

The strange case of Washington's newest newspaper publisher

What do foreclosure notices and publishing community newspapers have to do with each other? Quite a bit, particularly for a publisher of three Washington papers.

By Floyd McKay

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Community newspapers, those familiar once- or twice-weekly papers that line family scrapbooks with tales of athletic glory, county-fair ribbons and Main Street parades, are as much a part of the region's history as courthouse statues and church steeples. A newspaper was often among the very first businesses in a new town.

In the past two decades these small publications have created online editions as a rearguard defense against the Internet, merged and sold to corporate publishers, and in a few cases closed their doors forever. Somehow, most survive and some even prosper, but it's always a sometime thing and good news can become bad news in a financial as well as journalistic sense.

That might be the case with Washington's newest publisher, attorney Stephen Routh, who runs the West's largest foreclosure-services business from offices in Bellevue. Routh also runs RIM Publications, through which he has purchased five small community papers, three in Washington.

He says he wants to add more newspapers to his collection, and that has gained the attention of regional publishers. Always wary of changes in their embattled ranks, they have perquisites to protect in the field of legal notices, a system dating to a time when newspapers were the dominant form of mass media. Routh makes no bones about his purpose in purchasing the small papers: to legally game a system that to him makes no sense in the Internet era.

For Routh, and for some small papers, the bad news of the housing crash and subsequent foreclosure boom has — financially — been good news. Routh is the go-to guy for lenders trying to unload foreclosures. His Northwest Trustee Services Inc. and associated firms created a vertically integrated model that processes foreclosures for lenders, providing legal and escrow services, process serving, property management, even auctioneers. In the last two years, Routh has begun closing the final link in the chain — the community newspapers that publish legally required notices of foreclosure.

Foreclosures are big business and Routh is the biggest operator in the region; his companies employ about 1,000 people, including 51 lawyers in seven western states; in his peak year (2009) he handled about 48,000 foreclosures. Every one had to be advertised in a newspaper of general circulation in the county where the foreclosure was taking place.

The price for these notices, long columns of dense property descriptions and legalese, could be as low as \$300 or as high as \$2,000 on a typical residential foreclosure, depending on the size of the newspaper and competition within the county. The requirement for publication is a boon for small papers in big counties. For instance, a small paper in Pierce County charges less for a foreclosure ad than the Tacoma daily, but it only delivers a few thousand readers, practically none of whom are looking for foreclosed property to buy. But the legal publication requirement is met.

"This is a waste of money and it doesn't make any sense," Routh told me in a telephone interview. "The huge majority of people get their news (about foreclosures) not from dry legal ads but from the Internet."

Forced to work with a system that he believes is obsolete, Routh in the last two years has purchased three small Washington papers in three large counties: the Eatonville Dispatch in Pierce County, the Capitol Hill Times in Seattle and the Monroe Monitor & Valley News in Snohomish County; total circulation: 17,950 in an area with 3.4 million people. RIM also has bought small papers in the Boise suburb of Kuna-Melba and on Maui, Hawaii.

Foreclosures notices for Northwest Trustee Services Inc. are already being printed in those papers, resulting in bulky special sections wrapped in with a small news section. Online, these

RIM newspapers may carry more than 100 foreclosure notices, vastly overshadowing their news coverage.

A veteran Washington publisher, who is well-informed on this phenomenon, observed, "When things (the foreclosure market) really started to heat up, Routh realized he could keep more of the money for posting the legals if he owned the paper in which they were printed. So he went shopping for one paper in each county. This way, his company could prepare the legals, get paid for that, and publish them too and get paid again."

Routh has also started the Washington Legal Journal and the Oregon Legal Journal, primarily to print foreclosure notices, although they carry some wire stories and an occasional local story. In Oregon, some editors believe Oregon Legal Journal fails the test of a paper of general circulation; the OLJ published a rebuttal to that charge. By publishing in both the law journals and the small papers, Routh is covering all his bases in terms of legal requirements.

