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# State steps in to tackle mortgage woes

**Portland Business Journal - by Andy Giegerich Business Journal staff writer**

Even though Oregon has experienced relatively few effects from the so-called "mortgage meltdown," state officials continue to seek tighter loan terms.

One in five mortgage originators have either left the state or are no longer operating since Jan. 1. The number of companies offering mortgages in the state have risen slightly to 1,840, though the number of lending offices declined by 6.4 percent.

This Monday, a mortgage issues work group assembled by Gov. Ted Kulongoski will set out to craft mortgage-industry oversight legislation for next year's short legislative session.

Most agree that Oregon's stronger firms seem poised to survive the industry shakeout.

"The good ones will stay, and I'd like to see us get rid of the bad ones," said Steve Emory, president of **Pacific Sunset Mortgage Inc.** in Beaverton. "A lot of this has happened because other states haven't monitored the industry."

Many lenders and brokers that do stay in Oregon will, like Emory's firm, largely avoid controversial subprime loan packages with interest-only terms, as well as rarely offer negative amortization.

The Federal Reserve cited uncertainty over the abundance of such loans when it slashed the key federal fund rate by half a point, to 4.75 percent, earlier this week.

"Our portion of subprime loans is relatively small, and a fairly significant part of the people who did them did so as a significant part of their business," said Tom Hendrickson, president-elect of the **Oregon Association of Mortgage Professionals** and vice president of Portland-based **Associated Mortgage Group Inc.** "Most of the people who specialized in that are no longer here."

Many out-of-state companies looking to capitalize on Oregon's hot real estate market have left as the region has cooled: New home sales have dropped by 13 percent over the last year, according to Realtors Market Listing Service.

The state has also begun requiring brokers to fulfill more education requirements. We fully expected that if requirements got tougher, certain people would be unable to be in the industry," said Berri Leslie, the state's mortgage lending program manager.

The wave has also brought its share of empty office space. Brad Christiansen, associate vice president for Portland's Colliers International office, said Kruse Way in Lake Oswego teems with fresh vacancies.

Vacancy rates for sublet office space, for instance, have risen to more than 5 percent, five times what they were a year ago.

"You can look at directories on some 40,000-square-foot buildings and see as many as five mortgage companies that are lights out," he said.

While many brokers have moved on to other states, others have lost their jobs completely, said Angela Martin, director of economic fairness for consumer advocate Our Oregon and a member of the state's new mortgage work group.

"The company line that if we pass more regulations, we'll lose jobs, isn't valid," she said. "This type of lending has not only put families at risk, it's put an industry at risk."

Shane Jackson, lobbyist for the **Oregon Coalition of Mortgage Originators**, said the numbers reflect the industry's long-held argument that the market doesn't need extra oversight. Jackson's group successfully thwarted the state from enacting Senate Bill 965, which would have banned various subprime loan products.

"The market has taken care of itself," he said. "There are many shops that are no longer in business. On average, about one product a day has been removed from the marketplace, and that's been slowing down lately."

RealtyTrac, an Irvine, Calif. researcher that tracks the real estate market, said foreclosure activity increased nationally by 36 percent in August.

Oregon recorded 1,047 foreclosure-related filings in August, or one per 1,488 households, the nation's 29th highest rate. The number of total filings, which includes initial default notices and trustee sales, increased 56.5 percent from July and 99 percent from a year ago.

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Jackson said the RealtyTrac figures demonstrate that most problem mortgages originate in a handful of states, and Oregon isn't among them.

"These numbers shoot down the accusations that a tsunami is headed this way," he said.

Kulongoski's team wants to thwart future problems by:

- Providing potential foreclosure filers with free counseling.
- Working with lenders to find refinancing options.
- Boosting enforcement against "misleading advertising" aimed at consumers considering refinancing options.

The work group could devise legislation that eliminates prepayment penalties for consumers who fulfill their debts early.

Oregon's Legislature is scheduled to meet Feb. 25.

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