More Metro news
BOOKMARK

Home loans failing at record rates; foreclosures up 257% over Jan. '07

SAVE THIS EMAIL THIS PRINT THIS MOST POPULAR

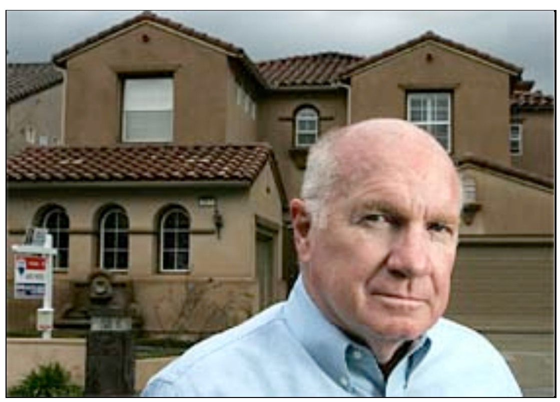
By Emmet Pierce
UNION-TRIBUNE STAFF WRITER

February 16, 2008

Home loan failures in San Diego County continued their steady climb in January, setting records for both foreclosures and the notices of default that are the first step in reclaiming mortgaged properties.

- Q&A: How could things go so bad and so quickly?

The number of foreclosures in the county was 1,305, up 32 percent from December and up nearly 257 percent from January 2007. Notices of default totaled 3,109, up 21 percent from December and up 145 percent from the previous year.



EDUARDO CONTRERAS / Union-Tribune
Real estate agent Dave Pierce says he misjudged the market and is in default on his Torrey Highlands home. "I know about a dozen people who are losing their houses," he said.

The DataQuick Information Systems report yesterday also showed a narrowing gap between foreclosures and home sales. It reported 1,826 sales of new and resale homes in the county last month, compared with the 1,305 foreclosures. In contrast, there were 2,772 home sales and 366 foreclosures in January 2007.

"When sales are this low, foreclosures have a much bigger impact," DataQuick analyst Andrew LePage said. "I don't know if we've ever been in a position like this."

Steven Cochrane, a senior

Just Fix It
Services
Weather
Traffic
Surf Report
Archives
E-mail Newsletters
Wireless | RSS
Noticias en Enlace
Internet Access

economist for Moody's Economy.com, said the increase in foreclosures was "pretty phenomenal."

[Graphic: Home sales in San Diego County](#)

"That means home prices are going to stay weak for some time" in neighborhoods with high default rates, Cochrane said. "The downward pressure on prices could permeate the whole market if buyers have a perception that prices should fall."

As San Diego County homes doubled in price during the first half of the decade, many consumers took out risky adjustable-rate loans in order to buy homes. Many analysts blame weak lender underwriting standards for the mortgage meltdown.

"As depreciation deepens in some areas and creeps into others, more and more people who fall on hard times are falling behind on their mortgage payments," LePage said. "Often they just can't sell their homes for enough, or fast enough, to avoid defaulting."

Online: To see last month's default notices by neighborhood, go to **uniontrib.com/more/ january_foreclosures**

Sunday in the Union-Tribune: A city-county task force considers land banks as a way to keep foreclosed properties locally owned.

DataQuick estimated that about 59 percent of the people receiving

notices of default statewide are moving into foreclosure.

Marc Carpenter, a San Diego real estate agent who specializes in defaults, says sometimes it's better for consumers to go into foreclosure than to keep sinking into debt.

"A lot of people are starting to look at it like a business decision," he said. Most distressed homeowners are "your normal, hard-working families. They got caught up in the frenzy of the market and kept expecting it to appreciate."

One of those people is Dave Pierce, a veteran real estate agent who recently went into default on a five-bedroom, 3,864-square-foot Torrey Highlands home, which he bought for about $1 million 3½ years ago.

Despite his 30 years in the real estate business, Pierce says he misjudged the market, getting in over his head with financing much like thousands of other San Diegans. He can't refinance his loan because his home is now worth far less than he paid for it.

Pierce, who has Parkinson's disease, lives with two adult children, who had been helping him with his $6,000 monthly mortgage payments. He is seeking permission from his lender to do a short sale, selling the home for $790,000 and repaying less than the full amount of his loan.

"I know about a dozen people who are losing their houses," Pierce said. "All are in real estate. This business is really hurting."

The median price of all homes in the county last month was $429,000, compared with $472,000 a year earlier. The median represents the midpoint of all prices, with half above and half below that amount.

In 2007, the county's notices of default increased 128 percent, to 20,138, over the previous year, while foreclosures rose 353 percent, to 7,349.

Some parts of the county are feeling the impact of foreclosure more heavily than others.

"San Diego County's foreclosure problem is still highly concentrated in South County, East County and, to a somewhat lesser extent, inland North County," said LePage, the DataQuick analyst.

