

California Second Quarter Mortgage Defaults Edge Down

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La Jolla, CA.--The number of foreclosure proceedings started against California homeowners fell slightly in the April-through-June period compared with the prior three months, but remained higher than last year. The dip from earlier this year occurred as lenders and their loan servicers took time to revise procedures and priorities in an environment of continuing home price depreciation, economic distress and mortgage defaults, a real estate information service reported.

Lenders sent out a total of 124,562 default notices during the second quarter (April through June). That was down 8.0 percent from the prior quarter's record 135,431 default notices, and up 2.4 percent from 121,673 in second quarter 2008, according to MDA DataQuick.

"There is a perception that the housing market is dragging along bottom, that it probably won't get much worse, and that the lenders need to get serious about processing the backlog of delinquencies, either with work-outs or foreclosure. We're hearing that some lenders and servicers are doing just that, hiring more people to do the necessary paperwork. That means the foreclosure numbers will probably shoot back up during the third quarter," said John Walsh, DataQuick president.

The median origination month for last quarter's defaulted loans was July 2006, the same as during the first quarter. A year ago the median origination month was April 2006, so the foreclosure process has moved three months forward during the past 12 months.

"Either the mid 2006 loans were particularly nasty, or lenders and servicers haven't kept up with new delinquencies. Looking below the surface statistics it appears likely that it's both," Walsh said.

The lenders that originated the most loans that went into default last quarter were Washington Mutual, Wells Fargo and Countrywide. Along with Bank of America and World Savings, they were the most active in 2006. Their default rates are all below 10 percent, far below the rates of Argent Mortgage (55.1 percent of loans resulting in a default notice), WMC Mortgage (54.6 percent) First Franklin (51.8 percent) and New Century Mortgage (50.8 percent).

Many, if not most, of the loans made in 2006 are owned and/or serviced by lending institutions other than those that made the loans (mortgages are often sold off after the initial lender originates the loan, and are often serviced by a different entity). Many of the originating lending institutions no longer exist. The "servicers" pursuing the highest number of delinquencies last quarter were JP Morgan Chase, BAC Home Loans Servicing and Mortgage Electronic Registration Systems.

While most first quarter 2009 foreclosure activity was still concentrated in affordable inland communities, there were signs that the foreclosure problem was intensifying in more expensive areas. The state's most affordable sub-markets, which represent 25 percent of the state's housing stock, accounted for more than 52.0 percent of all default activity in 2008. In first quarter 2009 it fell to 47.5 percent, and last quarter it dipped to 45.0 percent.

On primary mortgages, California homeowners were a median five months behind on their payments when the lender filed the notice of default. The borrowers owed a median \$12,911 on a median \$345,000 mortgage.

On home equity loans and lines of credit, borrowers owed a median \$4,152 on a median \$65,700 credit line. However the amount of the credit line that was actually in use cannot be determined from public records.

San Diego-based MDA DataQuick is a division of MDA Lending Solutions, a subsidiary of Vancouver-based MacDonald Dettwiler and Associates. MDA DataQuick monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts. Notices of Default are recorded at county recorders offices and mark the first step of the formal foreclosure process.

Although 124,555 default notices were filed last quarter, they involved 122,829 homes because some borrowers were in default on multiple loans (e.g. a primary mortgage and a line of credit). Multiple default recordings on the same home are trending down, DataQuick reported.

Mortgages were least likely to go into default in San Francisco, Marin and San Mateo counties -- the historical norm. The probability was highest in Merced, Riverside, and Madera counties.

Trustees Deeds recorded, or the actual loss of a home to foreclosure, totaled 45,667 during the second quarter. That's up 4.7 percent from 43,620 for the prior quarter, and down 27.9 percent from 63,316 for second-quarter 2008. They reached a record 79,511 during last year's third quarter before dropping because of a new state law that slowed the entire foreclosure process and lenders' temporary policy changes (e.g. a temporary foreclosure moratorium).

In the last real estate cycle, Trustees Deeds peaked at 15,418 in third-quarter 1996. The state's all-time low was 637 in the second quarter of 2005, MDA DataQuick reported.

There are 8.5 million houses and condos in the state.