While Routh is an outsider representing a field that seldom enjoys public esteem, he seems to be simply adapting to a law that may no longer make sense. Buyers of foreclosed homes include some ordinary families hoping to afford a home, but more buyers are professionals who earn their income by flipping houses or serving as middlemen. Neither set of buyers is likely to thumb through pages of mind-numbing legal notices looking for a description that fits their needs. Sooner or later, they will find their way to Routh's web site or another like it that is organized to help them navigate the verbiage.

In the West, the biggest site is USA-Foreclosure.com, which Routh owns. The web site currently lists 27,228 properties for sale in 10 states, primarily in the West. California has 10,219 of those foreclosures; among Northwest states Oregon has 5,854; Washington 3,836; and Idaho 1,740. Not all foreclosures, of course, are posted online. USA-Foreclosure describes itself as, "the nation's largest non-subscription based Web site publicizing property scheduled for foreclosure auction."

The requirement for printed legal notices was based on the idea that there should be some way for the public to learn about properties up for auction; this would counter "insider deals" emanating from courthouse or financial politics. Public agencies have also long been required to advertise governmental bids, requests for proposals, and many civil actions, in a newspaper

within their county. These "legals" have long been a steady and reliable source of revenue for small weekly papers.

In the past two decades, the Internet has revolutionized journalism and very little remains the same. The business was changing rapidly by 1999 when James Bush described an "odyssey through the backstreets of Seattle journalism" for Seattle Weekly, chronicling some papers that are now long gone or at least under new ownership.

Washington's independent community press grew more corporate when the Canadian press mogul, David Black, brought Sound Publishing to the region and in the last two decades swallowed up most of the small papers in the islands and shorelines around Puget Sound. Some of his 46 Washington papers are better than their predecessors and some are not, but all are operated as journalistic endeavors and hew to standards of the trade. As Sound has expanded, adding four newspapers in the past three months, family-owned papers are becoming rare and any RIM expansion would cut further into their ranks.

Scott Wilson's Port Townsend Leader is traditionally a leader among independent community newspapers; Wilson has concerns about the RIM model. "If they are taking a good community newspaper and their primary purpose is to distribute legals, the risk is that the business of a newspaper is in danger," Wilson told Crosscut. The criteria for Wilson and other quality publishers is the journalistic quality of their papers: editorial independence, resources for the newsroom, and community connections and service.

Routh expresses sensitivity to the concerns. Although he will centralize business operations, he pledges no interference in news operations. RIM is seeking an editor-in-chief to oversee the news side of the five community papers. Routh's employees have health insurance (some did not under previous ownership), a 401-K program, and new computers.

It is much too soon to assess any impact on the journalistic quality of the four papers Routh has recently purchased; they are still completing the transition to the new ownership. The Eatonville Dispatch, however, was acquired in 2009 and some comparisons can be made. Michael Jeffries, who sold to RIM, stayed for a year, but then retired and RIM named Pat Jenkins as editor. Since then, in the opinion of longtime Eatonville resident and former editor of the Dispatch Dixie

Walker, news coverage has gone downhill. Jenkins fired his only reporter and has not replaced him, and coverage of local government has deteriorated, she says. Walker told me that residents encouraged her to start an online news service, Eatonvillenews.net, which she calls her public service to the community. A cursory look at Walker's Web site shows that it compares favorably with at least the online version of the Dispatch.

"They don't tell us anything; they don't care, it's not where their bread and butter is," Walker said of the Dispatch. Jenkins lives in Puyallup, she said, and often does not attend city council meetings in Eatonville. Jenkins did not return a call for comment. The Dispatch folds over 100 foreclosure notices into a weekly news section of about six pages. It claims circulation of 8,950.

In Monroe, the transition means the exit of the Robinson family, longtime publisher of community newspapers in the Seattle area; the Robinsons continue to own and operate papers in Ballard, West Seattle, Highline-Des Moines, and Federal Way. The Capitol Hill Times was owned by Pacific Publishing, which continues to publish several newspapers in the Seattle area; as of Monday (Jan. 30), all Pacific papers were still running legals from Northwest Trustee Services.

