2010
Adams	15,451	14,639	17,108	15,040	19,283	28.2	12.7
Alamosa	699	572	617	586	629	7.3	1.9
Arapahoe	26,943	30,843	30,357	25,737	34,577	34.3	13.9
Boulder	18,983	24,805	20,767	19,657	25,002	27.2	20.4
Broomfield	3,321	4,352	3,759	3,376	4,420	30.9	17.6
Delta	2,116	1,969	1,470	1,170	1,277	9.1	-13.1
Denver	31,047	34,064	31,080	27,413	39,071	42.5	25.7
Douglas	21,673	28,041	18,987	20,704	28,616	38.2	50.7
Eagle	4,941	5,386	2,923	2,953	4,075	38.0	39.4
El Paso	39,941	39,068	34,301	32,040	41,098	28.3	19.8
Fremont	2,470	2,457	1,893	1,728	1,895	9.7	0.1
Jefferson	30,015	36,578	30,663	32,303	38,619	19.6	25.9
La Plata	4,137	4,542	2,973	2,942	3,517	19.5	18.3
Larimer	19,383	23,198	20,259	18,470	24,040	30.2	18.7
Mesa	14,523	12,648	7,838	6,315	7,853	24.4	0.2
Morgan	1,201	1,013	1,150	1,259	1,138	-9.6	-1.0
Park	1,786	1,778	1,416	1,416	1,538	8.6	8.6
Pueblo	7,761	7,553	6,614	5,483	6,549	19.4	-1.0
Summit	6,365	6,258	4,796	5,408	6,925	28.1	44.4
Teller	2,049	1,511	1,563	1,730	1,747	1.0	11.8
Weld	12,166	12,456	11,327	10,086	13,272	31.6	17.2
Total	266,971	293,731	251,861	235,816	305,141	29.4	21.2

Table 4: Change in release totals from the third quarter to the fourth quarter of 2012.

County	12/3rdQ	12/4thQ	Change from previous quarter
Adams	5160	5648	9.5
Alamosa	164	153	-6.7
Arapahoe	9367	10213	9.0
Boulder	6258	7469	19.4
Broomfield	1116	1210	8.4
Delta	297	409	37.7
Denver	10566	11542	9.2
Douglas	7392	8236	11.4
Eagle	1029	1161	12.8
El Paso	10381	11619	11.9
Fremont	452	550	21.7
Jefferson	9499	8890	-6.4
La Plata	897	1008	12.4
Larimer	6219	7032	13.1
Mesa	1830	2686	46.8
Morgan	300	301	0.3
Park	410	438	6.8
Pueblo	1676	1863	11.2
Summit	1631	2191	34.3
Teller	425	317	-25.4
Weld	3366	3880	15.3
Total	78435	86816	10.7

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

County	12/4thQ	Total housing units (2011)	Release Index
Douglas	8,236	107,982	7.6
Summit	2,191	29,957	7.3
Boulder	7,469	127,891	5.8
Broomfield	1,210	22,878	5.3
Larimer	7,032	133,572	5.3
El Paso	11,619	253,852	4.6
Arapahoe	10,213	239,870	4.3
Mesa	2,686	63,239	4.2
Denver	11,542	287,891	4.0
Weld	3,880	97,114	4.0
La Plata	1,008	26,130	3.9
Jefferson	8,890	230,723	3.9
Eagle	1,161	31,390	3.7
Adams	5,648	163,550	3.5
Park	438	14,072	3.1
Fremont	550	19,327	2.8
Delta	409	14,632	2.8
Pueblo	1,863	69,933	2.7
Morgan	301	11,517	2.6
Teller	317	12,699	2.5
Alamosa	153	6,600	2.3
Combined	86,816	1,964,819	4.4

Table 6: Quarterly totals for most recent five quarters.

