



## Improving economy, home prices bring down foreclosure filings

By **SAMANTHA HENRY**, The Daily Transcript  
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The county's notices of default and trustee deeds increased in April from March, but the year-over-year downward trend continues.

"I wouldn't put much emphasis on the month-to-month change; I put more emphasis on the year-to-year change," said Norm Miller, real estate professor at the University of San Diego with the Burnham-Moores Center for Real Estate.

"With the economy getting better, there are lower and lower default rates. It's still going to take a while. These are still high numbers on a historical basis, but they're better than a few years ago. Things are doing fine."

- [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 572 properties in April, 10.6 percent more than in March and 38.1 percent less than April 2012, according to the San Diego County Assessor's Office.

- [Notices of default](#) (NOD) — which initiate the foreclosure process by registering that a borrower is behind in payments — increased 16.3 percent from March to April, and fell 45.7 percent from April 2012 to April 2013.

Lenders issued NODs to 778 borrowers in April, up from 669 in March and down from 1,432 in April 2012.

As home prices go up and homeowners start to get back into positive equity, Miller said they start to consider refinancing as a way to escape foreclosure. The homeowners who are receiving NODs likely either lost a job and have no choice but to default or have so much negative equity they consider it irrational to pay mortgages, he said.

Michael Lea, director of the Corky McMillin Center for Real Estate at San Diego State University, said the decline from the previous year reflects a modestly improving economy, rising home prices and the Homeowner Bill of Rights.

"The Homeowner Bill of Rights makes it more difficult and time-consuming to foreclose, reducing the numbers or delaying the process," Lea said in an email. "I expect the economy to continue with modest improvement and house prices to rise, reducing defaults and foreclosures. The economy, house prices and negative equity are the main drivers of mortgage distress."

Miller also expects these numbers to trend down year to year, and should be in some kind of equilibrium within two years.

"The only reason we aren't now is because of the time it takes to foreclose on some of the homes out there," Miller said. "The legislation in California was aimed at putting more burden on lenders and forcing stronger consumer rights."

"What's happened here is there is really no lender bill of rights. If someone abandons a home, instead of accelerating the foreclosure like we should ... the lenders still have to go through normal default and foreclosure proceedings."

Miller said most of the legislation has forced more counseling and helped with loan modifications, but he believes most of the loan modifications that could have been done have been.

"At this point we're seeing people that have not been able to modify for one reason or another and some of them basically have stretched out the foreclosure period as long as possible. It takes a long time to foreclose. They're able to live rent-free and mortgage-free and take-free for two to three years," Miller said.

"Eventually we will get them out of the system. We have to finish the inventory the lenders have on the books — the defaulted-but-not-foreclosed and evicted."

He expects that to take at least another year. Miller said San Diego will likely see more of the same trend and more good news in general.

"We always have to watch for what happens with the major economic base — tourism, military and biotech," Miller said. "Everybody was pretty nervous during sequestration. They didn't know how much it would impact."

"Right now, the only thing I expect is more of the same for the next year. Interest rates are low; the economy will continue to improve. The big concern is if one to two years from now interest rates go up.

"If there's inventory left over in the foreclosure pipeline, they won't be able to escape based on home price increases or refinancing because it will be simply too expensive," Miller said. "This is a rare time with low interest rates — the risk on the horizon is interest rate increases, but I don't see it happening within the next year."