Routh's seemingly single-minded focus worries longtime community journalists; what happens, they ask, when the housing market returns and foreclosures decline? Most believe that the small RIM papers will be sold or simply closed when their need is gone. "I question the wisdom of a long-term business plan that depends on something as cyclical as the foreclosures market," observes Bill Will, executive director of Washington Newspaper Publishers Association.

Surprisingly, perhaps, Routh told me he could be in newspapers for the long haul. He expects "three years, maybe beyond" of heavy foreclosure activity. The economy "is not working so well," and the value of under-water home mortgages "makes the national debt look trivial." So, those pages of foreclosure ads are not going away any time soon.

When the housing market recovers, Routh says, his law firms and companies have the expertise to handle all aspects of the real estate market — and he may remain in the news business. "There are opportunities in community papers. I've always liked newspapers; a good snappy word seems to snap better on a page." But he will push his papers to have a stronger Web presence. He's still

in the market for more small papers in the region, probably in other counties with a large foreclosure activity, but he claims he has no specific targets in mind.

Whether Routh is committed to newspapers in the long run won't be known for some time, but he may be expected to be active in any effort to change the laws of both Washington and Oregon to reform the "nonsensical" system now in effect. He was involved in the Alaska Legislature's reform of publication laws in 2009 and would like to see some form of that law in this area. Alaska now requires legal publication in newspapers and on the Internet, specifying that access be free of charge.

"People today go to the Web for this information. It should be mandated," Routh believes. "Everyone wins when more people show up (to bid on a foreclosure)."

The Alaska law requires publication of foreclosure notices in both a newspaper and on the Internet. Newspapers can qualify for both print and online requirements if they allow free access to the notices. A Web site that is not a newspaper can qualify only through a narrow description that appears to match that of USA-Foreclosure.

Many foreclosure processors use the Alaska Journal of Commerce for both print and online distribution of foreclosure notices, according to Anchorage attorney Rob Schmidt, who had objected to the original bill proposed by Routh but is supportive of the final product. "In my opinion, the Alaska statute, as passed, benefits all parties who are involved in an unpleasant situation," Schmidt said in an email.

Something similar to the Alaska system may be helpful to both those processing foreclosures and those looking to buy foreclosed property. It won't do much for small community papers that have been getting a share of the publication money, particularly if Routh's legal journals qualify as newspapers of general interest. For now, an increasing number of the lucrative foreclosure ads are part of an intricate business network that has done well during the housing crash.

(Update: A measure very similar to the Alaskan publication law was introduced Jan. 26 in the Washington state Senate but pulled back on Tuesday, Jan. 31, from a hearing scheduled the next

day. SB 6514 would have required publication of all residential foreclosure notices on the Internet, and narrowly described a qualifying web site in a manner similar to the Alaska law.)

Although the machinations of legal advertising may not seem to affect readers of community newspapers, any time the whole topic is opened up in the Legislature, there is worry in the offices of weekly publishers. They have had to beat back efforts by local governments in recent years to allow the agencies to place legal notices on their Web sites and bypass the local papers entirely. For some small papers, that is seen as a mortal threat; the legal advertisements, both for public business and for foreclosures, are a lifeline in hard times.

As people increase their dependence on the Internet as an information source, the traditional practice of printing legal notices and foreclosures in small newspapers in effect forces legislators to choose between a pair of worthwhile goals: saving taxpayer money for legal notices; or the survival of small papers that have been part of the fabric of community life for generations. Foreclosure notices, at least in the present climate, are a part of those discussions.

Floyd J. McKay, professor of journalism emeritus at Western Washington University, is a longtime Northwest journalist who covered Oregon politics for two decades. He lives in Bellingham and can be reached at floydmckay@comcast.net.