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HOUSING: Record year for foreclosures ends with sudden decline

Regional defaults down a third in December

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Local mortgage defaults fell sharply in December, according to data from foreclosure specialists, but industry experts were divided over whether the news was a positive sign for the economy.

The December decline was a rare bright spot in a dismal year for homeowners. In 2009, notices of default, the first step in the foreclosure process, rose 21 percent in North San Diego County from 2008 to 14,299, and Southwest Riverside County was up 13 percent to 14,324, according to ForeclosureRadar, a real estate data firm.

Nationally, defaults were up 21 percent to 2.8 million, a record according to RealtyTrac, a competing firm.

Locally, December saw an unexpected drop in the number of notices, especially compared with a year ago: Mortgage servicers sent 763 notices of default to North County homeowners in December. The figure was down 10 percent from November and a whopping 32 percent compared with December 2008, according to ForeclosureRadar.

In Southwest Riverside County, the 868 notices sent in December were unchanged from November, but down 34 percent from December 2008.

Analysts and real estate professionals disagreed over the cause for the decline.

"I don't think they (defaults) went down because people started making their payments," said Jim Klinge, a real estate agent specializing in selling foreclosed properties. "I think that's probably the least likely option."

Mortgage servicers have been deliberately slowing the rate of foreclosures to drive up housing prices, Klinge and other professionals argued.

"I think it's (the number of defaults) more of a fabricated number," said mortgage banker Malcolm Davies, manager of the Del Mar branch of Opes Financial Advisors. "I think we're seeing the lack of issuance of defaults by the lenders, the lack of numbers of foreclosures -- it's being self-managed in a way that they do not flood the market at one time."

Indeed, the housing supply in North County last fall was enough to last four to five months at recent sales rates, down from eight to 10 months in the 2006 peak of the boom. Median home prices for both San Diego and Riverside counties have been up this fall since hitting a bottom in May 2009.

Chris Sorensen, who runs USA Homeowners Education Learning Program, a housing-education nonprofit based in Riverside County, thinks the problem is more political than conspiratorial -- and he doesn't see anything changing in 2010.

"I don't see the foreclosures happening," Sorensen said. "There's not the political will to foreclose."

Most of the banks contacted for this story were not able to respond in time for publication, but Gary Kishner, a spokesman for JPMorgan Chase & Co., did not hesitate.

"Chase does not hold properties or hold off on notices of default in order to artificially control the market," Kishner said. "One of the things you're seeing as a contributing factor, there are a lot of people getting loan modifications, a lot of people applying for hardships and we're working on forbearance plans with them."

Banks are making more deals with homeowners, and the economy may be improving enough to make it easier for people to make payments, said Lynn Reaser, chief economist for Point Loma Nazarene University.

"This news would certainly reinforce other signals coming from the housing market that the worst has passed," she said.

The division between professionals and analysts has only added to uncertainty in the market over whether the housing bust is over, or whether there's another wave to come.

"We're just flailing trying to explain it," Klinge said. "Who knows what's going on?"

The Associated Press contributed to this report.

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