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Housing troubles worsen MORE HOMEOWNERS IN COUNTY FALLING BEHIND ON MORTGAGES

By MICHAEL COIT
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Foreclosures shot to record highs in Sonoma County this summer, the latest sign that more people are struggling to hold onto their homes as their mortgage payments rise.

Lenders began foreclosure proceedings against 749 homeowners in the third quarter, up from 462 in the second quarter and more than triple the number from a year ago, according to a report issued Friday by DataQuick Information Systems, a real estate market research company.

Fewer and fewer people who fall behind on their mortgages are able to avert foreclosure by catching up on their payments, refinancing their loans or selling their homes. Lenders took back 201 homes in the third quarter, up from 163 in the second quarter and 33 a year ago.

Foreclosure activity will likely worsen into next year as mortgage payments rise on the popular adjustable-rate loans used by many people to purchase homes around the peak of the housing market two years ago, said Andrew LePage, a DataQuick analyst. Falling home prices have made it harder to refinance into a cheaper loan, and a glut of houses on the market makes it tougher to sell if a borrower can't afford a bigger mortgage payment.

"There's no evidence in this report that we're turning the corner anytime soon," LePage said. "The main problem remains the weakening market. We're on a really precarious perch right now."

Housing is two years into a downturn that started with buyers pushed out by record prices, and accelerated as prices fell and lending standards tightened.

Most of the loans that went into default during the third quarter were made between July 2005 and September 2006. The typical homeowner was five months behind on payments when a lender sent a default notice, the first step in the foreclosure process.

Statewide, 54 percent of those in default lost their homes, up from 19 percent a year ago.

The most troublesome loans are subprime and other adjustable-rate mortgages featuring low initial payments. They enabled many buyers to get into homes as prices soared, but often adjust to higher payments after two or three years. Homeowners bet on values continuing to rise so they could refinance into longer term loans.

Like many homeowners, Anthony Lessnau didn't figure housing would swing downward by the time the loan he took out two years ago adjusted to a higher payment in June.

"By that time I thought I would be able to refinance," he said.

But the furniture maker couldn't refinance because he owes more on his loan than his Larkfield town home is valued on the market.

He has struggled to keep up with his monthly mortgage after it rose from $1,500 to $2,000 in June. Lessnau also lost a renter helping meet the payment and will be out of a job in December when his employer closes its doors.

Fearing he will fall behind on the mortgage, Lessnau hopes to sell his Larkfield town home for less than he owes on the loan and avoid foreclosure.

"I would love to keep my house," he said. "But I saw the writing on the wall when it (my monthly mortgage payment) jumped up. I had a feeling I was in for something bad."

Lessnau has listed the town home for sale at $249,000, less than the $315,000 he owes on the loan. The lender has agreed to the so-called short sale, but Lessnau still could eventually face foreclosure if he can't find a buyer.

More homeowners facing foreclosure are attempting short sales, while others seek relief from lenders.

Rigzin Vassallo, the Prudential California Realty agent trying to sell Lessnau's town home, has 22 short sale listings.

"He's a typical case. The timing was horrible but he's not alone," Vassallo said.

Housing counselors are taking more calls from homeowners desperate for help with lenders. Those who can't keep up with payments may be able to restructure loans or go onto payment plans.

"People are scrambling. I used to get a phone call once a week and in the last couple of months I'm getting phone calls sometimes two in a day," said Kathleen Sinnott, a housing counselor with Catholic Charities.

With sales plunging and prices declining in Sonoma County for 15 consecutive months, fewer and fewer homeowners will be able to find their way out of foreclosure, LePage said.

"Obviously, the use of risky, creative financing has come back to haunt more people," he said. "It's clear now a lot of people got into loans that were much more than they could handle."

Sonoma County foreclosure activity rose at a greater rate than all but Napa County in the Bay Area during the third quarter. Still, the region has not been hit as hard as parts of the Sacramento area and the Central Valley and Inland Empire regions.

"We know now, in emerging detail, that a lot of these loans shouldn't have been made. The issue is whether the real estate market and the economy will digest these over the next year or two, or if housing market distress will bring the economy to its knees," said Marshall Prentice, DataQuick's president. "Right now, most California neighborhoods do not have much of a foreclosure problem. But where there is a problem, it's getting nasty."

You can reach Staff Writer Michael Coit at 521-5470 or mike.coit@pressdemocrat.com.