



STATE REPORT // PENNSYLVANIA // NORTHEAST

STORY BY // CHARITY TAYLOR ANTAL

# Never a Dull Moment in Pennsylvania REO

## State Foreclosures Fall, But Still Rank High In the Nation

"If there's a satellite dish, an unlisted phone number and a

dog, there is an increase in the likelihood that you'll be facing foreclosure," said Bob Moncavage, an agent with Priority Realty in Pittsburgh.

Moncavage certainly likes to keep a healthy sense of humor about the REO business. He jokes that out of the nearly 2,000 REOs that he has handled in the last eight years, he hasn't found one dead person—yet. But he remains certain it is on the horizon.

"I did find myself in a crack house one afternoon when I was inspecting a property and stumbled upon two people in sleeping

bags with a brown paper bag beside them." He admits that in a business where he has "seen everything," even this incident startled him.

Karen Chiodo, an agent with Keller Williams Real Estate in Montgomeryville, Penn. has seen what frustrated borrowers can do to what once was their home. Recently, she handled an 80-year-old single-family dwelling that at first glance had great curbside appeal.

"When I initially drove up to the property, it looked very cute from the outside. But when I entered the house, it was apparent that the previous tenant took

### ECONOMIC WOES

The sign for the General Motors Corp. metal center is seen in front of the plant in West Mifflin, Pa., Monday, Nov. 21, 2005. GM announced plans to close this metals fabrication plant in suburban Pittsburgh, cutting more than 600 jobs as part of a nationwide plan to eliminate 30,000 jobs and close nine North American assembly, stamping and powertrain plants by 2008. (AP Photo/Keith Srakocic)

### IN THE NEWS

#### Is the PA Single-Family Market Finally Winding Down?

After a five-year boom in the sale of single-family homes in Pennsylvania, sales are slowing but the pace is still brisk, according to a report released by the Pennsylvania Association of Realtors.

"The trend is consistent with home sales around the country. Many real estate markets show signs of softening," says report author Jacob DeRooy, Ph.D., professor of finance at Penn State's Harrisburg School of Business Administration.

The Southeastern region, which accounted for 47 percent of the state's total sales in the fourth quarter and includes Philadelphia, saw signs of a moderately softening market. The average home price in dropped \$12,000 from its peak during the third quarter, for an average home price of \$234,000. Year-end sales totals of \$7 billion were the second highest on record.

Single-family home sales in the state totaled \$14.2 billion in 2005, the second highest 12-month total on record. Home prices ended the year with an overall annual growth rate of 19 percent between fourth quarters of 2004 and 2005, with a statewide average home price of \$225,800. In addition, price appreciation has remained at annual double-digit levels for four consecutive quarters, the report notes.

a garden hose to the entire house. There was black mold from top to bottom," says Chiodo.

Not surprisingly, the house had to be entirely gutted. "I found a Christmas tree that must have been left over from the previous year still standing upright in the living room. It had been petrified in mold and you could still see remnants of Christmas lights and tinsel on the tree."

#### Strong economy, strong REO?

It's a sort of conundrum that Pennsylvania would be such a hotbed of foreclosure and REO activity. After all, the state boasts a lower cost of living and more stable real estate prices than other parts of the country, though there has recently been some slowing reported. Total sales of single-family homes, condos and co-ops in Pennsylvania dropped 13.5 percent in the first quarter of 2006, according to sales statistics released recently by the National Association of Realtors.

For her part, Chiodo characterizes Pennsylvania's economy as strong. "Unemployment is low, and there is a great deal of

**"Everybody is spending more than they make and with interest rates continuing to rise, I think this trend will continue."**

KAREN CHIODO, KELLER WILLIAMS REAL ESTATE

growth, especially in the pharmaceutical sector. A lot of older towns and cities are renovating."

Yet in spite of this strength, Chiodo says she's nonetheless seeing a boom in REO. "I've seen a 20 percent increase in my inventory over the last year. I want to say it is due to the new bankruptcy law, but I don't know for certain," she says. Investors and second-home buyers constitute a significant portion of her customer base. "We have a lot of investors from New York City. For them, the real estate here is a great bargain," says Chiodo. "It is not uncommon to have 10 offers on one property within three days."

Last year was Moncavage's banner year—he closed more than 427 transactions, and 98 percent of them were REOs. This year could be even better, too; he says his inventory this year has increased 15 percent. "There has been so much REO inventory over the last few years that more and more agents are doing REOs. Clearly, some of them have no business doing it," says Moncavage. He says it is not unusual for him to be the third or

fourth listing agent on a property that was mishandled before it came to him.

Moncavage currently has 190 active REOs in his inventory and says his greatest frustration is dealing with the stall tactics of owners who have been foreclosed upon.

"It can sometimes take 14 months just to be able to put a property on the market," he says, referring to a glut of cancelled evictions and bankruptcy filings that keep a property off the market. "This just delays the inevitable for the borrower and adds a significant cost to an already losing proposition for the bank," he says.

And it isn't just REO listings that are on the rise. Chris Buonopane, co-owner of property maintenance firm PCO Services in Brookhaven, Mass. notes that scheduled evictions are increasing by about 30 percent in the last month alone. "With the increase, we have had to turn some business away," he says.

#### Back to the future

Buonopane predicts the rate of foreclosures will continue to increase and notes that he has seen more national asset management companies come into the picture than in the past. "From a service provider's standpoint, lenders and mortgage companies are starting to take some of the decision making out of the brokers' hands and turning it over to national asset

companies," he says. No doubt, there will likely be enough business to go around. According to RealtyTrac, Philadelphia's foreclosure rate alone was 1.3 times the national average in March. Among the nation's five largest metropolitan areas, only Dallas-Fort Worth documented a higher foreclosure rate than Philadelphia.

For her part, Chiodo expects her inventory to continue to increase for at least the next six to 12 months. "Everybody is spending more than they make and with interest rates continuing to rise, I think this trend will continue," Chiodo says.

Moncavage sees bloated appraisals being a critical factor both now and into the future as more recent loans enter their peak default period. "We have the same problems everyone else has in the REO business, where many houses have been over-appraised," Moncavage says. "What's priced right is selling in 45 days or less." He warns, however, that if properties are overpriced by the seller, they will often find themselves lingering on the market six to nine months later.

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