

The Reality of Foreclosures

As many of you know, the real estate industry, due to the implosion of the subprime market, has taken a beating in the press and in the eyes of the public. Each day, the news is filled with stories of people on the brink of losing their homes, and of those already in foreclosure.

However, it is important to put the foreclosure crisis into better context. Although the national foreclosure rate rose 79 percent between December 2006 and December 2007, the rate was still only 1.033 percent of all homes. Foreclosure statistics are rarely presented in context. Because about 30 percent of homes are owned free and clear, only seven-tenths of 1 percent of all homes was in foreclosure last year.

If you were to rank the top 100 foreclosure areas identified by Realty Trac, only 34 areas had foreclosure rates above the group average. Fifty-one areas had foreclosure rates of 1 percent or less. Moreover, foreclosure rates actually fell in 14 of the top 100 foreclosure areas. Thus, foreclosures are a regional problem, and not necessarily reflective of the overall real estate market.

“Since we are continually provided with national statistics, it is important to keep these foreclosure statistics in context. For instance, the seven-tenths of one percent of the homes in foreclosure nationally equates to less than one-quarter of one percent of the actual foreclosures within San Mateo County,” states Philip Tedesco, CEO for the San Mateo County Association of REALTORS®.

However, as foreclosures do remain a problem for some, much-needed assistance has recently become available. With the passage of the economic stimulus package, increases to the conforming loan limits for FHA-backed loans will enable troubled borrowers to refinance out of subprime loans. The stimulus package increased the caps on these loans from \$362,790 to a new limit of \$729,750. This is particularly significant for existing homeowners in need of mortgage assistance in high-cost areas such as San Mateo County.

The San Mateo County Association of REALTORS® (SAMCAR) is a professional trade organization representing over 3,800 REALTORS® and Affiliate members engaged in the real estate business on the Peninsula. SAMCAR promotes the highest ethical standards of real estate practice, serves as an advocate for homeownership and homeowners, and represents the interests of property owners in San Mateo County. For more information, please contact Michon Coleman, Director of Public Affairs at 650.696.8204 or mcoleman@samcar.org.

