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Foreclosure wave hits record levels

By: *CHRIS BAGLEY - Staff Writer*

A record number of Riverside County homes went into foreclosure in the first three months of the year, and people in the real estate industry said they expect the number to go higher, as rising debt obligations overtake thousands of people who bought houses with unconventional mortgages.

Mortgage defaults numbered 5,750, a record, rising from 4,528 in the last three months of 2006 and nearly tripling from 2,148 in the first three months of 2006, DataQuick Information Systems said in a quarterly report Monday. Such foreclosure activity also rose sharply elsewhere in the region, but Riverside County recently had one default for every 270 households, one of the highest rates of default in the nation, according to RealtyTrac, another research firm.

DataQuick analyst John Karevoll said borrowers who default tend to do so 12 to 18 months into the loan, and pointed to mortgage-lending activity that peaked in summer 2005. Across Southern California, riskier adjustable-rate mortgages made up about 80 percent of those loans, also a historically high number, according to DataQuick. At the time, home



A Murrieta home in foreclosure on Lavatera Avenue has a 'No Trespassing' sign in the front window. The number of homes in foreclosure in Riverside County hit an all-time high in the first three months of the year.

DAVID CARLSON Staff Photographer
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values were still continuing to rise at a healthy clip; most buyers knew their monthly payments would rise from initially low rates, but many expected rising home equity to allow them to refinance into another mortgage.

That didn't happen. Instead, home prices rose at a creep in late 2005, and have since flattened completely. A separate report by DataQuick Monday showed median home prices falling in nine out of 12 Southwest County ZIP codes.

"Monthly payments have gone up, in some cases to \$3,500 or \$4,000. It's just way out of proportion to what the houses are worth," said Carolyn Tidmus, a local agent who has sold bank-owned properties in the area since 1989.

Lenders seized or auctioned 1,460 houses and condominiums in the county, 10 times as many as in the first three months of 2006, DataQuick reported. Tidmus and Karevoll said that number is sure to go higher, as lenders react to the high number of mortgages now defaulting.

How much higher? That's the \$464,000 question, they said: On one hand, Southern California's economy ---- and Riverside County's economy, in particular ---- is more resilient and diversified than it was in the mid-1990s when the housing market went through its last big downturn. So far, they said, new jobs in the region have been bringing in new residents to buy houses as quickly as lenders seize them. The prevalence of adjustable-rate mortgages has already eased back to about 60 percent, Karevoll said.

The prevalence of adjustable or otherwise risky loans has been much higher in the last three years than it was in previous real estate cycles, suggesting that foreclosures could become so prevalent that the supply of bank-owned houses will drag down home values across the board, Karevoll said. The tipping point could come with a doubling in the number of houses that are seized and auctioned, he said.

Tidmus said many of the properties she sees could have avoided outright foreclosure. The



A foreclosed home sits empty on Alondra Drive in Murrieta.

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2003-04 housing boom drew in hundreds of rookie real estate agents who are unfamiliar with short sales, the complicated process of selling homes for less than the amount of debt, Tidmus said. As a result, she said, many of the houses sit on the market until lenders return to seize them.

Another tragedy of the boom is that it led many homeowners to spend money that they weren't earning, Tidmus said. Many of the foreclosures involve home-equity loans or refinances, she said.

"People were taking out money like it was an ATM," Tidmus said. "It was a refinance every six months, and now this new car, and then this new car."

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Comments On This Story

Note: Comments reflect the views of readers and not necessarily those of the North County Times or its staff.

Mark wrote on April 17, 2007 4:03 AM:"Yea I lost my pink stucco home, but I luv my SUV. See how important I am - wake up people you got caught up in the 'trying to out do your neighbor' complex and now your children are paying for your mismanagement of funds. Traditional values put children first not your ATM/home. For a largely Christian area you sure did not think that way."

robert wrote on April 17, 2007 4:06 AM:"ha ha ha ha ha ha lmao
hah
hah"

Skip wrote on April 17, 2007 6:59 AM:"Absolutely no surprise here."

Gary in Murrieta wrote on April 17, 2007 7:11 AM:"The trickle down effect of this will be a lot of construction workers out of work as new construction slows abruptly. I can already see the empty homes in my area, the sale signs for long periods of time, and the slowing of new construction. An interesting note will be to see who is effected more, the American citizens who work in construction or the thousands of Illegal Alien Non- English speaking workers that I typically see here."

Dave wrote on April 17, 2007 7:25 AM:"Would you rather have a roof over your head or a yellow Hummer?"

Bill wrote on April 17, 2007 7:42 AM:"Somewhere along the way we Californians lost the idea of buying a home to live in and raise a family and actually pay off the loan. "

Paul wrote on April 17, 2007 8:05 AM:"It's just part of the real estate cycle here in So. Cal, let alone the I.E. I moved to Lake Elsinore in 1999 and had my choice of foreclosure properties at that time. Since then I've seen people camping out to win a lottery just to buy a new home. Well, it's back to the future once again. The best trick is to refi when rates are low, and values are high. But here's REAL the trick, DON'T buy the SUV, bank the money, then buy your neighbors house when it goes into foreclosure....This is how the poor become the rich. Of