

Why are short sales a tall order?

DAVID LAZARUS

The housing market may be on the ropes, but Curt Beck was ready to come out swinging. He offered



\$385,000 for a three-bedroom house in Acton. The seller was happy with the terms. But it was unclear whether the mortgage holders would allow the deal to go through.

Beck, 56, is typical of many would-be home buyers trying to navigate what's

known as a short sale — when a property is sold for less than the outstanding mortgage (or mortgages).

Real estate experts say this can be a particularly challenging process, complicated by lenders trying to squeeze as much money as possible from a transaction, even though a failed deal often results in the property being foreclosed on.

The situation has grown so problematic that the California Assn. of Realtors recently ran ads in newspapers statewide saying more needs to be done to assist homeowners on the verge of foreclosure by expe-

ditating the short-sale process.

"Horror stories abound from potential home buyers 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," said Beth Peerce, president of the organization.

"These delays discourage potential home buyers from considering a short-sale purchase and undermine the process for those who short sales are intended to benefit — the hundreds of

[See Lazarus, B4]

[Lazarus, from B1] thousands of families facing foreclosure," she said.

April home sales in Southern California fell 9.2% from a year earlier, according to market researcher Data-Quick. The figure was 25.4% below the month's average since record-keeping began in 1988. The median price paid for a home in the region fell 1.8% from a year earlier to \$280,000.

Meanwhile, 21% of homeowners in the Los Angeles metropolitan area are now underwater, according to the real-estate website Zillow.com. That's another way of saying their mortgages are greater than what the homes are currently worth.

Lenders aren't acting nefariously in most short sales. They're going to take a bath no matter what by allowing a home to be sold for less than is owed for the property. It's understandable they'd want to minimize their loss as much as possible.

But Beck's experience illustrates how a home buyer may feel he's getting the runaround when entering into a short sale.

Beck, of Santa Clarita, had been eyeing the Acton house for months. According to real-estate listings, the house had been offered for \$479,000 in October and then pulled from the market a few weeks later.

It was listed again in February for \$399,000. In March, the asking price was cut to \$374,000.

Wendy Ann Moore, the agent representing the property owner, said no offers were received at the higher prices. But when the house was listed for \$374,000, a motivated buyer came forward.

The three lenders holding about \$500,000 in loans on the property — GMAC Mortgage, Bank of America and Specialized Loan Servicing — each agreed to the terms of the short sale.

But Moore said the deal fell apart during the escrow process after the buyer lost his job. It was at this point that Beck stepped in.

He told me that as soon as the house returned to the market, he offered to pay the full list price with no contingencies. In other words, he was ready to buy the house as-is.

"My wife and I liked everything about it," Beck said. "We liked the house. We



LAWRENCE K. HO Los Angeles Times

BUYERS: Curt and Ronda Beck want to buy the Acton house behind them in a short sale but feel they got the runaround from a lender until a few days ago.

liked the land. We liked the neighborhood."

A few days after making his offer, though, the primary mortgage lender, GMAC, countered that now it wanted \$400,000 for the house.

Beck wasn't pleased.

"If they wanted \$400,000, they should have told the owner to list it at \$400,000," he said. "But it was still listed at \$374,000."

After much consternation, Beck reluctantly raised his offer to \$385,000. But he felt as if he was being taken advantage of.

"It just seems like they're trying to get more money out of us because they've looked at our credit file and think they can get it," Beck said.

Moore, the real estate agent, said she's been down this road more times than she can count.

"It's very, very frustrating," she said. "It just doesn't seem like banks want to work with buyers and sellers."

Like I say, I get that lenders want to cut their losses in a short sale. But considering that banks filed 68,239 notices of default on California residents during the first quarter, according to Data-Quick, you'd think lenders would be eager to avoid repossessing additional properties.

In Beck's case, there's a happy ending. He said GMAC told him the other day that it's willing to accept the \$385,000. The other mortgage holders will probably follow GMAC's lead.

But thousands of other home buyers are still struggling to get short sales approved.

Colleen Badagliacco, who heads the California Assn. of Realtors' distressed proper-

ties task force, said many lenders don't get serious about short sales until a property owner starts missing mortgage payments. By that time, however, foreclosure proceedings can be imminent.

"This is crazy," Badagliacco said. "You would think they'd work to sell the property before people start missing payments."

The housing crunch won't last forever. We shouldn't be going out of our way to prolong the pain.

David Lazarus' column runs Tuesdays and Wednesdays. He also can be seen daily on KTLA-TV Channel 5. Send your tips or feedback to david.lazarus@latimes.com.