



County foreclosure filings decrease in September

By **SAMANTHA HENRY**, The Daily Transcript
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Underwater borrowers are choosing to stick with their properties instead of walking away, causing the county's notices of default and trustee deeds to decrease, according to local experts.

"I think we're seeing a good trend of individuals deciding to stick with their properties, underwater or not," said Joe Bertocchini, director of residential real estate at the University of San Diego Burnham-Moores Center for Real Estate. "Whereas, individuals considering walking away made the decision and already flushed through the system, through a short sale or trustee sale."

Trustee deeds — the final step in the foreclosure process, transferring ownership from the delinquent borrower back to the lender or to a third party — were filed on 548 properties in September, 9.9 percent lower than in August and 46.8 percent less than September 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 — fell 8.7 percent from August to September, and 34.2 percent from September 2011 to September 2012.

Lenders issued NODs to 1,239 borrowers in September, down from 1,357 in August and 1,883 in September 2011.

The shadow inventory of underwater borrowers expected to hit the market hasn't been as substantial as expected by Michael Lea, director of The Corky McMillin Center for Real Estate at San Diego State University.

"There's still a significant shadow inventory out there. It doesn't seem to be coming in and hitting the market like I thought it would," said Lea. "I expect that there's going to be an ongoing stream of defaults and foreclosures. There isn't going to be a tidal wave, but a steady current."

Nationwide, residential shadow inventory as of July 2012 fell to 2.3 million units, a six-month supply, according to **CoreLogic** (NYSE: CLGX). This was a 10.2 percent drop from July 2011, when shadow inventory stood at 2.6 million units, which is about the same level as March 2009. As of July 2012, Florida, California, Illinois, New York and New Jersey comprised 45 percent of all distressed properties in the country.

Bertocchini said he expects NODs and trustee deeds to continue to decline, but it will be "quite a while" before they go back to "normal" levels.

The declining number of NODs may be a result of modest income and job growth in the area, Lea said. The decrease in trustee deeds shows that the inventory of foreclosures is being cleared out and people are either able to complete a short sale or clear their mortgages, he said.

"We're not seeing the foreclosure rates come back up. We're not seeing consistently high levels of distressed sales," Lea said. "The ongoing reduction in trustee deeds suggests that even though the inventory is sitting out there, it may not hit the markets as distressed."

The impact of these falling numbers hits investors as they have to compete for a smaller inventory of homes, said Bertocchini. There is "incredible demand," he said, and with the lack of supply, home prices are starting to pick up a little bit.

Strategic defaults have been less common and Lea said he doesn't expect to see people walking away from their homes because they are underwater.

"One, people are starting to see an inflection point: Prices are not declining. They're consistently rising by small amounts. People may think, 'this may not be so bad after all,'" Lea said. "Two, the transactions costs associated with it are significant. It hits their credit record and they will have to move eventually. That may be a sufficient deterrent."

Bertocchini said he watches notices of default as a leading indicator, and also follows the months of inventory and the time on the market, which leads to more demand.