

Cleaning House

Mortgage meltdown a boost for property preservation companies.

By **Becky Bergman**



Above:
Matt Ballock cleaning a bank-repossessed home

When Matt Ballock cleaned a vacant home in Brentwood last summer, the property preservation specialist who works on behalf of foreclosing lenders discovered a series of forgotten notes.

Scared and overwhelmed about possibly losing his home to foreclosure, the delinquent borrower—a young, unemployed husband and father—wrote a new goal every day, which looked more like an ambitious to-do list.

Each note held a new promise for that day: “I will find a job; I will make more money; I will save the house; I will fight foreclosure.”

The final note, which signaled defeat with its simple “today, I will go to church” promise, gave Ballock a glimpse into the emotional toll caused by the nation’s housing crisis. “It was obvious this gentleman worked really hard to get ahead and did everything he could to save his home,” says Ballock. “This was not a stupid guy. You could tell that by reading his notes.”

Ballock, owner of San Ramon-based

Golden Valley Maintenance, recently refocused his floundering landscaping business onto services for foreclosed properties. As the wave of foreclosures cripple the real estate market, many home renovation businesses, brokers, appraisers and mortgage professionals have turned to property maintenance as a way to pay the bills in slow economic times.

Ballock’s company provides a number of services for foreclosed properties throughout nine Bay Area counties’ cities. He rekeys doors, hauls away trash, empties the home of its former resident’s belongings and landscapes. These services have recently amounted to two to three jobs a day. Ballock maintains a variety of properties that range from 800 square feet to more than 4,000 square feet on lots as big as one acre.

As the economic landscape shifted earlier this year, so did Ballock’s business model as he explored possible ways to spruce up his company’s bottom line. He says the growing number of vacant homes on the market gave him an idea: The need to add curb appeal to bank-owned properties. As borrowers continue to fall behind on their house payments, and lenders take possession of the properties, vacant homes have to be cleaned and maintained until they are sold, says Ballock.

Foreclosure filings were reported on 60,491 California properties in November, the most of any state and a 6 percent increase from the previous month following two consecutive monthly decreases. The state’s foreclosure activity was up 51 percent from November 2007, and one in every 218 housing units received a foreclosure filing during the month—more than twice the national average.

Foreclosure filings — default notices, auction sale notices and bank repossessions — were reported on 259,085 U.S. properties during November, a 7 percent decrease from the previous month but still up 28 percent from November 2007, according to RealtyTrac, and one in every 488 U.S. homes received a foreclosure filing in November.

James Saccacio, CEO of RealtyTrac, says a new state law, SB 1137 that requires lenders to contact borrowers at least 30 days before filing a Notice of Default (NOD), changes how the foreclosure process is played out in California.

“In September, we saw California NODs drop 51 percent from the previous month,” says Saccacio. “That drop had a significant

impact on the national numbers given that California accounts for close to one-third of the nation’s foreclosure activity each month.”

The new bill also gives local government agencies the authority to levy fines of up to \$1,000 per day against banks and lenders who fail to maintain foreclosed properties. Specifically, the failing to manage a property includes permitting “excessive foliage, failure to prevent trespassers and squatters and other conditions of public nuisance.”

“Delinquencies on loans not yet in the foreclosure process jumped to nearly 7 percent in the third quarter, a record high, according to the Mortgage Bankers Association,” says Saccacio. “And more than half of the homeowners who received loan modifications to reduce monthly mortgage payments in the first half of 2008 are already delinquent on their loans again, according to the U.S. Office of Thrift Supervision. Many of these delinquencies could turn into foreclosures next year.”

Although Ballock didn’t disclose how much he earns from each job, industry leaders say property maintenance contractors can bill up to several thousand dollars per week depending on how busy they are. “We’ve definitely seen our workload increase since that law went into effect,” says Ballock. “We were getting maybe one or two new jobs per week. Now we’re getting calls to handle two or three new jobs per day on top of properties we already maintain. We’re booked solid three weeks out right now.”

Ballock, who handles the maintenance calls with his father and three other crewmembers, prefers to visit the properties after homeowners move out. “When the realtors and banks call about a new property, they let me know if it’s still occupied. I really don’t want the homeowner to know who I am, because I don’t want to be the target of their anger and frustration.”

So far, Ballock hasn’t had any run-ins with homeowners. “You hear the horror stories about homeowners who take a hammer to the walls or tear the plumbing on their way out,” said Sarah Litchney, founding attorney and CEO of Sacramento-based Litchney Law Firm.

Litchney provides real estate and bankruptcy services to clients in Sacramento and the Bay Area. “But I really believe the majority respect their homes and do the best they can to maintain the properties until they leave.” ■