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# COUNTY FORECLOSURES SINK TO LOWEST LEVEL IN 5 YEARS

**Default notices hold steady; advent of housing recovery foreseen**

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Foreclosures in San Diego County are at their lowest levels in more than five years, while default notices have held steady, show the latest DataQuick numbers released Tuesday.

In May, 426 homes were foreclosed upon, down 51 percent from a year ago and down 19 percent from the previous month. Last month's count is the lowest since February 2007, when there were 383 foreclosures in the county. Foreclosures peaked at 2,004 in July 2008.

The number of default notices, which signal the first step in the formal foreclosure process, fell 1 percent from a year ago to 1,340 last month but rose 1 percent from April. This leading indicator of housing distress reached its highest point of 3,832 in March 2009, roughly the start of the robo-signing crisis, when major lenders approved loan documents without proper review.

The county's foreclosure and mortgage default levels tend to rise and fall in varying degrees month-to-month and year-over-year.

With home prices and sales up, and Tuesday's news of declining foreclosures, could all this signal the advent of a housing recovery for the county?

Mark Goldman, a real estate professor at San Diego State, thinks so. Companies in the county added almost triple the number of jobs from April to May, home sales and prices are on the rise and the effects of the recession are farther away.

"The market has stabilized as the people who experienced financial trauma have had (the trauma) resolved," Goldman said. Borrowers with adjustable-rate loans that have recently adjusted are now in less peril because interest rates are at historic lows, which has contributed to a reduction of foreclosures and mortgage defaults, he added.

Here are some other factors to consider:

• Short sales are up. About one in five of total homes resold in the San Diego market in May was a short sale. That's up from 18.4 percent a year ago, according to DataQuick figures. Short sales are transactions in which borrowers owe more on their mortgages than their homes are worth but the lender agrees to a discounted payoff. Short sales are favorable for sellers because they're less of a credit hit compared to foreclosures.

• Banks also prefer short sales over foreclosures because their losses are reduced and there are fewer properties for them to manage.

• Banks are obligated to do more short sales, as a result of a nationwide mortgage settlement reached between 49 states and major banks in February. More than $12 billion was guaranteed to reduce the principal on loans or offer short sales to approximately 250,000 California homeowners who are underwater on their loans and behind or almost behind in payments.

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