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After the Foreclosure: Downsizing and Doubling Up

Moving in with roommates and family: It's what happens to folks who lose their homes, and it ain't pretty

By [Greg T. Spielberg](#)

Downsizing their living spaces and doubling up with roommates and relatives: The housing collapse has left many victims of [foreclosure](#) looking for a place to call home. For many investors, the once-solid decision to invest in real estate has turned into a financial blunder, leaving the market awash with extra inventory and further depressing prices.

In 2006, 4 out of every 10 homes sold were investments or second homes, according to Alex Charfen, CEO of the Distressed Property Institute, an Austin (Tex.) company that teaches real estate agents how to deal with foreclosed properties. In the ensuing crash, that 40% now represents a wave of foreclosures by lenders.

Chris Henning, 66, actually lived in her investment property, a \$150,000 South Palm Beach (Fla.) condo overlooking the Atlantic. Despite a solid job and good pay in the 1990s, Henning has refinanced her condo three times since 2002. During the boom, Henning subscribed to the conventional wisdom that housing prices couldn't slide. "Looking back, I thought, 'How naive could I have been?'" she says. Now, after her boyfriend's death and a lack of revenue from a cookbook she co-authored, Henning is unemployed and her condo is on the [short-sale](#) block. In the case of short sales, lenders shave money off the loan balance in order to more quickly sell the house and recoup debt money.

SLIDING DOWN THE LADDER

"So, here I am, after having a successful career making a six-figure income," Henning says on the telephone from her smaller, cheaper condo in Cocoa Beach. To cover costs, Henning is renting out the Palm Beach property until a buyer materializes. Still, she hasn't found a job—and if she can't secure one soon, she plans to move in with her son and his family to cut costs. "I would much rather help people, vs. them helping me!" she says.

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The idea for "After the Foreclosure: Downsizing and Doubling Up" came from *BusinessWeek* readers Pres Winslow (left), a career counselor in Winslow, Ariz., and Adam Dawson, a second-year MBA student at the University of Michigan.

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Henning is part of a larger trend of moving in with others that has softened the rental market, which was once expected to strengthen during the wave of foreclosures.

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According to a survey by Rent.com, an eBay ([EBAY](#)) unit that lists apartment rentals, at 40 large property owners representing more than 850,000 units across the country, almost half the vacancies are the result of people doubling up to save money. Bridge Property & Asset Management, a division of Salt Lake City-based Bridge Investment Group, manages more than 9,000 units across nine states and has seen one-bedroom vacancies skyrocket as more renters seek two- and three-bedroom apartments. "I certainly believe that many people are now moving in with someone else, whether a family member or not, and that this is having a significant effect on the demand for apartment residences," Mark Obrinsky, chief economist and vice-president of research at the National Multi Housing Council, said in a news release. The NMHC is a Washington-based rental advocacy group.

Henning would have a few additional months of rent money if she had gotten the few thousand dollars she expected to bring in from selling off her belongings. In the end, she pulled in \$355 for two vanloads of furniture and collectibles, accumulated over the past 40 years. Downsizing to the condo meant divesting herself of a lot of her possessions, including a cane rocking chair from the '20s and a signed Steuben art glass, a popular antique decoration. Henning says she sold her belongings to an estate liquidator but isn't sure she was compensated fairly. "I didn't ask enough questions because I was overwhelmed," she said.


CALIFORNIA: FORECLOSURE EPICENTER


Like Henning, many people going through foreclosure have to leave behind belongings or sell them on the cheap. Real estate agents typically recommend their clients find another residence before foreclosure filings adversely affect their credit to the point that they can't rent. "Clients are doing the right thing [trying] to move out as quickly as they can," says Valerie Torelli of Torelli Realty in Orange County, Calif., the U.S.'s foreclosure epicenter. California had some 500,000 foreclosures in 2008, 115,000 more than Florida, second on the list. In her work, Torelli sees lots littered with furniture and, sometimes, pets still locked in their owner's former home. Many people leave their belongings because they can't afford to move them, she says.


Charlotte Jensen and her husband, Dennis, of Glen Allen, Va., declared bankruptcy in May 2008, about a year after they borrowed against the house to consolidate debt. That added an extra \$900 onto their monthly mortgage payment. Almost immediately, Jensen says, the housing bill became too much to manage and they were forced to move to an apartment. "Truth be told, we should have never been allowed to refinance," she says. "It put all our eggs in one basket, and it was a very expensive basket we couldn't undo." The couple agonized over the decision to sell their grill and riding mower, two signature representations of homeownership for many people. "It was like some big symbol of our failure," says Jensen.


The Jensens enrolled their 8-year-old son in a new school and say they try to shield him from the reality of the family's bleak financial situation. To protect herself and her husband from the raw emotions that bleed into discussions about economic hardships, Charlotte Jensen says she began referring to her family as Jensen Inc. "As you can imagine, we had to make some very painful decisions," she says. "It is an approach I still use, and I am convinced it has kept my marriage together." Jensen admits that moving in with her father would help Jensen Inc.'s bottom line, but she's concerned about her son and his schooling. "He has two smart parents with good careers who made poor decisions," she says. "It is not fair or healthy to him to shuffle him around." There's also the issue of their two golden retrievers. Her father extended an open invitation for her family, but not to the pooches. She hopes to avoid a merger of households,


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SQUATTING AT THE REALTOR'S PLACE

Making the transition from ownership to renting—and the new strictures that can bring—can be tough. For example, the foreclosure crisis is also spawning a severe abandoned pet problem in many areas. "No one is going to rent with three dogs," says Torelli, who often has to put pets up for adoption after they've been abandoned by foreclosure victims. The Arizona Humane Society, which covers the hard-hit Phoenix-Scottsdale metro area, saw a 100% increase in abandoned pet calls between 2007 and 2008, and is on pace to match the 2008 numbers.

Animal abandonment falls under the animal cruelty umbrella, and 3,046 of the 7,979 cruelty calls last year were for abandonment, society spokeswoman Kimberly Searles says. While not every abandonment call is tied to foreclosure, "you can tie the numbers in," Searles says. "There's a correlation, obviously." In August 2008, California amended its animal abandonment law to require that anyone who finds a discarded animal in a foreclosed property report the pet to animal control.

On the other side of a pinched homeowner, Jason Stevenson, 27, and his girlfriend Kristin Garrison, 28, of Las Vegas, have been relatively lucky. On May 28, the bank foreclosed on their landlord's single-family house, which they were renting month-to-month. The couple was waiting to close on a short-sale property of their own, but by mid-June the landlord kicked them out and they were essentially homeless—and still waiting to learn whether the short sale will happen. "We started packing boxes with nowhere to go," Stevenson says. With the only other option being the street, the couple's realtor—who is helping them purchase the short-sale—is letting them stay for free at her former home, which she is now trying to sell.

Spielberg is a reporter for BusinessWeek.