

Speeding up short sales

Government, lenders try ways to make short sales simpler and quicker

By [Amy Hoak](#), MarketWatch

CHICAGO (MarketWatch) -- Short sales are a valuable tool for struggling homeowners, but they've been notoriously difficult to complete, with buyers and sellers often playing a long waiting game before hearing back from lenders.

Now, however, a new government program plus some lender initiatives may make for shorter wait times and a smoother process.

The Fed is leaving rates unchanged, but that means they'll eventually go up, according to Greg McBride of Bankrate.com, who advises refinancing to fixed-rates loans. Kelsey Hubbard reports.

"Any structure is better than what we've had," said Kathryn Bovard, a broker/manager for Prudential Americana Group in the Las Vegas area.

Short sales are useful for borrowers who are underwater on their mortgage, owing more on the home than it's currently worth. In a short sale, the homeowner's lender accepts less than what the borrower owes on the mortgage in order to complete the sale. Both parties thus avoid the foreclosure process.

Foreclosure alternatives

The government's Home Affordable Foreclosure Alternatives (HAFA) program goes into effect April 5.

"It's an extension of [the Home Affordable Modification Program] to provide a default solution before it gets to the worst," said Arvin Wijay, chief executive of Retreat Capital, a provider of products and services that facilitate short-sale management and loan modifications. If the borrower doesn't qualify for a modification, loan servicers will then assess the possibility of a short sale through the HAFA program.

Here are some ways HAFSA is expected improve the traditional short-sale process:

- Borrowers will receive pre-approved short-sale terms before listing the property, including either a list price approved by the servicer or the acceptable sale proceeds, according to the U.S. Treasury Department. That way, sellers know what lenders will accept before listing the property.
- There's a set timeline, with deadlines for lenders and sellers to keep the short-sale process moving.
- At the completion of a sale, borrowers may get up to \$1,500 for relocation expenses and servicers may receive compensation of up to \$1,000. Up to \$3,000 of proceeds are available to distribute to subordinate lien holders, making it possible to compensate the lenders of second mortgages.

Still, some in the industry are skeptical that the new program will be a great help to people.

"The homeowner should be encouraged that the government is doing something," but people should not expect it "to change the world overnight," said Fred Weaver, co-owner of Group 46:10, a team of agents who focus on short sales as part of Keller Williams Arizona Realty, in Tempe, Ariz.

Successful implementation also depends on servicers' staff. "Some servicers are good at finding the right people, and have the right technology," Wijay said. Some, he said, are not.

Looking at the lenders

In the past, it was common for one mortgage-servicer employee to be responsible for managing hundreds of short-sale applications, Weaver said. But the method with which short sales are approved is starting to improve with some firms, and some banks have made staffing adjustments to better handle the volume.

"Banks are trying to put programs in place to facilitate more short sales in a shorter period of time," Weaver said.

Some of the most recent efforts include allowing borrowers and real-estate agents to use an Internet portal to help improve communication, so they can submit paperwork electronically instead of faxing it, a practice that's under way at GMAC Mortgage and Bank of America, according to Weaver. And lenders including Wells Fargo have committed to increasing their staff to deal with short sales, Bovard said.

Lenders "have finally gotten on board with the fact that short sales will be a large part of the market over the next 24 to 36 months," said Bovard.

While the popularity of short sales differs by market, in the Las Vegas brokerage that Bovard runs, 70% of pending sales are now short sales, she said.

According to the latest Campbell/Inside Mortgage Finance survey of real-estate market conditions, short sales were the most popular category of sales for distressed properties. In January, short sales accounted for 15.9% of home-purchase transactions, compared with 13.4% of sales that were damaged bank-owned properties and 13.8% of sales that were move-in-ready bank-owned properties.

Short sales typically sell for 91% of their listing price, according to the survey results. Move-in-ready bank-owned properties typically sell for 99% of their listing price.

Words of advice

For homeowners considering a short sale, Bovard said it's important they speak to their trusted advisers, including their attorney and tax accountant, as well as a real-estate agent who has a short-sale designation.

When looking for a real-estate agent, homeowners should ask about the agent's track record with short sales, said Kevin Kauffman, co-owner of Group 46:10. "How many have you closed? The follow-up question: How many did you fail on -- how many went into foreclosure?"

Also, ask questions about the agent's strategy in getting the job done, he said.

For buyers, a lot of patience is required to finish one of these deals, said Bovard. "It's a long, involved process. But the payoff is getting a tremendous value."

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