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## Foreclosures hit suburban condo market

Source: Chicago Tribune  
Publication date: July 21, 2010

By Mary Ellen Podmolik, Chicago Tribune

July 21--Some of the most recent Chicago-area homes to enter foreclosure are hard to spot. There are no weedy front yards or plywood-covered windows.

That's because they are condos.

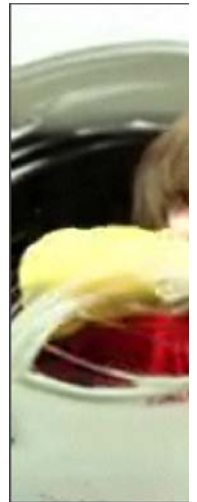
While single-family homes continue to represent the bulk of initial foreclosure filings in the Chicago area, the rate at which condominiums are entering the foreclosure process, particularly in parts of suburban Cook County, is startling, according to a study to be released Wednesday.

Condo foreclosure filings within the city of Chicago rose 37.5 percent during the year's first half, but add in suburban condo foreclosures, particularly in northwestern Cook County, and regional condo foreclosures have swelled 53.8 percent compared with 2009's first half, the Woodstock Institute study found.

Lingering empty, foreclosed units within a condo development could jeopardize the stability of buildings, their homeowner associations and remaining residents, particularly in buildings where investors bought multiple units.

"A condo is isolated in a building, so the building is the neighborhood," said Geoff Smith, senior vice president of the Woodstock Institute, a Chicago-based research and advocacy group. "It challenges the economic viability of that building."

The problem appears to be most acute in northwestern Cook County, where 44.2 percent of the initial foreclosure filings made during the first half of the year were on condo units. In 2009's first half, condo foreclosures accounted for 10.5 percent of the total foreclosure volume in that area.



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Digging deeper into the numbers shows that of the 225 foreclosure filings in Wheeling 164 were on condo units. In Schaumburg, 176 of 322 new foreclosure actions involved 432 the 432 overall filings, or 70 percent, involved condo units.

Officials in Palatine and other communities trace most of the increases to condo conversions market's bust.

"It's not the young couple being foreclosed upon. It was people buying four, five, six, seven before the market tanked," said Palatine Village Manager Reid Ottesen.

Various mortgage-modification programs established by individual loan servicers and the Affordable Modification Program only apply to owner-occupied homes, not investment

For individual owners living in the buildings, the fallout can be multifaceted.

Mallory Aiello's \$211,790 purchase of a two-bedroom, two-bathroom condo at the Woodstock wasn't just an investment. It was her first home purchase. Earlier this year, a friend of Aiello's unit at auction for less than \$100,000.

Aiello, 26, doesn't think much anymore about how upside down she is on her mortgage. Renters, as opposed to owners, who occupy the units near hers.

"A year ago we had some really bad renters," she said. "Police were around; we had some better in the past year."

What has the schoolteacher vexed is a \$900 monthly increase in her mortgage payment in order for the condo conversion project to receive Palatine's approval, some 200 of the 700 rentals, and Aiello knew she had to pay a special fee of no more than \$600 a year for 30 months. She was notified that since many units remained unsold, the annual fee would be \$2,200, an extra money she makes tutoring and as a waitress.

"It was in savings, and now it's spent. It's going into escrow," she said.

"A lot of the complexes already had tenants in them, so the investors simply thought they would be and they knew what their mortgage payments would be, and at the end of their money," said Ron DeVries, a vice president at Appraisal Research Counselors in Chicago who has since bled out.

Investor-owned condos within the city of Chicago are a problem, too, but because of high prices investors purchased multiple units within a development.

If the outside common areas are maintained, the run-up in condo foreclosures isn't apparent to the government.

In Prospect Heights, village officials keep tabs on eight to 12 single-family homes in force for their knowledge of multifamily units comes through real estate listings.

"As far as municipal intervention, it's good, because we don't get involved directly with building and zoning director Steve Skiber.

According to the Woodstock Institute, 82 of the 97 foreclosures initiated in Prospect Heights were on condo units.

Overall, the report shows that for the first half of the year, foreclosure proceedings were up 37.5 percent in the six-county Chicago area, a 37.5 percent increase from 2009's first six months.

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