Foreclosure resales declined slightly as a market factor, accounting for 50.1 percent of all California resale activity last quarter. It was 57.8 percent the prior quarter, a year ago it was 40.1 percent. Foreclosure resales varied significantly by area, from 6.3 percent in Marin County to 78.3 percent in Merced County.

Notices of Default (first step in foreclosure process)

houses and condos

County/Region	2008Q2	2009Q2	Yr/Yr%
Los Angeles	21,632	24,622	13.8%
Orange	7,564	8,261	9.2%
San Diego	9,519	9,866	3.6%
Riverside	14,974	14,302	-4.5%
San Bernardino	11,817	10,852	-8.2%

Ventura	2,303	2,431	5.6%
Imperial	635	721	13.5%
SoCal	68,444	71,055	3.8%
San Francisco	418	589	40.9%
Alameda	3,928	4,616	17.5%
Contra Costa	5,046	5,017	-0.6%
Santa Clara	3,751	4,099	9.3%
San Mateo	1,066	1,274	19.5%
Marin	284	381	34.2%
Solano	2,427	2,281	-6.0%
Sonoma	1,376	1,370	-0.4%
Napa	336	356	6.0%
Bay Area	18,632	19,983	7.3%
Santa Cruz	531	452	-14.9%
Santa Barbara	922	835	-9.4%
San Luis Obispo	499	491	-1.6%
Monterey	1,688	1,312	-22.3%
Coast	3,640	3,090	-15.1%
Sacramento	7,325	6,862	-6.3%
San Joaquin	4,795	3,688	-23.1%
Placer	1,122	1,570	39.9%
Kern	3,459	3,628	4.9%
Fresno	2,821	3,131	11.0%
Madera	555	675	21.6%
Merced	1,936	1,660	-14.3%
Tulare	1,099	1,308	19.0%
Yolo	548	541	-1.3%
El Dorado	442	632	43.0%
Stanislaus	3,464	2,777	-19.8%
Kings	188	250	33.0%
San Benito	290	236	-18.6%
Yuba	373	351	-5.9%
Colusa	92	73	-20.7%
Sutter	374	355	-5.1%
Central Valley	28,883	27,737	-4.0%

Mountains*	662	888	34.1%
North Calif*	1,412	1,809	28.1%
Statewide*	121,673	124,562	2.4%

* includes additional counties

Trustees Deeds Recorded (signal homes were lost to foreclosure)

houses and condos

County/Region	2008Q2	2009Q2	Yr/Yr%
Los Angeles	9,609	6,706	-30.2%
Orange	3,242	1,906	-41.2%
San Diego	4,807	3,518	-26.8%
Riverside	8,814	5,726	-35.0%
San Bernardino	6,251	4,769	-23.7%
Ventura	1,123	679	-39.5%
Imperial	305	319	4.6%
Socal	34,151	23,623	-30.8%
San Francisco	141	136	-3.5%
Alameda	1,796	1,466	-18.4%
Contra Costa	2,965	2,048	-30.9%
Santa Clara	1,560	1,210	-22.4%
San Mateo	347	318	-8.4%
Marin	128	105	-18.0%
Solano	1,406	1,056	-24.9%
Sonoma	788	478	-39.3%
Napa	162	112	-30.9%
Bay Area	9,293	6,929	-25.4%
Santa Cruz	232	145	-37.5%
Santa Barbara	443	272	-38.6%
San Luis Obispo	177	184	4.0%
Monterey	847	605	-28.6%
Coast	1,699	1,206	-29.0%
Sacramento	4,475	3,019	-32.5%
San Joaquin	3,185	1,838	-42.3%
Placer	572	515	-10.0%
Kern	2,048	1,913	-6.6%

Fresno	1,412	1,345	-4.7%
Madera	352	346	-1.7%
Merced	1,223	878	-28.2%
Tulare	519	531	2.3%
Yolo	293	216	-26.3%
El Dorado	196	202	3.1%
Stanislaus	2,207	1,498	-32.1%
Kings	65	76	16.9%
San Benito	166	95	-42.8%
Yuba	224	215	-4.0%
Colusa	58	36	-37.9%
Sutter	202	154	-23.8%
Central Valley	17,197	12,877	-25.1%
Mountains*	300	334	11.3%
North Calif*	676	698	3.3%
Statewide*	63,316	45,667	-27.9%

* includes additional counties

Source: DataQuick Information Systems