

FAR Member? [SIGN IN](#)[Help](#) [Site Map](#) [My Membership](#) [Contact](#)Search this site: Text Size: [A](#) [A](#) [A](#) | [Print View](#) | [Email This](#)

News and Events

- ▶ [Home](#)
- ▶ [Getting Started](#)
- ▶ [Tools and Support](#)
- ▶ [News and Events](#)
- ▶ [Legal Center](#)
- ▶ [Legislative Center](#)
- ▶ [Education](#)
- ▶ [Get Connected](#)
- ▶ [About FAR](#)
- ▶ [FAR Business](#)

My Favorite pages

[What's this?](#) [remove](#)

- [Sign in to use the "My Favorites" feature.](#)
-



Lenders slash prices on foreclosed houses as numbers surge

NEW YORK – June 9, 2008 – Lenders stung by the housing bust are slashing prices dramatically to rid themselves of an unprecedented number of foreclosed properties, sparking bidding wars in some places that harken back to the market's go-go years and may signal the bottom is near.

The trend is most dramatic in many parts of California, Florida, Nevada and Arizona, where prices skyrocketed during the housing boom and are now falling precipitously. Sales of foreclosures, vacant new homes and other distressed properties now dominate some markets, causing grief for individual homeowners who need to sell for other reasons, like a job in a new city.

Nationwide, one out of every four sales between January and March was a distressed sale, and that figure jumps to more than 50 percent in the hardest-hit areas like Las Vegas, Detroit and distant suburbs of Los Angeles, said Mark Zandi, chief economist at Moody's Economy.com. The number can be as high as 90 percent in some newly built subdivisions, where loose lending standards and speculation ran rampant, real estate agents say.

By setting prices at extraordinarily low levels, say, \$175,000 for a house that sold for \$350,000 three years ago, banks can spark multiple offers.

"It's not uncommon to have 10 to 20 offers on one house, and for the house to end up selling for more than its market price," said Erin Attardi, a Sacramento Realtor. The strategy, she said, allows the bank to be selective, picking buyers with solid financing or those able to pay in cash.

Over the past year, as the housing crisis accelerated, the number of properties turned over to bank ownership has more than doubled. As of April, there were more than 660,000 such properties in the U.S., up from 254,000 in April last year, according to real estate information company First American CoreLogic.

And there's a risk this isn't the bottom at all.

Investor demand could be swamped by the foreclosures expected to hit the market over the next year.

A record of almost 3 million American homeowners were at least one month late on their mortgages in the first quarter, the Mortgage Bankers Association said Thursday. And another record of almost 450,000 had entered the final stage of foreclosure.

Wherever the turning point, buyers are finding that the deep discounts on bank-owned homes can be a fabulous opportunity, but also a source of anguish. Sally Zuniga, 29, and her husband have been looking to buy their first home outside Sacramento and have been unsuccessful so far due to the intense competition.

"It's been aggravating, frustrating and emotionally straining," said Zuniga, a media buyer for an advertising agency.

This week, the couple put in an offer for a three-bedroom house with a pool that's listed as a "short sale," where the home is sold for less than the amount owed on the mortgage.

They've given the property owner until July 18 to respond - an indication of the longer period it commonly takes for such arrangements to be worked out. Their offer of \$195,000 was \$6,000 over the asking price, in an effort to make it stand out from competitors.

Some in the real estate industry see such competition as a sign that the housing market's gloom is lifting.

"It's actually stimulated the market," said Janice Ziesig, owner of Z House Realty Group in Orlando, Fla. "Things are moving now - more so than they were."

In the Orlando area, about a third of bank-owned properties receive more than one offer, Ziesig estimates. However, deals are more likely to fall through for foreclosures, she says, and properties often return to the market.

For would-be sellers who need to move soon, it's a particularly painful situation. In many cases, sellers whose houses are now worth less than their mortgage must bring cash to the closing table to pay off the balance of the loan. They can find renters or postpone their moving plans.

Leslie Jordan pulled her family's six-bedroom house outside Orlando off the market last month after listing it for nearly a year. She was willing to sell for \$415,000, down from her original asking price of \$565,000, but wasn't able to reach a deal.

While most of the foreclosures in Jordan's area are on smaller homes, the overall environment of soaring foreclosures and overbuilding has pushed prices down dramatically.

"The buyers, they just want a deal," said Jordan, who had hoped to move to a less-dense area with better schools. "We just have to wait until things turn around."

For real estate agents, helping banks sell off properties is one of the only flourishing businesses these days. But it's not for everybody.

Agents can easily pay hundreds of dollars a month on upkeep - including utility bills, cleaning and lawn care - and must go through the hassle of getting reimbursed by the bank. They sometimes have to evict homeowners, tenants or squatters. And in many cases, they have to deal with vandalism or theft of everything from copper pipes to appliances and air conditioners.

Jeff Dolfinger, a broker in Poughkeepsie N.Y., who specializes in managing and selling foreclosed properties, estimates that about 90 percent of those homes in his market are being bought by investors.

"To them, this is the best real estate market ever," he said. "They'll wait for this turmoil to end and they'll put the properties right back on the market again."

Inevitably, there are tensions between real estate agents and mortgage companies, particularly when a short sale or foreclosure gets tied up in a bureaucratic tangle.

"The lenders don't work on the weekends," which are the busiest time for house-hunters, said Cindy Jones, associate broker with Re/Max Allegiance in Lakeridge, Va. "If you make an offer on a Thursday, the earliest anybody's going to (examine) it is Monday or Tuesday of the following week,"

A quick way for a lender to dispose of properties is through an auction. However, lenders lose an average of 56 percent of a property's value through auctions, compared with a 40 percent loss for ordinary sales, according to a report last month by Fitch Ratings.

Nevertheless, the report found that the use of auctions has been rising as lenders try to cope with rising inventory.

Some are more hesitant to cut prices. Chris Bowden, vice president of HomeSteps, a division of Freddie Mac that handles foreclosure sales, says being too aggressive on price can affect the value of nearby properties, which sometimes are also owned by Freddie Mac.

"We want to make sure that we are getting back every dollar that we can and preserving values in neighborhoods," Bowden said. "Our goal is to try to get the highest value we can for the property, and yet we've got to remain competitive."

Still, with foreclosures continuing to rise, there may be no better option than to follow the market.

"We're reacting to market conditions very quickly," said Cary Sternberg, who heads IndyMac Bancorp Inc.'s bank-owned properties division. "We're in the business of making loans to people. We're not in the business of owning property."



Copyright © 2008 The Associated Press, Alan Zibel (AP Business Writer). All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Related Topics: [Foreclosures](#)

Questions, comments or suggestions on this article? Have a news tip? Send a letter to the editor to: Newseditor@floridarealtors.org.

FAR Headquarters - Orlando: (407) 438-1400
Office of Public Policy - Tallahassee: (850) 224-1400

[Press Releases](#) [Advertising](#) [Privacy Policy](#) [Copyright Notice](#) [Terms of Use](#)



© Copyright 2008 Florida Association of Realtors®