

Santa Clara County foreclosures drop

By Sue McAllister

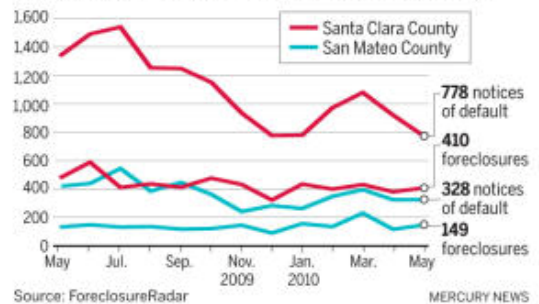
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Defaults decline in May

Fewer homeowners in Santa Clara and San Mateo counties received notices of default from their mortgage lenders last month than in May 2009, and the numbers in Santa Clara County also were down compared with April 2010. Notices of default are the first step in the foreclosure process.



Foreclosure filings dropped more than 40 percent last month in Santa Clara County compared with May 2009, the sixth consecutive month that default notices declined from their year-earlier levels.

A total of 778 notices of default were filed in the county in May, according to a report released Tuesday by ForeclosureRadar, down from 1,339 in May 2009, and down from 966 in April 2010.

In San Mateo County, 328 default notices were filed last month, down 22 percent from May 2009, and flat from April 2010. Statewide, default filings slid by 43 percent. Notices of default are the first step in the foreclosure process.

Sean O'Toole, founder of ForeclosureRadar, said in an e-mail sent with the report that given recent increases in the portion of California mortgages that are overdue, the widespread decline in foreclosure filings "makes no sense." According to loan data firm CoreLogic, 11.6 percent of mortgages in California were at least three months overdue in April, up from 8.5 percent a year earlier.

"There's zero question that we're not following the traditional foreclosure process. Lenders, when asked why, typically say 'we're trying to work with homeowners,' " O'Toole said. But O'Toole said he sees little evidence of increased short sale listings or significant progress on permanent loan modifications under the government's Home Affordable Modification Program, or HAMP. HAMP makes up the federal government's guidelines under which lenders are to help homeowners avoid foreclosure when possible.

O'Toole suggested banks are purposely slowing the process to avoid dumping too many foreclosed properties on the market at the same time, which could drive down home prices further.

But others who track the lending industry and foreclosure situation say reasons for the decline in foreclosure filings are more complicated.

One reason for the slower filings despite rising homeowner delinquency is that lenders and loan servicers — the companies that handle foreclosures and loan modifications — are overwhelmed by the number of customers seeking help, said Paul Leonard of the Center for Responsible Lending's California office, in Oakland. Another is that loan modifications are taking "longer than expected" to process, and a third explanation is lenders' "strategic management of when foreclosed properties hit the market," he said. "I suspect it's a combination of all three of those factors."

Matt Ostrander, founder of Parkside Lending in San Francisco and a board member-elect of the California Mortgage Bankers Association, said it's possible some lenders are holding off on foreclosures purposely to hold inventory down, but "I don't think there's this big conspiracy and collusion" among lenders. He said lenders are getting faster at approving short sales — in which borrowers get lenders' permission to sell for less than the mortgage balance — which is cutting down filing of default notices.

He said the need to document borrowers' income and assets when they apply for loan modifications — which in some cases was never done when homeowners got their original loans — is time-consuming, stalling some eventual foreclosures.

"There's a lot of modification programs where you can see they are chipping away at the problem in multiple different ways," he said.

Anna Reynoso, homeownership program manager at Neighborhood Housing Services Silicon Valley, said she and other foreclosure-prevention counselors have seen no decline in the number of homeowners seeking help. One trend she has noticed recently: "A lot of lenders are getting clients to head in the direction of a short sale," she said. Offering the option of short sale up front could be holding down the number of new default notices filed, she said.

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