

In hot market, some feel chill of foreclosure Loss of dream house is a nightmare for Peabody couple

By Kathy McCabe, Globe Staff

Bidding for the 155-year-old home at 750 Jubilee Drive in Peabody started at \$120,000, then heated up like the noon sun. A half-dozen bidders standing in the driveway nudged up the price, first by increments of \$5,000 and then \$1,000, before stopping at \$313,000, the winning bid.

Inside, Rodger Otenti, a second-generation owner, sat alone on a couch, tapping his foot. He could not hear auctioneer Peggy Paine's rapid-fire delivery, "Going once, twice, three times, final call." He did not look out the window of his childhood home, which he has shared with his wife, Sarah.

But he knew a stranger had bought a family home that his parents loved so much, they had it moved from Lynnfield to Peabody about 50 years ago.

"I was only 3 years old," said Otenti, 53, sitting on the same couch four days after the auction. "But I remember them shutting down [Route] 128, so it could be moved here. This was my father's dream house."

Foreclosure was the Otentis' nightmare -- a nightmare they share with an increasing number of Essex County homeowners. For the past two years, the couple struggled to keep their home off the auction block. Rodger, laid off from jobs as an office courier and an auto body technician, has spent long periods unemployed, including now.

With no savings, the couple were living off Sarah's job as a hospital clerk, which pays less than \$13 an hour. To stave off foreclosure on the home, which they purchased in 1996, each filed for personal bankruptcy protection. Still, they could not catch up on back payments owed to WM Specialty Mortgage LLC, an out-of-state company.

Payments on their adjustable rate mortgage ballooned from \$943 to \$1,295 per month, a scheduled increase written into the contract. Confusion about who owned their mortgage also led to late and missed payments.

"Once you get behind," said Sarah, 51, sitting with the couple's two dogs, Jake and Tasha, "you stay behind."

The Otentis are hardly alone. Home prices may be climbing, but so are foreclosure filings in Massachusetts, according to statewide data.

Foreclosure filings in Essex County for the first four months of this year jumped almost 41 percent from the same period last year, outpacing a statewide increase of 27.82 percent, according to data compiled by ForeclosuresMass. Corp., a Framingham company that collects data from the state Land Court, where filings are made. The number of filings increased from 313 in the first four months of 2004 to 440 during the same period this year.

Job loss, rising household costs, and risky mortgage products such as interest-only loans are mostly to blame for the increase, industry watchers said.

Stanley Paine, a Newton auctioneer whose firm conducted the auction at the Otentis' home on June 7, said his business has increased by 15 to 20 percent this year.

"The mortgage companies keep coming up with programs that get people in over their heads," he said. "They end up not making their payments."

"I'm amazed it's taken this long to come," said Jeanne Lovely, an auctioneer and realtor from Marblehead. "I thought it would have happened two years ago. We don't bat an eye when a house sells for \$500,000. . . . But I think we will see more foreclosures happening."

But others said the foreclosure picture is not so bleak. While foreclosure filings may be mounting, they note that most probably will not go to auction. Lenders and homeowners usually reach an agreement beforehand, they said.

The number of foreclosed properties usually is far less than the number of filings. In 2003, for example, 468 foreclosure filings were made in southern Essex County, but only 46 foreclosure deeds were recorded at the region's Registry of Deeds in Salem, statistics indicate. Southern Essex County includes all but four of the county's communities -- Lawrence, Andover, North Andover, and Methuen.

In 2004, 557 foreclosures were filed, and 88 properties were foreclosed upon. Through June 2 of this year, 242 filings have been made for the region, with 54 foreclosures recorded.

While this does indicate a steady rise, John L. O'Brien, the registrar of deeds, does not believe it is cause for alarm.

"As long as the interest rates stay low, I don't think we'll see any major rise in foreclosures," O'Brien said. "The banks don't want to take anyone's home."

Of the 242 foreclosures filed in southern Essex County this year through June 2, at least 217 were issued by out-of-state lenders.

One of those companies, Ameriquest Mortgage Co. of Orange, Calif., has an office in Wakefield. Chris Orlando, the company's vice president of corporate communications, declined to comment.

Mortgage lenders at two of the region's largest banks said their foreclosures are at an all-time low, mostly due to rising real estate prices.

"Values now are very good," said Saber Salam, senior vice president of mortgage banking at Eastern Bank of Lynn. "People have so much equity in their home, we usually are able to work something out with them, before it gets to foreclosure." Ed McDonald, president of mortgage banking at SalemFive, said mortgage default rates are at historic lows.

"Anything can change, but I don't see anything on the horizon to suggest it will," McDonald said, noting the bank also works with customers to avoid foreclosure.

One local mortgage broker noted that national lenders and local banks are required to follow state law governing foreclosure.

"Nobody wants somebody's house," said George Manemanus, president of Multi-State Mortgage Co. in Groveland. "The cost is too great for the lenders and the homeowners. . . . We try to qualify people for [mortgages] so that they don't lose it."

The Otentis owed \$187,000, most of it to WM Specialty Mortgage. The rest was owed to a private family trust. The Otentis said they could manage their payments of \$943. But Rodger lost his job and their monthly payments ballooned to \$1,295, they said.

Their problems grew when the loan was sold. The Otentis originally received a loan from Fremont Investment and Loan, a California mortgage company. But Fremont sold the loan, a common practice in the mortgage business, to WM Specialty Mortgage. But the Otentis did not realize the loan had been sold, and continued sending payments to Fremont, they said. Although payment notices from WM Specialty Mortgage came in the mail, they tossed them out with junk mail. "The name meant nothing to me," Rodger said. "We get a lot of junk mail. A lot of it was from financial [companies] wanting to lend us money. I thought that's what it was."

The couple knew something was wrong when Fremont returned their uncashed checks. At the same time, WM Specialty Mortgage sent a certified letter, initiating foreclosure proceedings. The couple used their returned checks to hire a lawyer. "We had to do what we could to stop it," Rodger said.

They filed for personal bankruptcy protection. They thought about selling their home, which an appraiser valued at \$325,000. But with deep emotional ties to the property, the couple instead looked for new financing. They applied to MIT Financial Group of Medford, which sent them a postcard in the mail, advertising help for people facing foreclosure.

Dan Cerveira, manager of MIT Financial, said his company tried to help, "but nothing could be worked out."

With no time to find a new source of financing, the Otentis' home went on the auction block, sold to Sugar Ray Realty of Taunton. "There was nothing else we could do," Rodger said.

All is not completely lost for the Otentis, however. Once the sale is completed in early July and their debt paid, any profits will go to the Otentis. It will be enough to rent a house, hopefully one that allows the dogs, whom Sarah called "my kids." What advice do they have for others threatened with foreclosure?

"Sell, right away," Sarah said. "Just cut your losses."