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San Diego County foreclosures soar 66 percent

June data seen as setback; coastal defaults keep rising

By [Emmet Pierce](#)
Union-Tribune Staff Writer

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- [Second quarter Foreclosure data \(PDF\)](#)
- [Second quarter Notice of Default data \(PDF\)](#)

Hopes that a recent rise in San Diego County home prices would signal an end to the housing slump were tempered yesterday when MDA DataQuick reported that foreclosures in June surged nearly 66 percent over the previous month.

The report also found that the rate of foreclosure continues to rise in higher-priced coastal areas, such as Point Loma, Coronado and Solana Beach. The bulk of foreclosures, however, continue to be concentrated in inland, entry-level areas, such as Encanto, Chula Vista, Otay Ranch, Spring Valley and North Oceanside.

DataQuick reported 1,630 countywide foreclosures for June, compared with 985 in May. It was the single greatest monthly increase since December 2007. However, the June count was down by 11 percent from a year ago.

For the second quarter of 2009, there were 3,518 foreclosures in the county, a 14 percent rise over the previous quarter but a 27 percent decline from the second quarter of 2008.

DataQuick tallied 3,436 June notices of default, which begin the foreclosure process. It marked a 12 percent increase over May and an 11 percent increase over June 2008.

For the second quarter there were 9,866 notices of default, compared with 10,111 in the previous quarter, a 2.4 percent decline. There was a 3.6 percent increase for the second quarter over the same period last year.

With default levels continuing to fluctuate monthly, it's too soon to talk about a recovery, said San Diego real estate economist Gary London. There could be another wave of bad loans, he said. "I don't think we are by any stretch out of the woods."

San Diego County's median home price rose for the third consecutive month in June, hitting \$314,250, the highest figure since October, and raising hopes that the region's slumping housing market might be on the mend.

Mark Goldman, a mortgage broker and San Diego State University real estate lecturer, said the foreclosure trend is likely to depress prices, as more homes come onto the market in expensive areas.

"More distressed, must-sell supply will have a softening impact on home prices," Goldman said.

Economist Christopher Thornberg of Beacon Economics in Los Angeles said California homeowners will face more trials before the prolonged housing market downturn ends.

"There are a half-million people who will lose their homes in California when all is said and done," Thornberg said. "It's a question of 'when,' not 'if.'"

Thornberg said frequent dips and peaks in foreclosure rates have been caused by ebbs and flows in efforts by lenders to pursue foreclosures.

Under pressure from Congress and the Obama administration, many banks imposed voluntary foreclosure moratoriums in the fall. Some are now resuming evictions while others continue to delay, hoping that the economy will improve and they won't have to go through the expensive process of eviction and resale.

Beth Mills, spokeswoman for the California Bankers Association, said that banks are finding that loan modifications to keep delinquent lenders in their homes often aren't practical.

"Unfortunately, you have some instances where folks have lost jobs," Mills said. "In some instances, foreclosure is the only option. With moratoriums, it's basically a waiting game and you are delaying the inevitable for some folks."

As DataQuick noted in its May report, foreclosures have begun reaching into high-end coastal areas. Even so, there is little likelihood that the homeowners there will see the same level of loan failures that entry-level inland areas have experienced, said DataQuick analyst Andrew LePage.

When ranked by notices of default per 1,000 homes, most coastal areas remain low on the list of affected communities.

"The distress continues to climb into the higher rungs of the price ladder, but the concentrations are nowhere near as high as we have seen inland," LePage said.

Some real estate professionals say an increase in foreclosures would be welcomed by many buyers, because it would increase the inventory of available homes and end the bidding wars that have locked many moderate-income households out of the market.

San Diego real estate broker Greg Wickstrand said all of the efforts by the government to prevent foreclosures ultimately are harming the housing industry. To regain economic health, the real estate market

needs to purge itself of thousands of failing loans, Wickstrand said.

As banks resume foreclosures, many distressed homeowners are thinking of throwing in the towel, said Dave McDonald, government affairs chairman for the San Diego County chapter of the California Association of Mortgage Brokers. If their house has dropped significantly in value since they bought it, and they owe more than their house is worth, many see no point in throwing good money after bad.

Statewide, DataQuick reported yesterday that lenders sent out 124,562 default notices during the second quarter, a drop of 8 percent from the prior quarter's record 135,431 default notices, and up 2.4 percent from 121,673 in second quarter 2008.

California foreclosures totaled 45,667 during the second quarter, up nearly 5 percent from 43,620 for the prior quarter, and down 28 percent from 63,316 for second-quarter 2008.

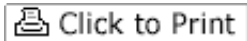
Nationally, the RealtyTrac research firm reported foreclosure filings — default notices, auction-sale notices and bank repossessions — on 336,173 properties in June. Filings were reported on 889,829 properties in the second quarter — an increase of nearly 11 percent from the previous quarter and a 20 percent increase from the second quarter of 2008.

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[Emmet Pierce](#): (619) 293-1372;

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