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Obama Goal: To Incentivize Short Sales & Reduce Foreclosures (Good Luck!)

To his credit, President Obama has made the reduction of foreclosures a major priority, concentrating on three foreclosure prevention strategies — loan modification and, failing that, short sales or voluntary surrender of title (“deed in lieu of foreclosure”).

The short sale process has been so difficult and frustrating that many agents, including myself, have avoided even showing short sale properties except when the buyer is able and willing to wait an indefinite period of time for lender approval of the short sale.

I have one such client right now. He is living with his parents and may continue doing so as long as necessary for lender approval. But even when the buyer can wait out the process, the foreclosure clock is ticking and approval may not come prior to the date when the

Public Trustee sells the home at auction. (It's called an auction, but usually the only “bidder” is the

lender who bids the amount of the outstanding loan, which no one else will outbid, especially since you must have a certified check in hand for the entire purchase price — no financing.)

Buyers who can wait, however, are rare, and the usual scenario goes like this: the buyer sub-

mits a contract to buy a property “subject to lender approval.” The homeowner signs the contract, which is then submitted to the lender. Then everybody just waits.

The lenders are grossly understaffed for the process which follows, which includes determining the value of the property (i.e., would the lender do better by taking possession under foreclosure,

then selling it) and also determining whether the borrower has no other means to fund the closing.

Lenders not only are understaffed in processing the short sale requests they receive, but they have little or no capacity for keeping all parties informed of progress in doing so. Consequently, 9 times out of 10 (my estimate) the buyer gives up and buys some other property which can actually close at a predictable time.

The Obama administration's strategy is to create uniform short sale forms for the industry as well as cash incentives for the lenders to approve short sales or obtain deeds in lieu of foreclosure. It also plans to incentivize junior lien holders to allow the short sale instead of forcing foreclosure (and get nothing). Lastly, the borrower would be given \$1,500 for moving costs to encourage surrendering title.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

This Week's Featured New Listing:

Mid-Priced Home in Village at Mountain Ridge

Mountain Ridge homes in the 400's sell quickly when they're priced right, as this one is, so if you're looking for a great 4-bedroom home with great landscaping and a finished basement with home theater, you'll want to request an early showing of this new listing. It has a large deck and spacious backyard — great for entertaining. In the master suite upstairs, you can fall asleep to the sound of a water feature if you crack the window. The 3-car garage has about a 15-foot ceiling, suitable for building a mezzanine! Inclusions range from the big-screen TV in the home theater to a pool table (with accessories), bar stools, bar fridge & microwave, wall-mounted TV, and all kitchen appliances. Open Saturday 1-4 p.m.



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