House buyers scurry to beat deadline

Sales rose 6.2% over past two weeks as federal tax credit expired.

By JONATHAN LANSNER, MARILYN KALFUS and JEFF COLLINS
THE ORANGE COUNTY REGISTER

If nothing else, a federal tax credit nudged a lot of last-minute homebuyers into making decisions as its deadline came and went last week.

Buyers needed to have a signed contract in hand by Friday to get a credit of $8,000 for first-time buyers and $6,500 for repeat buyers. They also must close escrow by June 30.

"I think there's definitely some last-minute scurrying around," said Tustin agent Charles Folcke. "I'm sure that if some offers are accepted (this weekend), agents are going to backdate it."

"Lots of quick decisions (were) made this week from our fabulous last-minute type of folks," added Huntington Beach agent Vivian Young. "I've been showing property for lots of clients the entire month to quickly get them under contract before the month ends."

Tax credit snapshot

Federal: Up to $8,000 for first-time buyers; $6,500 for repeat buyers. Deals must have been signed by April 30 and escrow must close by June 30.

State: Up to $10,000 for deals closed beginning May 1.

Broker Steve Thomas of Altera Real Estate reported that the number of deals signed increased 6.2 percent from two weeks ago and 10 percent over the past month.

"Buyers are pushing their way into escrow, but I think the momentum will carry even after the expiration," Thomas said.

To meet the deadline, several agents noted that buyers stopped looking at homes listed as short sales, or selling below what's owed the bank. That's because the shoppers know lenders are typically pokey in responding to offers.

Coto de Caza agent Bob Phillips spent part of Friday dashing from Santa Ana to Capistrano Beach, then to a listing agent's office to get a signed contract to an East Coast bank in time for its approval.

His clients initially got outbid after offering $11,000 over the asking price on a bank-owned home. His cell phone rang at 6 a.m. Friday with news that the top bidder got cold feet and backed out.

He had to drive to both clients' workplaces to get their signatures, then dash over to the listing agent's office for the bank's approval.

"I am now going to drive to Dana Point to open the escrow before they close at 5 p.m.," he said late Friday.

"It has been an exciting day."

Now, a new tax game starts: $200 million set aside for the California tax credit for deals closing as of Saturday. But agents think that break will be exhausted in a month, rather than in the seven months allotted for it.

"There is still a lot of confusion about the California tax credit, which will last about a minute," Altera's Thomas said. "The first 17,500 lucky first-time homebuyers win and everybody else is going to be upset."

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$3.1 million. Another house in that ZIP code has a foreclosure sale scheduled for June with an opening bid of $5.5 million.

- Newport Coast (92657) had the third-highest percentage gain. Five houses there were seized, vs. two a year ago.

Still, the rate of foreclosures remains lower in ZIP codes and in cities with higher house prices, the DataQuick figures show.

The rate of foreclosures remains highest in neighborhoods with lower house prices, where reliance on risky subprime mortgages was highest. Newer areas built and sold during the housing boom also tended to have higher foreclosure rates.

The 92694 ZIP code, encompassing Ladera Ranch, for example, had the county's highest foreclosure rate – 8.3 foreclosures per thousand houses. Rancho Santa Margarita (92688) had a foreclosure rate of 4.4 per 1,000 houses; Aliso Viejo (92656) had a rate of 3.8 per 1,000.

The countywide rate during the first quarter was 2.8 foreclosures per thousand houses.

Still, foreclosures and notices of default fell fastest in those high-risk areas, while going up or falling more slowly in more-affluent neighborhoods.

"It is definitely a trend that is moving toward the coastline," said Steve High, a Coldwell Banker luxury-house agent based in Newport Beach.

"There are many people out there who haven't paid their mortgages in months," High said.

