

# Downturn in foreclosures may be short-lived

By Jim Wasserman Wednesday, Jan. 28, 2009

**A** year that will be long remembered for financial earthquakes and trouble for homeowners ended with a surprise.

Foreclosures fell in California and the capital region to their lowest levels in months during the final quarter of 2008. But don't think it's over.

The first drop in foreclosures in more than two years may be temporary, analysts warned Tuesday.

Even as new legislation, moratoriums and alternatives such as short sales and loan modifications have slowed foreclosures, another wave could begin this year, many warn, as new categories of risky housing boom loans reset in higher-end neighborhoods.

"The last 60 days it's really become palpable. More El Dorado Hills and Sierra Oaks agents are seeing more people request homes for sale with short sales," said Mike Lyon, head of Sacramento-based Lyon Real Estate.

Short sales, in which borrowers ask banks to accept less than owed, are a warning of defaults and foreclosures.

Accelerating job losses, too, are pushing California households toward the cliff, said the Mortgage Bankers Association, a lending industry trade group in Washington, D.C.

That's the new face of struggling borrowers, confirmed Martha Lucey, president of Fresno-based By Design Financial Solutions. She said her nonprofit loan counseling firm with offices in the nation's leading foreclosure belt – the Central Valley – sees fewer subprime loan problems and more "individual family issues. Somebody lost their job. Somebody got a divorce."

Statistics released Tuesday by La Jolla

researcher MDA DataQuick show 4,413 fourth-quarter foreclosures in Amador, El Dorado, Nevada, Placer, Sacramento, Sutter, Yolo and Yuba counties.

That was down from 7,769 in the third quarter and the lowest since the end of 2007.

Foreclosures by county:

- Amador, 35.
- El Dorado, 157.
- Nevada, 82.
- Placer, 450.
- Sacramento, 3,167.
- Sutter, 148.
- Yolo, 211.
- Yuba, 163.

California had 46,183 fourth-quarter foreclosures, about the same as the first quarter of 2008.

The capital region closed 2008 with 23,525 foreclosures. That was twice the region's 10,049 foreclosures during 2007.

California finished 2008 with 237,131 foreclosures, according to DataQuick. That was almost triple the 2007 total of 84,326 foreclosures. The researcher said 2.8 percent of California's 8.5 million homes and condos went back to lenders last year.

Nationally, about 1 million homes went into foreclosure in 2008, according to Fair Oaks-based foreclosures.com, a Web site for investors.

In a statement Tuesday, DataQuick President John Walsh said forecasting 2009 is almost "impossible," given today's "atypical market trends."

While falling home prices and rising unemployment threaten new foreclosures, Congress is simultaneously ramping up pressure on lenders to ease up on borrowers. Lawmakers are threatening to let bankruptcy judges rewrite loan terms.

Much of the lending industry is opposed.

"On this position we will not waiver," said Mortgage Bankers Association Chairman David G. Kittle, in a Monday conference call with reporters.

Congress is also expected to pass an \$825 billion economic stimulus plan containing \$50 billion to \$100 billion to help borrowers keep their homes.

On Tuesday, DataQuick attributed California's dramatic late 2008 drop in foreclosures to a state law, Senate Bill 1137, that took effect in September. It forces lenders to make contact with struggling borrowers and offer alternatives before foreclosing.

Statistics show the law immediately slowed the number of defaults. In September, lenders filed just 14,995 notices of default statewide, compared with an average of 40,000 from March through August.

But that was temporary. Defaults reached 39,993 in December, suggesting a major resumption of foreclosures in months ahead.

Defaults in Sacramento and Placer counties also reverted to August levels by December, DataQuick said.

"Realistically, unless loans can be restructured or modified, this law only serves to delay the inevitable," wrote Garrick Brown, director of research at broker Colliers International in Sacramento, in a regional forecast this week.

Lyon said he recently told the Placer County Association of Realtors it will take another four years to work through the region's housing slump.

Partly, he said, that's due to projected waves of resetting Alt-A loans (a category often given to the self-employed; it's not as risky as subprime, but is riskier than tra-

ditional 30-year fixed loans) and so-called pick-a-payment loans, also known as option ARMS (loans that keeping growing as people make the minimum of four payment options).

“I think it really gets back to those Alt-A’s,” he said, explaining rising stresses in capital-area neighborhoods that have considered themselves immune from the housing crisis.

“Those loans are adjusting, and people are stuck,” he said, “paying 7 percent to 9 percent interest.”



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## MORE INFORMATION

### *Trouble with your mortgage? These groups may be able to help:*

- NeighborWorks Homeownership Center, Sacramento Region: (916) 452-5356; [www.nwsac.org](http://www.nwsac.org).
- NeighborWorks America and Home Ownership Preservation Foundation national hot line: (888) 995-HOPE (4673).
- Home Loan Counseling Center of Sacramento: (916) 646-2005; [www.hlcc.net](http://www.hlcc.net).
- ByDesign Financial Solutions, Sacramento (formerly Consumer Credit Counseling Service): (800) 750-2227; [www.bydesignsolutions.org](http://www.bydesignsolutions.org).
- Sacramento Mutual Housing Association: (916) 453-8400, ext. 43. (Staffers can accommodate those who speak Russian, Hmong, Vietnamese and Mien.)