

Wealthy Marin Not Immune To Foreclosure Crisis



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Ian Minto lost his Mill Valley home (background) after he lost his job... (IJ photo/Frankie Frost)

Ian Minto isn't exactly homeless, but he sure doesn't have his home.

The 58-year-old former banker lost his job and, last fall, began falling behind on mortgage payments on the Mill Valley house he grew up in on East Manor Drive. He tried to refinance but said the lender that held the second mortgage refused to sell the note. Despite having plenty of equity, he was unable to restructure his payments, which forced him to default on his loans. Foreclosure proceedings began. Desperate, he sold the home - appraised at \$1.2 million - for about \$300,000 less than it was worth. He is now suing to get his house back. "(I felt) like I wanted to kill somebody or jump off the bridge," said Minto, who just took a job at Radio Shack to help cover the cost of a \$600-a-month windowless room he is moving into on Fourth Street in San Rafael.

Minto is among hundreds of Marin residents squeezed by a credit crunch amid a national spike in foreclosure activity, brought on largely by unrest in the subprime mortgage market. And while Marin County's foreclosure picture may be small compared with the rest of the region, state and nation, real estate brokers say they are seeing increased foreclosure action throughout the county - particularly in Novato.

Foreclosure activity nearly doubled in Marin in the third quarter this year, although Marin homeowners are among the least likely statewide to default on loans, according to La Jolla-based DataQuick Information Systems. In Marin, 172 notices of default were filed in the third quarter, up from 89 a year ago, according to DataQuick. Marin logged 41 foreclosures in the third quarter, a record. The previous record was 39, set in the fourth quarter of 1992, DataQuick analysts said.

Peter Richmond, a Pacific Union realty agent who worked as a lender for more than two decades and specializes in foreclosures, noted that "there's a lot more of it now than a year or two ago." He said that "it's always been here, but never enough of it relative to the rest of the market to make an impression on anybody." Richmond and his wife, also a realty agent, typically deal in two distressed properties among 20 to 25 listings. In the first half of the year they handled nine, Richmond said. "If you compare this local market to Antioch (in the East Bay), we're on a tropical island," he said. "Yes, we have a major issue, but compared to the rest of the country - not even close."

For most agents, foreclosure activity is not the order of the day. "In Marin, we're lucky. There's not a whole lot," said Bruce Berlinger, a realty agent with Bradley Real Estate in Tiburon. Clients have asked if there is an opportunity in foreclosures. "I have a lot of buyers that are asking me for those kinds of deals and they're few and far between," he said. "You can count on a single hand the number of bank-owned foreclosure properties."

Studying distressed property trends lately is David Faudman, CEO of the Bay Area subscription-based real estate listings service Clean Offer.com. He said there is more activity than people realize. Taking into account confidential notes agents leave for one another on the Multiple Listing Service, Faudman said the percentage of distressed properties in Novato is nearly 14 percent of the 376 total listings there. The community with the next highest percentage is San Rafael, with 3.6 percent of the 276 total listings in some type of distress. "This tells me that, really other than Novato, we don't have much trouble," he said. "You hear all these horror stories about foreclosures and distressed properties and really what it is, it's concentrated in Novato. "The reason it is Novato, it's kind of the old story, the rich aren't getting any poorer," Faudman said. "More people are truly paying for their homes out of earnings - real jobs.

"You are dealing with people who are very stretched financially."

Settling with the bank for less than what's owed - called short sales - is a common way to deal with hardship in Marin, said Valerie Castellana, president of the Marin Association of Realtors. "The issue of short sales seems to be coming up more and more and more," she said. "For buyers in Marin who purchased in the last few years, the ones who are forced to sell are the most anxious."

A short sale occurs when the seller owes more on the house than the property is worth. Lenders will sometimes accept less than what's owed and forgive the rest of the debt if the alternative is a possibly lengthy and costly foreclosure proceeding. Personal assets are protected if the original purchase money was used to buy the home. After years of refinancing madness, many people's home loans have been reissued, making them fair game to be sued for their personal assets should the lender come up short, experts noted. In the case of either a short sale or a foreclosure, if the lender cuts a deal for less than the debt owed, that money is taxable.

"We are seeing short sales," said Larry Brackett, president and CEO of Frank Howard Allen, who said agents and managers have gone through recent training on how to deal with such properties. "There are very few as a percentage, probably well below 6 or 7 percent of all of our transactions in Marin County," said Brackett, who added that his agency has only handled three foreclosures since the credit crunch erupted in August. Brackett agreed most of the activity is concentrated in Novato. "The affluent seem to have a buffer from this type of activity," Brackett said. "People in a position in most cases to acquire multimillion-dollar homes have a buffer."

Steve Dickason, vice president and managing broker at Pacific Union in Greenbrae, said his agents also have brushed up on how to handle short sales and financing options not usually seen in the Marin market, beginning as early as last year. "We started beefing up the agents' education," he said. "This year it's more short-sale activity than we've seen in many years. The signs were there that it was coming. There was a lot creative financing with the lenders."

Teaching these classes is Paul Hickman, president of California Land Title Co. of Marin. He said it is vital that realty agents stay active in a foreclosure or short sale, as most clients are not equipped with the skills to close the deal. "The Realtor really needs to be involved in it," Hickman said. "Most of the principals are not capable of dealing with the lender and doing the negotiations." Hickman, who started teaching the classes last year, expects to be at it for awhile. "I think we'll be teaching it into next year, into 2008," he said. "We have to get through this foreclosure cycle. There are a lot of adjustable-rate loans going to reset next year. They are going to be selling, and some of those being short sales. Will it go past that? I don't know."

Dickason warned that homeowners considering foreclosure as a way to solve their financial problems should consider almost every other option first. "I've heard estimates of credit scores going down as much as 100 points because of a foreclosure," he said. "Sellers have to do everything they can do to avoid foreclosure." There could be an upside to the credit crackdown, he added. "It's sad, but the good thing is because so many lenders have been hurt by the crunch, I think they're a little more willing to work with the seller than in the past," Dickason said. "We're encouraging with sellers that the lender will likely negotiate." "It's just in their best interest if they take a little hit now."

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