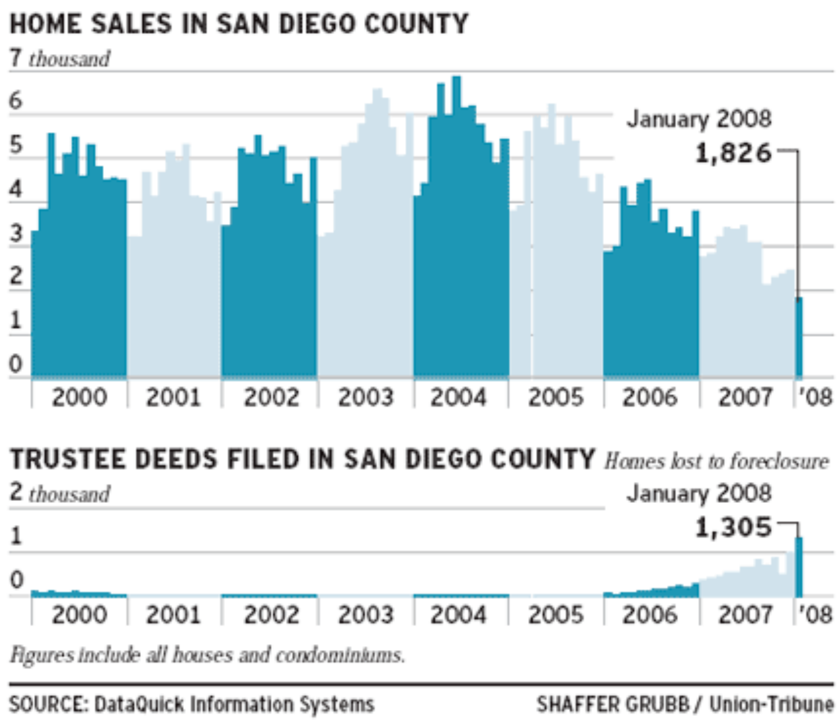
"Our data don't show much of a problem along the coast until you get to north Oceanside, which stands out among coastal communities because of its relatively high concentration of foreclosure activity.

"South County and East County combined have about 25 percent of the county's houses and condos, but they had almost 40 percent of the actual foreclosures in January," LePage added.

Not everyone is suffering from mounting foreclosures, however. At least three local firms have begun conducting bus tours of foreclosed houses and condos.

And in Carlsbad, entrepreneurs Jon Maddux and Chad Ruyle have started You Walk Away, a business that helps people who can't pay their mortgages navigate through the foreclosure process for a fee of $995.

People from across the country have contacted the company's Web site, youwalkaway.com, since it was launched in January, Maddux said. "The majority of people are from California, Florida, New York and Michigan."



62 total comments

Page 5 of 5 first < 1 2 3 4 5

Reader comments

Comments containing threats, ethnic slurs, foul language or thinly disguised foul language will be deleted. Posters who harass others or joke about personal tragedies will be banned permanently from this service. Keep it civil, stay on topic and your posts will remain online. Terms of Use

Log in to add a comment. (cookies required)

Click here to hide all reader comments (cookies required)

By kiteboarder on 02/16/2008 at 9:46 a.m.

sdfan - buy when it makes sense to you and something w/in your budget that you can afford. Ask yourself, would you be okay if prices come down after you buy, knowing this is a long term purchase and eventually the price may come up. I don't believe we are near bottom. Every indicator says we have a ways to go. Remember, people don't HAVE to buy, but sometimes people HAVE to sell.

Report Abuse

By NBeener on 02/16/2008 at 9:46 a.m.

"AT what point does the money you spend on rent become money wasted if you can afford a mortgage payment? "

It's math. Not the simplest math, but math. You basically need to know how much of your mtg you can deduct, year by year (amortization tables), and your projected income (creates your tax bracket scheme during those years), plus (wait for it), the equity appreciation of your home DURING that time.

The last is the toughest, but you can easily create scenarios that let you know that ... if values rise by X, and your income is Y, then you care better off buying than renting as long as your mortgage payment (PITI) is <= $Z/mo.

Any accountant can run the $'s. There are probably free websites that will, too.

Report Abuse

By INSD on 02/16/2008 at 9:46 a.m.

Nationwide, all mortgage loans, 7 percent are in default, that was reported last week, that includes prime, sub-prime, fixed and variable rate mortgages. Figure SD to be over that percentage. We are looking at a market meltdown of biblical proportions.

Cash is king.

Report Abuse

By NBeener on 02/16/2008 at 9:47 a.m.

"because I know who you are NB, and you a nut job enviro whacko."

As always, feel free to say what you like, but there is NOTHING in my posts, my politics, or my life that would put me anywhere NEAR that.

Maybe you don't know me, after all.

I mean ... you seem to be wrong an /awful/ lot.

Report Abuse

By SDtreehuggin commie on 02/16/2008 at 9:48 a.m.

The best time to buy is when you find a place that you like, you can afford and it is in a location that you like. Since that shuts out a majority of people in SD then those people should have just accepted that home ownership is not in the cards for them. That simple. But noooo they let themselves get duped into that adjustible rate starting at 1% assuming the bubble would never burst. I'm getting ed off the more I'm thinking of it as I typle this down. Again no sympathy.

Report Abuse

By NBeener on 02/16/2008 at 9:49 a.m.

