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## California Market Watch, March 23, 2009

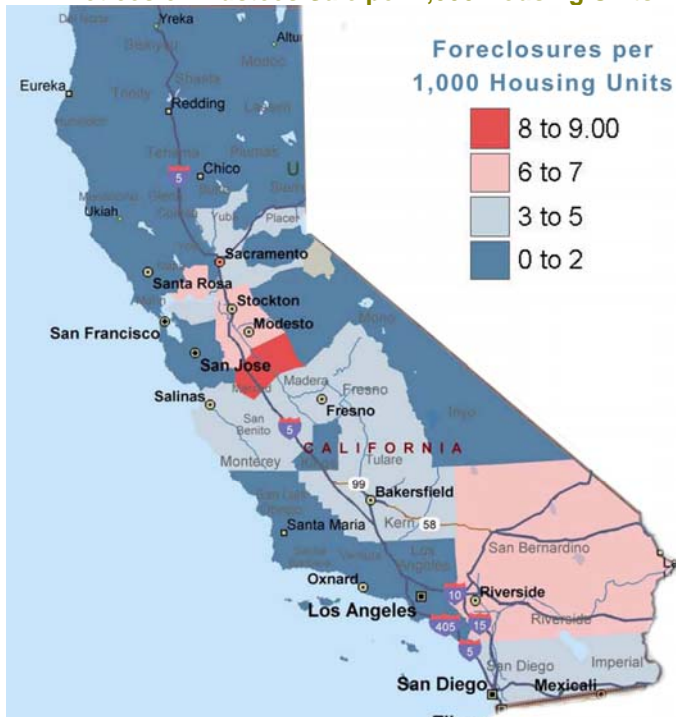
# Where Foreclosures Have Hit Hardest in California

There were fewer properties in California seized in the month of February according to the latest statistics by Foreclosure Radar. While default notices in the state were up 17% from a year ago to 43,836 filings, foreclosures, or Notices of Trustee Sales (NTS) inched down 2% compared to a year ago. While it may appear that banks are foreclosing upon fewer homes, the dip reflects the passage of state's legislation (SB 1137) last year that forced lenders to make contact with troubled borrowers and explore their financial options.

- Loan workouts increase, but offer limited options for troubled borrowers.** While some see the enactment of the new law as just a delay in the foreclosure process, recent stats released by the state indicate loan workouts have trended upward significantly toward the end of 2008. About 58% of workouts were for subprime borrowers, while prime and Alt-A borrowers accounted for 35% and 7%, respectively, during the fourth quarter 2008. The biggest relief came in the form of loan modifications, which reached its highest level since the state began its survey in 2007 and accounted for 53% of loan workouts. Of these modified mortgages, loan servicers largely opted to adjust interest rates to help financial stressed homeowners rather than reduce the principle amount. The two most popular modifications include freezing current rates for less than 5 years or reducing rates below the scheduled reset. Most economist argue these fixes provide questionable success and a recent government study indicated more than one-third of modified loans were in default once again within six months.
- Inland areas grapple with higher foreclosures.** The map below depicts the areas hardest hit by foreclosures in red. We've analyzed year to date foreclosures per 1,000 housing units, and found that the inland peninsula areas of Central Valley and San Joaquin Valleys were the hardest hit with 6 or more foreclosures for every 1,000 homes. In the less densely populated county of Merced, there were 8 new foreclosures this year for every 1,000 homes. Central California saw tremendous growth in new home sales during the boom, driven largely by the entry-level Bay Area commuters looking for affordably priced homes. In Southern California, the Inland Empire was largely painted pink with more than 10,500 foreclosed homes year to date, or 7 homes seized for every 1,000 housing units.

### Foreclosures by County

#### YTD Notices of Trustees Sale per 1,000 Housing Units



SOURCE: Foreclosure Radar

- **Coastal areas will pull out of housing slump first.** The coastal areas of the state are largely blue, indicating a smaller number of foreclosures relative to its housing stock. Many of these areas have fared better than the state in terms of unemployment, and are the most likely contenders to emerge from the housing slump. Statewide unemployment reached 10.5% in February, but unemployment levels in San Mateo, Orange, and Marin Counties were at 8% or below.

#### Best Performing Counties (with 100,000 or more housing units)

County	YTD 2009 NTS	Housing Units	YTD NTS/1,000 Housing Units
San Francisco	144	361,777	0.40
San Mateo	265	268,301	0.99
Marin	108	108,538	1.00
San Luis Obispo	188	116,171	1.62
Santa Cruz	183	104,479	1.75

#### Worst Performing Counties (with 100,000 or more housing units)

County	YTD 2009 NTS	Housing Units	YTD NTS/1,000 Housing Units
Solano	983	152,041	6.47
San Bernardino	4,755	685,642	6.94
San Joaquin	1,601	227,339	7.04
Riverside	5,888	773,331	7.61
Stanislaus	1,379	176,622	7.81

SOURCE: Foreclosure Radar

### About Meyers Builder Advisors

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