County	11/4th Q	12/1st Q	12/2ndQ	12/3rdQ	12/4thQ
Adams	3,776	4,569	3,906	5,160	5,648
Alamosa	166	164	148	164	153
Arapahoe	6,584	7,882	7,115	9,367	10,213
Boulder	5,269	5,827	5,448	6,258	7,469
Broomfield	998	1,060	1,034	1,116	1,210
Delta	315	269	302	297	409
Denver	6,830	8,957	8,006	10,566	11,542
Douglas	5,107	7,019	5,969	7,392	8,236
Eagle	863	980	905	1,029	1,161
El Paso	8,023	9,922	9,176	10,381	11,619
Fremont	419	453	440	452	550
Jefferson	6,616	11,841	8,389	9,499	8,890
La Plata	809	831	781	897	1,008
Larimer	4,639	5,646	5,143	6,219	7,032
Mesa	1,418	1,844	1,493	1,830	2,686
Morgan	250	254	283	300	301
Park	325	380	310	410	438
Pueblo	1,389	1,492	1,518	1,676	1,863
Summit	1,596	1,742	1,361	1,631	2,191
Teller	310	596	409	425	317
Weld	2,534	3,081	2,945	3,366	3,880
Total	58,236	74,809	65,081	78,435	86,816

Table 7: Total annual releases.

County	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Adams	15,696	29,336	43,903	54,130	38,450	32,223	26,194	21,713	15,451	14,639	17,108	15,040	19,283
Alamosa	630	630	630	630	630	630	630	630	699	572	617	586	629
Arapahoe	34,535	57,336	73,991	86,414	65,113	47,452	37,681	35,350	26,943	30,843	30,357	25,737	34,577
Boulder	20,282	33,431	42,672	55,261	32,751	25,610	19,970	20,943	18,983	24,805	20,767	19,657	25,002
Broomfield	n/a	n/a	5,364	7,757	5,160	4,048	3,836	3,858	3,321	4,352	3,759	3,376	4,420
Delta	1,604	2,111	2,851	3,287	2,916	2,438	2,443	2,334	2,116	1,969	1,470	1,170	1,277
Denver	36,604	48,384	67,114	89,962	61,225	49,073	40,632	39,548	31,047	34,064	31,080	27,413	39,071
Douglas	17,022	29,912	39,384	65,478	35,968	32,098	26,934	26,281	21,673	28,041	18,987	20,704	28,616
Eagle	6,130	7,430	10,349	12,647	9,047	9,617	8,525	8,147	4,941	5,386	2,923	2,953	4,075
El Paso	30,187	33,884	65,734	101,378	56,436	48,970	45,564	43,551	39,941	39,068	34,301	32,040	41,098
Fremont	2,573	3,559	4,072	5,202	3,616	3,353	3,007	2,921	2,470	2,457	1,893	1,728	1,895
Jefferson	35,677	59,597	76,688	101,777	68,894	49,135	39,808	40,166	30,015	36,578	30,663	32,303	38,619
La Plata	3,141	4,459	6,333	7,846	5,928	5,478	5,286	3,867	4,137	4,542	2,973	2,942	3,517
Larimer	17,711	30,453	40,293	50,874	33,162	28,489	24,061	23,695	19,383	23,198	20,259	18,470	24,040
Mesa	n/a	n/a	15,011	19,134	15,151	14,548	14,900	14,761	14,523	12,648	7,838	6,315	7,853
Morgan	1,324	1,629	1,912	2,426	2,180	1,969	1,630	1,527	1,201	1,013	1,150	1,259	1,138
Park	4,532	4,692	4,736	4,694	3,339	3,026	2,680	2,340	1,786	1,778	1,416	1,416	1,538
Pueblo	12,934	13,391	13,867	17,883	12,692	11,500	10,662	8,869	7,761	7,553	6,614	5,483	6,549
Summit	4,198	5,536	7,992	10,035	9,547	6,968	6,831	8,452	6,365	6,258	4,796	5,408	6,925
Teller	2,392	2,990	3,759	4,435	3,766	2,974	2,588	2,804	2,049	1,511	1,563	1,730	1,747
Weld	13,701	21,312	25,117	32,123	25,117	20,966	19,265	15,700	12,166	12,456	11,327	10,086	13,272
Total	260873	390072	551772	733373	491088	400565	343127	327457	266971	293731	251861	235816	305141

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. The average mortgage rate for the third quarter of 2011 is a Division of Housing estimate based on average monthly rates for July, August and September 2011.

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.