Inland default activity declines

REPORT: Banks are trying to control foreclosures to limit their mortgage losses and to try to prop up home prices.

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By LESLIE BERKMAN
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Real estate experts predict a bump-up in foreclosure activity when banks move against more homeowners who fail to qualify for loan modifications, but there's no sign of an increase so far.

A midyear report for 2010 foreclosure-related filings, released today, showed foreclosure activity in Riverside and San Bernardino counties fell 23 percent from a year earlier and 18 percent from the second half of 2009.

In June there were 4,515 notices of default, which was 48 percent fewer than a year earlier and the seventh consecutive month of year-over-year declines. The number of notices of bank repossession, the final step in the foreclosure process, fell 45 percent in a year to 2,490.

Statewide, the Riverside-San Bernardino-Ontario region ranked fifth in foreclosure-related filings -- including notices of default, foreclosure auctions and bank repossessions -- with 63,717 filings, one for every 23 homes.

The statistics reported by RealtyTrac, an online marketer of foreclosure properties based in Irvine, were interpreted by Brad Kemp, director of regional research for Beacon Economics as evidence that although mortgage delinquencies continue to be high, banks are taking extraordinary precautions to control foreclosures both to limit their reportable mortgage losses and to try to prop up home prices.

"They (the banks) don't want to show any weakness to the **FDIC** (**Federal Deposit Insurance Corporation**) or to the general public," Kemp said.

RealtyTrac spokesman Daren Blomquist said RealtyTrac officials doubt the downward trend in foreclosure activity will continue in the second half of the year. He said foreclosure prevention efforts to date have had a high failure rate. "It delays a lot of the foreclosures rather than preventing them altogether," he said.

Pete Nyiri, owner of Top Producers Realty & REO, a Corona brokerage that markets bank owned homes, said he believes many homeowners who seek short sales may be denied because **Fannie Mae**, **Freddie Mac** and **Bank of America**, which together control the majority of mortgages, have said they will require proof that applicants cannot afford their existing mortgages and have financial hardship. The fallout of homes that do not qualify for short sales will be repossessed and sold.

Meanwhile Nyiri said every month he is receiving fewer bank repossessed homes.

Sean O'Toole, founder and chief executive of ForeclosureRadar, a foreclosure information service, said he has long believed that banks are determined to have foreclosed properties enter the market in a "trickle" rather than a flood. "Constraining supply is one thing that can help the housing market short-term," he said.

Banks may decide it is important to continue delaying foreclosures following the end of the federal tax incentive for home buyers, which has prompted a slump in buyer demand, O'Toole said. Otherwise home prices could suffer.

"I think everybody realizes if prices begin to stall significantly again you wind up with more folks under water and more foreclosures," he said.