



Notices of default increased in January from 2013

By **SAMANTHA HENRY**, The Daily Transcript
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Notices of default increased year over year in January for the first time since July 2012.

"I'm somewhat surprised that they're up year over year and month to month," said Mark Goldman, professor at San Diego State University and a senior loan officer with C2 Financial Corp. "I would have expected that the improvement in the economy (would) help people to not have to go into foreclosure."

[Notices of default](#), which initiate the foreclosure process by registering that a borrower is behind in payments, increased 20.8 percent from December to January, and rose 9.3 percent from January 2013 to January 2014, according to the San Diego County Assessor's Office.

Lenders issued notices of default to 541 borrowers in January, up from 448 in December and up from 495 in January 2013.

The increase was "inconsistent" with Goldman's expectations, and he had projected fewer in January 2014 than in 2013.

"Home prices are higher and that's the result of a market being enthusiastic and more robust," Goldman said. "It gives homeowners the opportunity to resolve the loan in a sale instead of foreclosure."

[Trustee deeds](#) — the final step in the foreclosure process, transferring ownership from the delinquent borrower back to the lender or a third party — were filed on 282 properties in January, 90.5 percent higher than in December and 41.7 percent lower than January 2013.

Goldman said despite January's numbers, he expects foreclosures and notices of default to continue on a downward trend.

"Right now, the rate of foreclosures is kind of at a rate where they would be in a healthy economy, in a more ordinary, stabilized housing market," Goldman said. "In 2008, 2009, we were seeing foreclosure rates four to five times this amount. In an ordinary market, we're used to seeing 300 to 500."

The increase in notices of default worries Goldman, but it could settle back down to 350 to 400 next month, he said. The change from December to January could be a result of banks timing and postponing the foreclosures and notices of default, but the year-over-year change cannot be explained by the season, Goldman said.

"It's a signal that requires some attention and could possibly be indicating some distress that I'm unaware of," Goldman said.

Goldman tracks notices of default as a better number than trustee deeds to show how many homeowners are in distress, and typically, about 95 percent of these go to sale, he said.

"The fact that [notices of distress] are up -- I find that to be a more interesting number. What's going on? The economy is improving, in general, the housing market has improved significantly. Year over year, why more people are in default than last year? I don't have an answer," Goldman said.