

Foreclosures, short sales continue to rock market

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In a tough economy, last resort plans become a lot more common.

So, while most people agree that foreclosure is the last thing anyone in the housing or loan industry wants to see happen, foreclosures and short sales continue to plague the local housing market — despite reports that the recession is technically over. RealtyTrac reports that during April, Washington had 4,365 new foreclosure filings. Tacoma had 348 of those foreclosures, Puyallup 126, Lakewood 46, Kent 139, Auburn 104, Maple Valley 30, Olympia 72, Lacey 14 and Yelm 19.

“A lot of foreclosures we have are driven by issues that are consistent with regional economic trends,” said Jason Menke, communications coordinator for Wells Fargo Home Mortgage. “If an area is dealing with high levels of unemployment, those issues play into how successful we are in helping people avoid foreclosure.” While homeowners are the most obvious parties personally and financially impacted by foreclosure, the ripple effect can be far reaching. “It impacts the larger community as a whole,” said Menke, adding that foreclosures can decrease the value of neighboring homes. “When we foreclose on a property, we have exhausted every other option possible.”

Menke said that it's important to understand that many banks, like Wells Fargo, only service most of their mortgages. That means the loans are actually owned by another entity — Fannie Mae, Freddie Mac, the U.S. Department of Housing and Urban Development or an individual investor. When a property is foreclosed, a bank typically gives the property to the owner of the loan to market it for sale. However, some banks, like Olympia Federal Savings, are what the industry refers to as portfolio lenders, meaning they don't sell their loans to third parties. During the last fiscal year, Olympia Federal Savings never had more than 1 percent of its owner-occupied homes in foreclosure. “Any of the ones we have that did foreclose, we worked with a local Realtor to sell those,” said Sandy DiBernardo, marketing director.

Wells Fargo owns about 20 percent of the loans it services. Menke said that during the last 12 months, about 2 percent of the bank's owner occupied homes have gone to foreclosure sale. “We can't assist everyone,” he said. “When we do have to go to foreclosure, it does add significant expense to (the bank). Our interest is getting that property on the market and sold as quickly as possible simply because of the ongoing costs of maintaining the foreclosed properties.”

Changing environment

With banks aggressively marketing foreclosed homes for sale and many homeowners trying to put together short sales, real estate agents have been facing a different market during the last couple of years. And many buyers are purposely looking for a foreclosure or short sale property to purchase. “It's probably about 30 percent of the buyers that are specifically looking for those properties right now,” said Daniel Kennedy a Realtor and agent for Coldwell Banker Bain.

But the process of a short sale can be frustrating because sellers must get approval from all loan holders before the deal can close — and about 80 percent of the time, short sales fall through. “Buyers are realizing that it is a whole lot easier to work with a property that has gone through foreclosure and is bank owned than go through a short sale,” said Kennedy, who primarily works with clients in King and Pierce counties. “You know the seller of the property has no emotional ties to the property. With a bank-owned foreclosure, there is a lot more known than unknown. Short sales are not bad, they are just very difficult.”

Kennedy said he would like to see a change in the way society is viewing homes in general. “There are some entities that started to make people think of their home as a pork belly ... if it goes down, you are supposed to unload it,” Kennedy said. “We've got to change them out of that (mindset). When you buy a home, you protect it.”

A new market

While the changing real estate market is just another challenge to many agents, some companies have changed course and are focused on working with banks and foreclosed properties. Intracorp Marketing & Sales has historically been a real estate developer with a marketing and sales arm.

But Jeff Smallwood, Intracorp vice president, said it became difficult to make money in the development business, so the company began to focus on other needs in the marketplace, like cutting down inventory.

Intracorp has been working with banks that took projects back from builders to help the financial institutions determine the best way to liquidate those assets. “This is a relatively new piece of the real estate picture,” he said. “I do expect more of the business in the short term. I don't see it as being an ongoing business plan going on forever and ever.”

The primary factor in deciding how to best sell a foreclosed property hinges on a bank's priorities, Smallwood said. “If maximizing revenue is their No. 1 goal, selling them off one by one is the best alternative,” he said. “If the bank's motivation is more time related, and (it) wants a quicker solution, we will suggest a bulk campaign of some kind and seek out a single buyer.”