

# Opinion: Realtors need to turn focus on short sales

By Beth L. Peerce

I write on behalf of the California Association of Realtors, whose 170,000 members continue to witness the devastating consequences the home foreclosure crisis is having on California's families, neighborhoods, and communities on a daily basis.

The number of families affected by foreclosure is staggering. During the past three years, more than 640,000 Californians have lost their homes. With the number of homeowners who owe more than their home is worth hovering at 30 percent, experts predict there will be many more foreclosures in 2011 and 2012. Unless we take immediate, aggressive action to assist these homeowners, any meaningful recovery in the housing market and overall economy will continue to be delayed.

Tragically, only a fraction of those who face foreclosure will remain in their homes when all is said and done. Those whose incomes and financial circumstances meet strict guidelines may qualify for a loan modification that will reduce their monthly payment to more affordable levels. Yet the federal Home Affordable Modification Program is expected to prevent only 700,000 to 800,000 foreclosures nationwide before it expires at the end of 2012, and the program does little to help those homeowners who are unemployed or otherwise no longer able to meet their financial commitments. Their last hope is to sell their home, which often means convincing their lender or the investor who "owns" the loan and, in many cases, the holder of a second mortgage lien and the mortgage insurer to accept a "short sale."

With a short sale, homeowners with a proven hardship negotiate

an agreement to sell their home for less than the balance owed. Although not every homeowner or mortgage is eligible, those who are able to finalize a short sale avoid a foreclosure on their credit record and can move on with their lives. Last year, 20 percent of home sales in our state involved short sales.

Short sales can play an important role in our state's economic recovery by accelerating the pace of home sales and reducing the inventory of bank-owned homes on the market. There are other benefits as well. Homebuyers who can qualify for a mortgage at today's low interest rates also are able to purchase a home at below-market prices. Banks get a nonperforming asset off their books and avoid the headaches associated with disposing of assets they don't want to own in the first place. Neighborhoods have fewer abandoned homes, and local businesses have more customers with money to spend.

Unfortunately, many homeowners are unable to successfully negotiate a short sale. According to a recent survey of 2,150 California Realtors who have assisted clients with a short sale, only three out of five transactions closed – even when there was an interested and qualified buyer.

What's the problem? For one, no two mortgage agreements are the same, so it can be difficult to standardize short sale processes and procedures. Many homeowners have second mortgages, which further complicate matters. Then there's the challenge of convincing multiple parties to take a financial loss or, in the case of loan servicers, to forego fees they otherwise might earn during the course of the foreclosure process. Poor and slow service by many banks and servicers has only exacerbated the problem. Horror stories abound from potential homebuyers and Realtors forced to wait 90 or more days for a response to a purchase offer or being required to fax short sale applications or other paperwork as many as 50 times. These delays discourage potential homebuyers from considering a short sale purchase and undermine the process

for those who short sales are intended to benefit – the hundreds of thousands of families facing foreclosure.

Increasing the number of closed short sales by speeding up and streamlining the short sale process is one important way we can help California families avoid foreclosure and move our economy closer to recovery. That's why the California Association of Realtors is taking steps to enable more families to arrange a short sale. Recently, we advocated for improvements to short sale guidelines established under the federal Home Affordable Foreclosure Alternative program. We're meeting with major banks, U.S. Treasury officials, government-sponsored entities, including Fannie Mae and Freddie Mac, and others to urge them to standardize processes, comply with federal guidelines, improve communication with other stakeholders and increase staffing with the goal of eliminating service issues. We've also offered our members training in every aspect of the short sale process so they can assist their clients.

But we can't do it alone. That's why we're focusing the spotlight on short sales and calling on regulators, elected officials, nonprofits, business organizations, companies, and individuals with a stake in California's economic future to resolve this issue and others that get in the way of a recovery. It won't be easy, and some compromises will be required. The important thing is that we need to act today. Our families and our communities can't wait any longer.

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