

# FORECLOSURE FILINGS V.S. RISING HOME PRICES



A report released Tuesday January 28th, 2014 has found that new California foreclosure filings plunged at the end of last year, as a rebounding economy and higher home prices further healed the housing market.

Notices of default -- the first formal step in the state's foreclosure process -- dropped 10.8% in the fourth quarter of 2013, compared with the prior quarter, and tumbled 52.6% from the same period a year earlier, research firm DataQuick said. The 18,120 default notices filed against home owners was the lowest level since the fourth quarter of 2005.

"Most of the drop is because of the improving economy and the increase in home values. Fewer people are behind on their mortgage payments. And of those who do get into trouble, many, if not most, can sell and pay off what they owe," DataQuick President John Walsh said in a statement.

## Southern California's housing recovery

The median home price across the state rose 22.1% from a year earlier, to \$364,000, in the fourth quarter of 2013, a steep rise driven in large part by investors and families fighting over a shortage of homes for sale. For homeowners who are nearing foreclosure and underwater (meaning they owe more on their mortgage than the house is worth), that appreciation means they are less likely to walk away, Walsh said. "There's a strong incentive to hang on," he said.

The 18,120 default notices accounted for 17,773 homes, because some homeowners had entered default on more than one loan.

Completed foreclosures continued to drop over the year as well. Californians lost 8,205 homes to foreclosure last quarter, down 61.2% from a year earlier and the second-lowest level in seven years. Completed foreclosures rose 2.2% from the third quarter of 2013. Foreclosures remain more pronounced in relatively affordable communities, where many homeowners, despite recent price gains, remain underwater.

ZIP Codes with an annual median sales price below \$200,000 saw two homes per 1,000 lost to foreclosure in the fourth quarter, DataQuick said. Comparatively, ZIP Codes with a median price from \$200,000 to \$800,000 experienced 0.8 foreclosures per 1,000 homes.

Of all loans entering default, the median origination quarter was the third quarter of 2006, extending a more than four-year trend and indicating the peak of risky mortgage lending.

*Source: Andrew Khouri - LA TIMES.*