



HOMES

APRIL 8, 2010, 7:24 P.M. ET

# Foreclosures Hit Rich and Famous

By [CRAIG KARMIN](#) And [JAMES R. HAGERTY](#)

The rich and famous now have something in common with hundreds of thousands of middle and lower-class Americans: The bank is about to take their homes.

Houses with loans of \$5 million or more will likely see a sharp rise in foreclosures this year, according to a RealtyTrac study for The Wall Street Journal.

Just this week, a Tudor mansion in Bel-Air belonging to film star Nicolas Cage was in foreclosure auction and reverted to the lender. On Wednesday, Richard Fuscone, a former top Wall Street executive, declared personal bankruptcy, forestalling a foreclosure auction that had been scheduled this week on his 14-acre Westchester mansion. Last month a Manhattan condominium owned by Italian film producer Vittorio Cecchi Gori was sold in a foreclosure auction for \$33.2 million.

In February alone, 352 homes nationwide in this category were scheduled for foreclosure auction, the final step before a bank acquisition. That is the largest monthly number of these so-called notices of sale since the financial crisis began. By comparison, in all of 2009, there were 1,312 such notices.

Economists say the super-wealthy are among the last to lose their homes in a mortgage crisis because they usually have high savings, better access to credit and other means for staving off foreclosure. But many of them work in

financial services and other industries hit especially hard by the crisis, and have seen their wealth shrink in the market crash.

While the numbers are modest compared with foreclosures at other income levels, they suggest the possibility of a sudden spike in bank takeovers of the wealthiest Americans' property. Typically half the notices of sale result in homes being turned over to creditors, though the figure could be slightly lower for the richest Americans who have more financial options, according to Daren Blomquist at RealtyTrac.

Big borrowers are more likely to default than ordinary people, according to data from First American CoreLogic. Its loan database, reflecting more than 80% of the overall home-loan market, includes 1,700 loans with balances of \$4 million or more. About 14.8% of those loans were 90 days or more overdue at the end of January, compared with 8.7% for all home loans tracked by First American. Sam Khater, a senior economist at First American, said the bigger borrowers may be more prone to stop making payments when they have lost all their home equity.

Mr. Fuscone, Merrill Lynch's one-time head of Latin America, put his mansion up for sale in November, asking \$13.9 million. But he couldn't find a buyer.

The court had scheduled a foreclosure auction for Thursday for the 18,471-square-foot mansion—with two swimming pools, two elevators, six fireplaces, 11 bathrooms and a seven-car garage. The personal bankruptcy filed in U.S. Bankruptcy Court Wednesday temporarily freezes the foreclosure process.

Reached by phone, Mr. Fuscone declined to comment. Brokers and real estate tracking companies say that his home is one of the most expensive properties to face foreclosure proceedings yet.

The phenomenon is not limited to the New York area. Banks have taken over homes with loans of \$5 million or more in Georgia, North Carolina and Colorado, RealtyTrac says.

Mr. Cage had tried to sell his 11,817-square-foot Bel-Air property for \$35

million but failed to get any offers, said James Chalke, a real-estate agent who had the listing. At a foreclosure sale Wednesday, the property attracted no bids from investors and so was acquired by the foreclosing lender. Annett Wolf, a spokeswoman for Mr. Cage, said he had no comment.

A representative of Mr. Checchi Gori, producer of more than 200 films including "Il Postino" and "Life is Beautiful," said his financial situation is improving.

In the Miami and Dade County region, the three largest foreclosure filings initiated against homes in the past six months involved a 4,655-square-foot home in Sunset Islands; a 8,443-square-foot house in Coral Gables; and a condo in Miami Beach, according to Peter Zalewski, a principal of Condo Vultures. All three had mortgages of \$3.5 million to \$4 million.

Mortgage defaults began to surge in late 2006, mostly among borrowers with subprime mortgages, those for people with weak credit records or high ratios of debt to income.

Over the next few years defaults spread rapidly to better-heeled borrowers, especially those who got loans without documenting their income. At the end of 2009, nearly eight million households, or 15% of those with mortgages, were behind on mortgage payments or in the foreclosure process.

Wealthy people have the means to stretch out the distress process, sometimes for years.

"It's very, very difficult for these people to believe they've had such a severe reversal of fortune," says Maggie Navarro, a real-estate agent in Pasadena, Calif.

Marc Carpenter, a San Diego-based foreclosure specialist, adds that while it's much harder for potential buyers to get loans, there are also fewer buyers who can pay for top-dollar properties. "The upper end is definitely a lagging indicator," he says.

In his bankruptcy filing, Mr. Fuscone provided a list of his debts, including ones to the Greenwich Country Day School, American Express, Mercedes-Benz, a local hardware store, a pet store, and Richards of Greenwich, a fine-clothing store.

"My background is in the financial-services industry and I have been personally devastated by the financial crisis which came to a head in March 2008," Mr. Fuscone said in his bankruptcy declaration. "I have been sued by Patriot National Bank" as part of a foreclosure action. "I currently have no income for the 30-day period" following his bankruptcy petition.

C.W. Kelsey, owner of Greenwich Hardware, was among the local merchants owed money by Mr. Fuscone, though he wouldn't say how much.

"Traditionally, the majority of our credit problems were contractors," he said. "Now there are people you'd never expect two or three years ago to have problems, who live in multi million dollar homes."

—Nick Timiraos and Josh Barbanel contributed to this article.

[http://online.wsj.com/article/SB10001424052702304198004575172303998670976.html?mod=googlenews\\_ws](http://online.wsj.com/article/SB10001424052702304198004575172303998670976.html?mod=googlenews_ws)