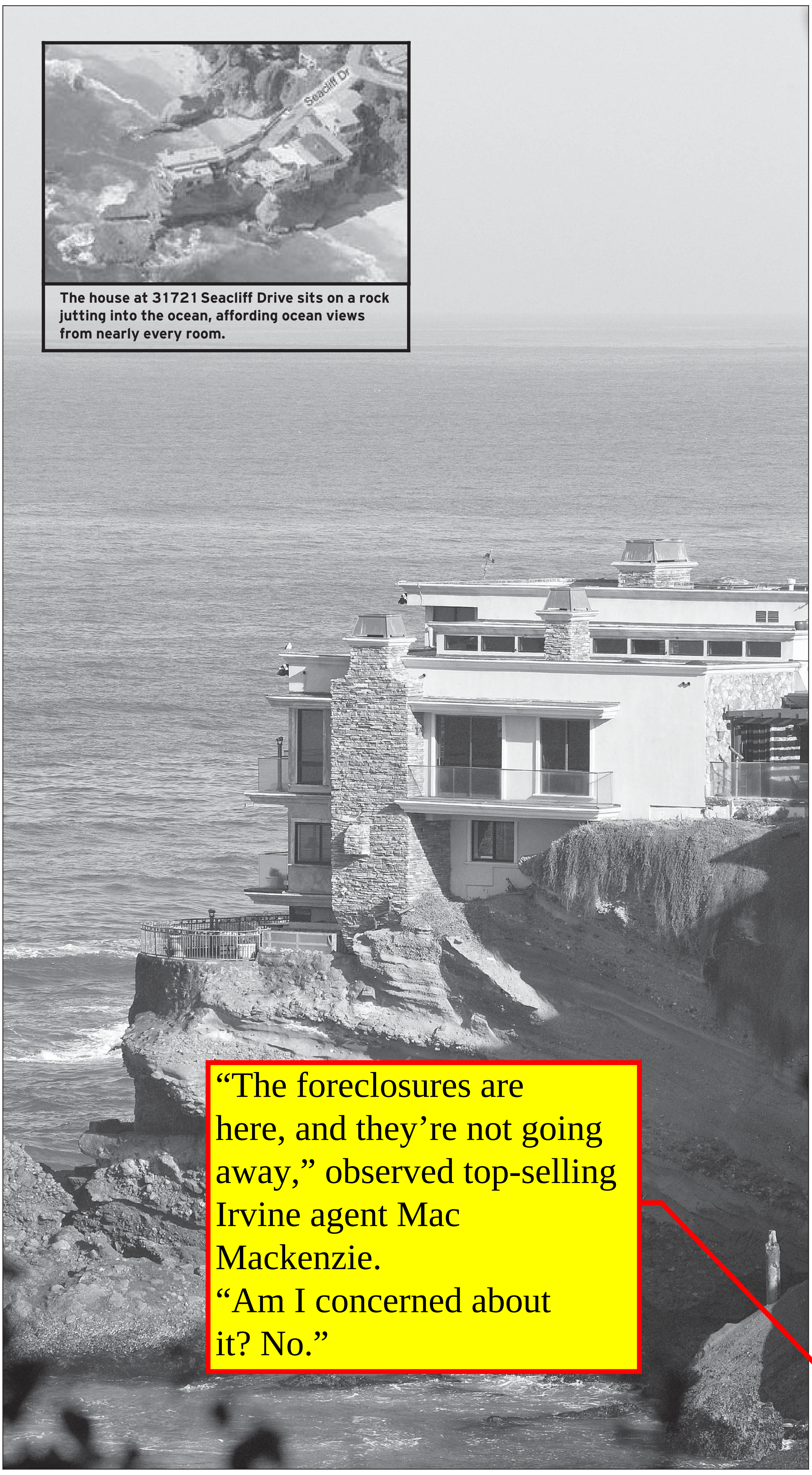
A recent report by The Wall Street Journal confirmed that higher-dollar houses are increasingly falling to default and even foreclosure.

Citing data from Santa Ana-based First American CoreLogic, the Journal reported that about one out of every seven U.S. houses with loan balances at or above $4 million – 14.8 percent – were 90 days delinquent by the end of January. That compares to a rate of 8.7 percent for all U.S. loans tracked by First American, the Journal said.

"Big borrowers are more likely to default than ordinary people," the newspaper reported.

Richard Cirelli, president of Laguna Beach-based RTC Mortgage Corporation, noted that a lack of so-called "jumbo" loans for higher-dollar borrowers makes it harder for them to get out of a bind by refinancing or by selling.

"The low interest rates over the past few years were only for loans less than $729,750," Cirelli said.



The house at 31721 Seacliff Drive sits on a rock jutting into the ocean, affording ocean views from nearly every room.

"The foreclosures are here, and they're not going away," observed top-selling Irvine agent Mac Mackenzie. "Am I concerned about it? No."

KEN STEINHARDT, THE ORANGE COUNTY REGISTER

Laguna Beach, where this house is, has one of the highest percentage increases in foreclosure rates.

DID YOU KNOW?

Seven out of 1,000 O.C. homes got a default notice in the first quarter of 2010, DataQuick reported. Three homes out of 1,000 went into foreclosure.

"Many Laguna buyers and homeowners owe more than that and, therefore, there are no programs to enable them to refinance to obtain a lower rate and payments."

Added Coldwell Banker's High: "This economic downturn is of unparalleled circumstances. There is no neighborhood, no price category that I'm aware of where people aren't being affected."

High and others noted that lenders are seeking alternatives to foreclosure – either taking longer to seize a house or working with sellers to achieve a short sale, which is a sale for less than what's owed on the mortgage.

On average, California houses foreclosed on last quarter spent 7.5 months winding their way through the formal foreclosure process – up from 6.8 months a year earlier, DataQuick reported.

Hence, O.C. foreclosures declined last quarter even though default notices seven months earlier were at record highs.

Banks "cannot take on all these massive losses on their books. That will dry up all their reserves," said Tom Moon, a Huntington Beach broker specializing in the sale of bank-owned, repossessed houses. "They really don't want to foreclose on these people. They want to work out and modify (loans) any way they can."

After hitting a record 3,485 a year ago, notices of default fell at an even greater rate this past quarter – a sign that foreclosures likely will fall further down the road.

According to DataQuick, default notices in O.C. were down 37.5 percent in the first quarter – more in lower-priced neighborhoods and less in higher-priced areas.

Nonetheless, agents here expect the problem to be with us for awhile yet, although it's debatable whether lingering foreclosures will continue to be a drag on the housing market.

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Register staff writer Ron Campbell contributed to this report.