Foreclosure Activity Drops Sharply Thanks to New California Law

By: Jann Swanson | Thu, Feb 14 2013, 11:04 AM

Foreclosure activity in much of the nation now appears to be accelerating downward, **dropping 7 percent** in a single month according to RealtyTrac. Foreclosure filings nationwide - default notices, scheduled auctions, and bank repossessions - numbered 150,864 or one in every 869 U.S. housing units in January compared to 162,511 in December. This was a 28.5 percent decrease from January 2012.

Foreclosure starts were down 11 percent from December and 28 percent compared to a year earlier and at the lowest level since June 2006. Bank repossessions or REO dropped 5 percent from the previous month and were down 24 percent from January 2012 to the lowest level since February 2008.

While overall activity was down in most states, the size of the national decline can be traced to **California where a new law caused a 39.5 percent decrease in filings** from December to January making it the first time since January 2007 that California did not have the largest number of filings in the country. RealtyTrac Vice President Daren Blomquist said the new legislation that became effective on January 1 profoundly altered the U.S. foreclosure landscape. "Dubbed the Homeowners Bill of Rights, this legislation extends many of the principles in the national mortgage settlement - including a prohibition on so-called dual tracking and requiring a single point of contact for borrowers facing foreclosure - to all mortgage servicers operating in California. In addition the new law imposes fines of up to $7,500 per loan for filing of multiple unverified foreclosure documents. As a result, the downward foreclosure trend in California accelerated into hyper speed in January, decisively shifting the balance of power when it comes to the nation's foreclosure activity.

Scheduled foreclosure auctions increased from the previous month in 26 states and the District of Columbia, hitting 12-month or more highs in several key judicial foreclosure states, including Florida, Illinois, Pennsylvania, and New Jersey, although foreclosure starts were down on a year-over-year basis in Florida, Illinois and Pennsylvania.

There were some stunning increases in filings in several states where servicers finally worked through requirement of earlier legislation and resumed foreclosure starts or bank repossessions. Arkansas had a 539 percent year-over-year increase in foreclosure starts and in Washington and Nevada those filings increased 179 percent and 87 percent respectively.

Florida assumed California's former first place position in numbers of foreclosures; activity increased on an annual basis for the 11th time in the last 13 months, up 20 percent, and January filings increased 12 percent from December. One in every 300 Florida housing units had a foreclosure filing in January, more than twice the national average

It is hard to imagine that, after leading the nation in the rate of filings for over four years there could be any properties left on which to foreclose, but Nevada posted the nation's second highest foreclosure rate in January. Overall activity was down 43 percent from a year ago but foreclosure starts were up 19 percent over December and 87 percent year-over-year to a 16-month high.

A 32 percent month-over-month jump in scheduled foreclosure auctions helped the Illinois foreclosure rate rise to third highest among the states in January. One in every 375 Illinois housing units had a foreclosure filing during the month.

In addition to California there were 33 states where there were double digit decreases in foreclosure activity since January 2012 and six where the drop was greater than 50 percent. The largest decreases were in Massachusetts (67.2 percent) Oregon, Delaware, and Hawaii (61 percent each).

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