

Record foreclosures in Bay Area, state in 2008

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Liz Hafalia / The Chronicle

(01-27) 17:57 PST -- Foreclosures and default notices hit new highs for California and the Bay Area in 2008, according to a real estate report released Tuesday.

A total of 236,231 homes statewide, or 2.8 percent of all the state's housing stock, were repossessed by banks last year, according to the report from real estate information service MDA DataQuick of San Diego. In the nine-county Bay Area, lenders took back 35,709 homes, or 2 percent of all homes and condos.

"This was a misery-packed year for a whole lot of people who bought homes at the height of the real estate market," said Andrew LePage, an analyst with DataQuick.

More misery lies in wait for thousands, judging by the increases in default notices - the first step in the foreclosure process. Statewide in 2008, 404,952 homeowners were notified that they were in default, generally at least three months behind on payments. In the Bay Area, 61,347 households received the notices. Both numbers were about 60 percent higher than a year ago.

Ana and Juan Carlos Rodriguez are among Bay Area residents hoping their default notices won't result in the loss of their home. The San Mateo couple had high hopes when they bought a two-bedroom condo three years ago. Previously, they had lived in a poorly heated garage. Their mortgage broker told them their payments would be fixed for five years at \$2,411 a month.

"My surprise was when two years passed, I see in my bill, it says it's going to increase \$500 the next month," Ana Rodriguez said. "I said, 'Oh, my gosh.' Then I see it's going to increase \$500 every six months."

The couple, who work as a housecleaner and painter, managed to scrape up the extra money for about a year. But when the economy started going south, so did their incomes. They went from earning about \$5,200 a month to about \$3,100.

Now they owe \$384,000 on a condo worth about \$337,000.

At her church, Ana Rodriguez met someone from Peninsula Interfaith Action, a part of the PICO National Network, an interfaith coalition that works on social justice issues. The PIA representative is working with the Rodriguezes' bank to try help them get a loan modification.

"I feel so relieved," Rodriguez said. "I hope we can keep our home."

But statistics are not on her side. Agencies that counsel troubled homeowners say that loan modifications are becoming slightly more common, but still rarely provide a permanent solution. A report released last month by the Comptroller of the Currency found that 58 percent of modified loans fell delinquent within eight months.

Pacific Community Services in Pittsburg counseled about 900 families about mortgage problems last year, according to Thomas LeFleur, executive vice president. Of those, 68 received a loan modification.

"That number should be a lot bigger," LeFleur said. "That's the tragedy. What that says is that lenders aren't serious about this yet."

Of all the clients, only three had their principal balances reduced.

"Everybody's dreaming of principal reduction because they say their house is worth half of what they owe," LeFleur said. "That has not started to happen."

At the same time, he said, more homeowners are deciding against paying a mortgage if they are underwater - owing more than their home is worth.

"We have clients who say, 'I can afford to make this payment but I don't know if it makes sense that I should, maybe I'm hurting my family by doing this,' " he said.

Like everything in real estate, foreclosures are heavily location-dependent. In the Bay Area, they are most prevalent in inland regions. The hardest-hit counties were Solano, where 4.6 percent of all homes were taken back by lenders, and Contra Costa, where 3.7 percent of homes were lost to foreclosure.

By contrast, the coastal counties of San Francisco, Marin and San Mateo had among the lowest foreclosure rates in the state.

DataQuick found that mortgage default notices and foreclosures in California decreased in the fourth quarter compared to the third, but it attributed the drop to a law that took effect in September requiring lenders to give more notice before foreclosing.

A searchable database showing the fourth-quarter 2008 foreclosure rate for every ZIP code in the Bay Area is located at www.sfgate.com/webdb/quarterlyforeclosures/

Repossessions triple in the Bay Area

Trustee's deeds, which indicate that a bank has repossessed a home, tripled in the Bay Area in 2008, and almost tripled for the state. Marin, San Francisco and San Mateo counties had among the lowest foreclosure rates in California.