Foreclosure activity starts to stabilize in San Diego

By SAMANTHA HENRY
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Foreclosure activity in San Diego County may be reaching equilibrium, according to local experts.

"It's kind of stabilized. And so has the real estate market in general, and so has the employment market," said Mark Goldman, real estate professor at San Diego State University. "We're getting to equilibrium as the egg moves through the snake."

Trustee deeds — the final step in the foreclosure process that transfers ownership from the delinquent borrower back to the lender or to a third party — were filed in May on 545 properties, 4.72 percent less than in April and 51.6 percent less than May 2011, according to the San Diego County Assessor's Office.

Notices of default (NOD) — which initiate the foreclosure process by registering that a borrower is in arrears of payment — rose 5.1 percent from April to May, and fell 8.6 percent from May 2011 to May 2012.

Lenders issued NODs to 1,505 borrowers in May, up from 1,432 in April and down from 1,647 in May 2011.

Alan Gin, professor of economics at the University of San Diego, agreed that foreclosures have stabilized.

"I wouldn't put a lot of emphasis on the month-to-month changes," said Gin, who added that a 5 percent change either way is not significant. "The big number is how it compared to last year. That's a positive sign in the sense that we're probably past the worst in terms of going into the inventory of those in distress."

Gin said improvements are the result of the economy getting a little bit better with unemployment rates coming down and job growth, which has helped those who may have fallen out of the foreclosure process. Early on, he said the

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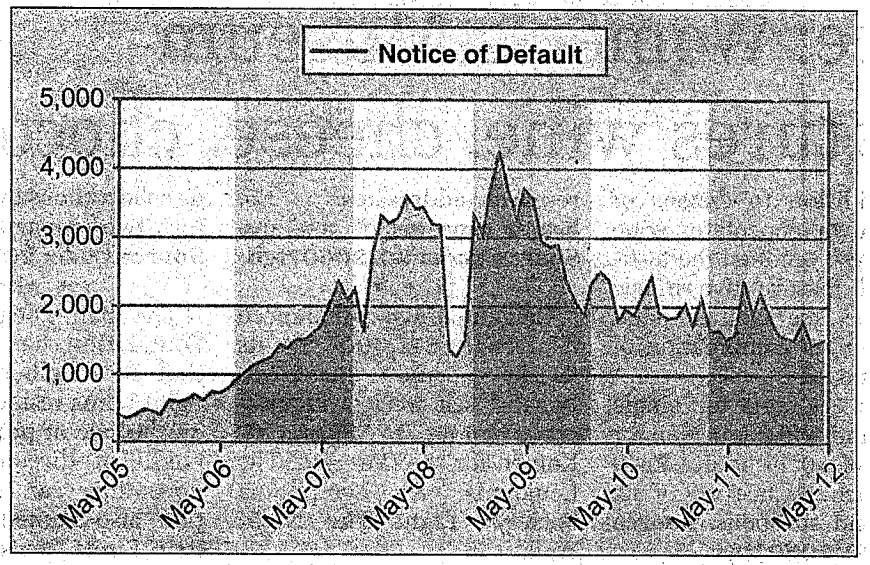

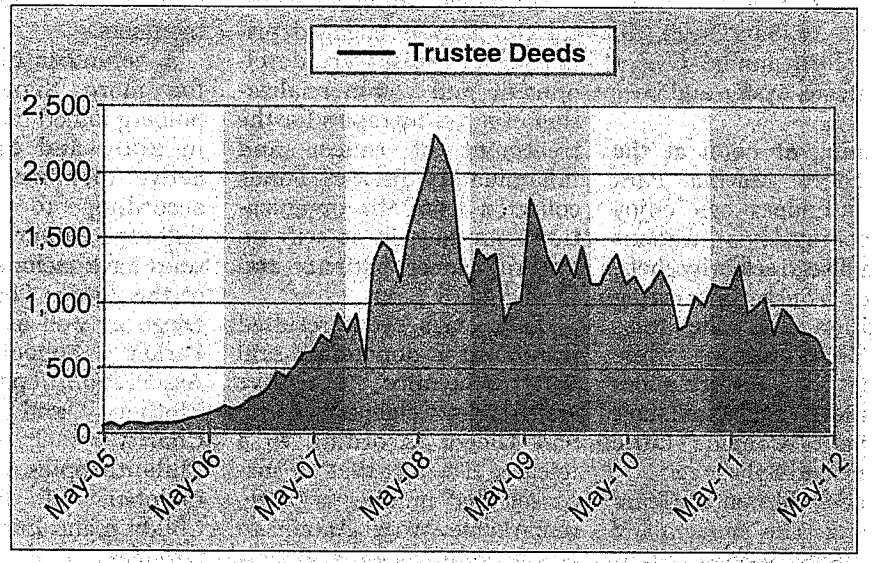

Foreclosure

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numbers were inflated due to the "least credit-worthy borrowers" who, when the market collapsed, were the ones in the foreclosure process and have worked their way through it.

"The early numbers were unusually high because of the bad loans out there — call it the 'low hanging fruit.' They were most likely to go into default. Those are gone, so I expected those [numbers] to go down," Gin said.

Goldman agreed and said that most distressed homeowners have "already cycled through" the system.

"I expect the numbers to stay where they are. They're reaching a more normal level for NODs," said Goldman, who said NODs are a better indicator for how mortgages are faring than trustee deeds. "Foreclosures ebb and flow with litigation ... which can have sudden impacts on the number of trustee sales."

While the numbers move up and down every month, Goldman said they're reaching equilibrium.

"The market is starting to stabilize even though values haven't recovered," Goldman said. "I don't expect a sudden increase or surge. I expect the numbers to continue to slowly decrease."

Home prices continued to fall in April in the San Diego-Carlsbad-San Marcos metro area. Prices — including distressed sales — fell by 2 percent in April 2012 compared to April 2011 and declined by 3.5 percent in March 2012 compared to March 2011, according to the April Home Price Index (HPI) report by **CoreLogic** (NYSE: CLGX).

The San Diego-Carlsbad-San Marcos area accounted for 8,840 completed foreclosures over the year ending in April, or one in every 52 mortgaged homes, according to CoreLogic's National Foreclosure Report for April.

About 2.1 percent of all homes with a mortgage were in San Diego's foreclosure inventory as of April 2012, down 0.2 percent from one year ago.

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