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## The Latest Celebrity Foreclosures

Morgan Brennan, 03.04.11, 10:30 AM ET

The U.S. economy may be gaining momentum, but the same can't be said for the housing market. More than 2.9 million residential properties received foreclosure notices last year, and the 2011 figure is likely to rise another 20%, according to RealtyTrac, an Irvine, Calif.-based firm that tracks foreclosures.

Everyday Americans aren't the only ones losing homes. Many a celebrity has fallen into foreclosure lately too. Some have lost homes due to financial woes. Others have chosen to go the "strategic default" route, giving up the keys to a property to limit their losses, not because they can't afford the mortgage payments.

The famous folks losing their homes these days run the gamut from A-list actors and elite socialites to lower-profile reality show stars. We compiled a list of 13 rich-and-famous homeowners that are either currently going through the foreclosure process or have done so in the past year.

### In Pictures: 13 Celebrity Foreclosures

Some celebs are losing multiple homes. Retired hockey star Sergei Fedorov lost two homes in the Detroit suburb of Bloomfield Hills, Mich., in the past year. Grammy-winning songstress Toni Braxton lost her Las Vegas-area home in 2010; then in January US Bank filed a foreclosure suit on her Duluth, Ga., country club residence.

In the past two years former pro baseball player-turned-(failed) entrepreneur Lenny Dykstra has walked away from two Thousand Oaks, Calif., homes. One was a sprawling manse that he'd bought from hockey great Wayne Gretzky in 2007 for \$18.5 million. After Dykstra tried unsuccessfully to sell it, he abandoned the property early last year. By the time JPMorgan Chase and other creditors took possession in November, the estate was in disrepair, reportedly with raw sewage leaking from the piping. The cleaned-up property sold in January for \$10.5 million. Dykstra's other home is scheduled to be auctioned later this month.

Hakeem Seriki, hip hop artist and Grammy-winner known best as Chamillionaire, strategically defaulted on his Houston-area home last summer. "It wasn't a good business investment to keep paying that much mortgage on a house that I'm never at," he said. Seriki even [posted a YouTube video](#) explaining his decision.

Strategic defaults have become increasingly common with homes at all price levels. [YouWalkAway.com](#), a San Diego-based online site specializing in strategic defaults, boasts more than 5,000 clients choosing to walk away from homes that are "underwater"--those for which the mortgage debt owed is more than the property is currently worth. Jon Maddux, chief executive of [YouWalkAway.com](#), says a significant percentage of his clients fall under the high-net-worth, high-profile category.

"We have our share of celebrities and professional athletes with million-dollar-plus homes that can't fathom keeping this underwater home," he says Maddux. "They think it's a bad investment, and maybe their financial planner told them to call us."

When it comes to the rich and famous, home ownership tends to be a different kind of legal beast. Whereas most non-luxury homes are acquired with mortgages, many famous folk purchase property via trusts and so-called "straw buyers," according to Edward Weinhaus, chief operating officer of [Blockshopper.com](#), a real estate research site. Trusts can keep the whereabouts of stars' residences somewhat private. They can also complicate and drag out the foreclosure process, with many cases ultimately involving foreclosure lawsuits and property liens.

A smattering of Hollywood's who's who has been on the wrong end of these suits and liens. Actor Nicholas Cage handed the keys over to four posh pads in the year through last November, having owed millions of dollars in back taxes to the IRS. In September a construction company filed foreclosure liens against three of Mel Gibson's Malibu, Calif., properties, as well as his Church of the Holy Family, claiming the *Braveheart* star had neglected to pay for the company's work.

In other cases creditors are having a tough time collecting. Former NBA star Antoine Walker made a Chapter 7 personal bankruptcy filing, and his \$3 million Miami mansion has been on the block since 2009. Even so, creditors would have to get permission from a judge to foreclose, since Florida's homestead laws protect primary residences from liquidation, which has been the case with Walker. In Georgia, creditors last received permission from a bankruptcy court to file a foreclosure suit involving a home owned by singer Toni Braxton.

In most cases defaulting celebrities have tried to sell their homes the old-fashioned way. When the homes haven't sold, they've pulled the listings and just stopped making the loan payments. That was the case with former basketball great Julius "Dr. J" Erving. The homes of other celebs have ended up in pre-foreclosure proceedings, with the opportunity to arrange short-sales. (These are sales in which creditors accept less than the mortgage balance in a bid to avoid the hassle and cost of a full-blown foreclosure.) For former owners, they can also prevent the heartache of a demolished credit score.

Many banks want to avoid the hassle of repossessing high-end homes. These homes translate into hefty bills for the new owners--maintenance and property taxes alone tend to be exorbitant. And finding buyers for luxe properties in general usually takes more time, distressed listing or not.

Maddux says loans on luxury homes belonging to clients tend to sit much longer on the foreclosure list than smaller loans owned by Fannie Mae or the Federal Housing Administration.

Subprime mortgages may have started the onslaught of foreclosures in the past five years, but "jumbo" loans, which exceed conventional mortgage loan limits, and nontraditional multimillion-dollar loans of the rich and famous, are some of the loans moving in to take their place. The result is that homes of celebrities and other well-off individuals are making up an increasing percentage of the overall foreclosure tally, says Herb Blecher, senior vice president of [LPS Applied Analytics](#), a research firm that tracks foreclosure data.

*Additional reporting contributed by Michelle Cerone.*

**[In Pictures: 13 Celebrity Foreclosures](#)**