"Cash is king."

Amen.

Report Abuse

By hotblazer on 02/16/2008 at 9:49 a.m.

Kiteboarder - You automatically ASSUMED that EVERYONE LIED on there loan apps. Goes to show just how rediculous your arguments are. The Fed, under leadership from Greenspan, fully encouraged the buying public to take out ARMs. That is a FACT and TRUTH. Now the house of cards is falling. Prices are plunging so those who took out LEGITIMATE adjustable rate mortgages now are in the negative and can't refinance. Oh yes, it's all their fault because they know how to manipulate the housing industry. Riiiggghhht......

Report Abuse

By sdfan760 on 02/16/2008 at 9:50 a.m.

mrx

nice tool, lots of unknowns with home appreciation/rent value appreciation

Report Abuse

By NBeener on 02/16/2008 at 9:54 a.m.

There's another argument missing in all of this -- one that "BStrong" raised frequently, and with which I totally agree:

One HUGE thing we do NOT teach in the school systems is money -- ANYTHING about money.

There shouldn't be ANY opposition, on EITHER side, to including basics about money -- not necessarily econ, but budgeting, saving, investing (again: not derivatives or hedge funds), but pure basics.

I KNOW we have enough trouble teaching RRR, but ... that doesn't mean we couldn't teach SOME fundamentals that MIGHT help those LEAST able to evaluate these decisions for themselves have a better idea what they're doing.

Nobody ever blames a mechanically ignorant customer for the mechanic's lousy ethics or dishonesty. Why so quick to blame the financially unsophisticated for being taken advantage of?

Can't we, instead, work to reduce the number of financially unsophisticated in this nation .... or .... do others lose by doing so?

Report Abuse

By kiteboarder on 02/16/2008 at 9:55 a.m.

hotblazer - Maybe I should just assume that everyone is STUPID. I managed to not be suckered into getting one of these ridiculous loans, and I am just a public educated person. No degree here. I figured it out. You're trying to tell me all these people didn't lie and it never once crossed their mind the interest rate could increase, never once thought their payment would consequently go up, never once thought that real estate would not continue to rise to infinity and beyond. PULEEEZ.

So they government encouraged them to take out ARMs and they had no mind of their own.

Everyone BEWARE. The government is now controlling people's minds.

Report Abuse

By TML on 02/16/2008 at 9:59 a.m.

I was in the mortgage industry and I can tell you that greed motivated everyone, from the companies doing business all the way down to the borrowers who signed the loans.

I don't have any sympathy for these people. Even those of us who were smart enough not to take out two mortgages (an ARM and a HELOC) to finance a new home purchase paid the price for this greed in higher rents during the past seven years.

Let the speculators learn their lesson: Gambling has consequences.

Report Abuse

By kiteboarder on 02/16/2008 at 10:00 a.m.

TML - Thank you !

Report Abuse

By hotblazer on 02/16/2008 at 10:08 a.m.

kiteboarder - Good for you, glad you had a the wisdom to see this all coming, maybe you even tried to warn people. I'm not telling you all these people didn't lie either. You lump everyone into one or the other. I'm saying that there is a good majority of buyers who were honest and took out the type of loan encouraged by the industry. Saying that all buyers in the past 5 years were dishonest is simply not true. The INDUSTRY was dishonest and mis-led a great majority of the buyers. So you now think everyone is stupid? NBeener said it well comparing it to a mechanic, take a hard look at that. Maybe if you didn't lump everyone into one catagory, ALL LIED or ALL STUPID, you might actually see where the real problem started......

Report Abuse

By NBeener on 02/16/2008 at 10:14 a.m.

"Again no sympathy."

I sincerely hope that it never happens to you, then.

The pigs at the trough -- speculators and flippers -- played a "Big Boy's Game," and NOT for a roof over their head, but for pure profit.

I do NOT feel the same way about somebody who's company laid off a chunk of its workforce, due to economic slowdowns or outsourcing of jobs, and who lost the roof over their heads, in the process.

Even if/just because you believe you're immune to this, or too aware/informed/smart to have this happened to you, is there NOTHING in your make-up that allows you to understand what human (forget the economic toll) this takes on .... other human beings?

If you know anything about sales, and I'm guessing that residential r/e must be the tops at this (new cars sure are), you have an incredible build-up of excitement among nearly every buyer as that day draws near. OF COURSE that's no excuse for them NOT to do the financially right thing, but .... salespeople play on, and profit from, coaxing that momentum.

They also DO NOT tell you ANYTHING that they are NOT legally required to that might work against THEIR PERSONAL pecuniary interests (they don't even always tell you what they must). They make a Customer First, and a Friend Second.

May it never happen to you. Sincerely.

Report Abuse

By GB on 02/16/2008 at 10:16 a.m.

sdfan760,

When you find a house that you really like, want to spend many years in, and is easily affordable. I've done very well the last twenty or so years using that strategy.

Report Abuse

Log in to add a comment. (cookies required)

Click here to hide all reader comments (cookies required)

Terms of Use

62 total comments

Page 5 of 5 first < 1 2 3 4 5