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Texas foreclosures will have ripple effect across state, Senate told

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AUSTIN – At least one in three homeowners in Texas will probably feel the effects of the large number of foreclosures across the state, a Senate committee was told Wednesday.

Housing experts said the 96,000 foreclosures statewide last year and a similar number expected this year will not only affect those who lose their homes, but also their neighbors and communities, as property values drop. One study also indicated that taxable property values in the state could decrease by more than \$5 billion.

"The foreclosure crisis will affect everyone whether you are directly impacted or not," said David Long, president of the Texas State Affordable Housing Corp.

Long noted that Texas has fared better than many states even though it saw a surge in subprime mortgages in recent years. Massive failures of those types of loans, usually involving less creditworthy borrowers, have been blamed for the national mortgage crisis.

In 2005 and 2006, more than a third of all home loans in the state were subprime, and Texas trailed only Mississippi in the number of subprime mortgages, Long said. He could not say how many of those were in default, but he told the Senate Intergovernmental Relations Committee that by the end of 2010, about one out of every 35 houses in Texas will have been foreclosed upon.

Sen. Royce West, D-Dallas, asked Long and the executive director of the Texas Department of Housing and Community Affairs to get busy on a state package to use the federal funds and stabilize the mortgage situation in Texas.

"I don't want to sit back and wait for the federal government to move. I want us to move aggressively on this right now," West said.

Sen. Dan Patrick, R-Houston, said he was concerned that many homeowners will not see the drop in property values linked to foreclosures reflected in their property tax appraisals this year. West said he will ask appraisers for the largest metro areas to testify about the impact on appraisals at the committee's next meeting.

Legislators are expected to consider several measures related to foreclosures in their current session.

One bill filed by Sen. Craig Estes, R-Wichita Falls, would extend the current deferment in foreclosure proceedings from 20 days after initial notification to up to 45 days, and also give a homeowner at least 30 days to vacate a foreclosed property.