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Notices of default down 53% from year ago, trustee deeds down 44%

By SAMANTHA HENRY, The Daily Transcript
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San Diego County recorded fewer notices of default and trustee deeds in November than in the previous month and compared to November 2011, indicating a stronger market with increasing prices and job growth, according to local experts.

Fewer foreclosures on the market means less supply, which increases home prices and further decreases the number of foreclosures coming onto the market, said Alan Gin, professor of economics at the University of San Diego.

"I think what we've seen is an improving economy and housing market. Employment is up, unemployment rates are down. That helps people who may have been stressed in terms of jobs," Gin said.

The October jobs report showed there were 25,000 more people working in San Diego compared to October 2011, Gin said.

"We've also seen the housing market start to pick up – prices have risen, fewer people are underwater and therefore less likely to walk away," Gin said.

Trustee deeds — the final step in the foreclosure process, transferring ownership from the delinquent borrower back to the lender or to a third party — were filed on 534 properties in November, 12.3 percent less than in October and 44.1 percent less than November 2011, according to the San Diego County Assessor's Office.

Notices of default (NODs) — which initiate the foreclosure process by registering that a borrower is in arrears of payment — fell 24.2 percent from October to November, and 53.1 percent from November 2011 to November 2012.

Lenders issued NODs to 882 borrowers in November, down from 1,164 in October and 1,880 in November 2011.

"It just shows the market has been strengthening. We have fewer homeowners getting into distress, as indicated by a decline in notices of default, and we're clearing the distressed inventory, either through continued foreclosure or short sale or loan modifications. It all points to the fact that we're finally getting the legacy of the bust behind us," said Michael Lea, director of The Corky McMillin Center for Real Estate at San Diego State University.

Lea said he expects to see prices continue to increase and job growth to continue – "not by leaps and bounds, but slow, steady progress in both."

"I think the housing market will continue to be strong. I'm forecasting for next year, home prices to increase by high single-digit range in terms of percentage," Gin said.

"The local economy is in pretty good shape right now," he added, and he expects continued job growth and interest rates to remain low, providing support for the housing market.

The looming "fiscal cliff" could potentially affect these numbers, but Gin said he expects something to be done before the country falls off.

"I don't think it's going to slip us into a second downturn. I think some of these cuts are going to be extended. I think there's going to be pressure to come up with some sort of deal," Gin said.

At minimum, Gin expects the tax cuts to those who earn less than $200,000 will be extended, and that "will take a lot of the pressure off of the economy."

"I think we're going to continue our downward pace and while everybody frets about the fiscal cliff, I don't think that's going to have a significant impact on defaults and distressed properties," Lea said. "I don't think it's going to have a big near-term jobs effect – which is the main thing that would cause us to revert back to higher levels of defaults and foreclosures."