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Foreclosure rate in Chicago area buck nation's downward trend

Expert says state backlog may be to blame for the spike

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Foreclosures in Illinois are up 34 percent in the third quarter compared to the same time last year, according to a report released by RealtyTrac, a firm that monitors foreclosures. Chicago's increase is in stark contrast to national figures, which are showing a downward trend.

Geoff Smith, the Executive Director from the Institute of Housing Studies, says Chicago-area market is processing a backlog of foreclosures, so the numbers can seem misleading.

"I think the data should be interpreted cautiously," Smith said. "The market's not strong here but it is sort of a number issue that's affected by the process."

The state of Illinois uses the judicial system to process foreclosures, a process that Smith says takes longer than non-judicial routes. The judicial system typically allows families longer periods of time to stay in their homes.

Smith says there are many intervention programs that could serve to stabilize the economy more quickly but, he says, these foreclosed properties have to work their way through the system and, as a result, foreclosure rates will likely increase. Smith says this will add to the local market's uncertainty.

"The numbers will tell a lot of crazy stories but it's important to read them with some caution," Smith said.

Smith says a better indicator of the stability of the market is housing prices.

"Foreclosure numbers are very vulnerable to these process issues," he said. "The numbers year over year are going to look big. But if you look at the price, price trends give you I think a better sense of where the market's at because price's will capture the supply and demand and tell you a little bit more about the health of the market."

Smith says after this foreclosure backlog is moved through the system, Illinois will hopefully experience more stable housing prices as well as more purchases in general. That, he said, could mean a return to a more traditional housing market in general.

"It will take time and it wouldn't surprise me if we don't really see the Chicago market kind of go back to a normal functioning market for another few years, he said.

