

Time to start acting like homeowners

Current policies prevent achieving the most from distressed sales

By Ronald Jasgur

Banks and servicers have admirably made much-needed capital investments in technology and staff to handle the management of defaulted borrowers and distressed assets. And they've developed what are thought to be best practices to comply with ever-changing regulatory and investor demands.

Yet the policies and procedures in place seem designed to prevent the highest possible sale of distressed assets.

It's a downward spiral that continues to erode values and delay any chance of recovery so far down the road we almost cannot see it.

Now that foreclosures and short sales have become the norm, all the urban legends and myths shrouding them have become standard operating procedure.

Why won't servicers review more than one short sale offer? Why doesn't the REO agent present every single offer for review? Why are sale decisions made daily that fly in the face of conventional wisdom?

Is it the fear of being overwhelmed with paperwork? Is it because the servicer truly won't consider approving a short sale without a fully executed contract between buyer and seller? Is it because the listing agent thinks that once an offer is accepted, there is no interest in reviewing others ... even if other offers might net more money?

Or is it because that is simply the way it has been done for so long now that nobody considers what might happen if we work the market the way the market wants and needs to work?

SHORT SALE AND REO FRAUD

Media reports appear daily suggesting short-sale fraud is rampant and lenders are being taken advantage of. Industry experts suggest short-sale fraud will cost lenders more than \$375 million this year and that's only reflective of properties resold quickly.

Nobody can pinpoint exactly how much money is lost when a property is purchased and not re-sold ... when other buyers were willing to pay more but their offers were lost, misplaced or deliberately withheld.

It's happening with short sales and REO at an alarming rate, and the dollars lost are likely much greater than those estimated in instances of outright fraud.

The industry is abuzz with technologies that look retrospectively at closed transactions to identify subsequent sales for higher amounts, indicating that a servicer may not have received the price they deserved. Yet, the cost of litigating a transaction where you may have lost "only \$50,000" may well exceed any amount you could hope to recover.



It's time for servicers to start acting like homeowners. A homeowner would fire an agent who couldn't provide an accurate multiple listing service description, yet that happens all the time with distressed listings.

Homeowners would never list with an agent who didn't provide true and accurate information necessary to price the property for the highest possible sale in the shortest amount of time.

In a short sale transaction, a servicer doesn't necessarily have the authority to approve an offer. It can only approve — or seek approval from the investor — a reduced payoff in exchange for discharge of the servicer's lien.

Yet universally, buyers, agents and sellers look to servicers for the ultimate sale decision. They wonder why it takes you so long to make a decision. They wonder, too, how servicers come up with a list price that doesn't reflect the property or the marketplace.

Nearly every agent has witnessed a home sold as REO with a sales price significantly below an offer that was rejected by the bank when the property was a short sale.

There are so many missed opportunities. And so many buyers, agents, legislators and taxpayers disgusted with the way this crisis is playing out.

The limited incentives the borrower receives in a short sale are simply not enough to keep the borrower engaged and ensure the sale is the absolute best offer on the market.

In a distressed asset sale, the most motivated party is unquestionably the buyer. But the next most motivated party is not the seller, it's the asset owner.

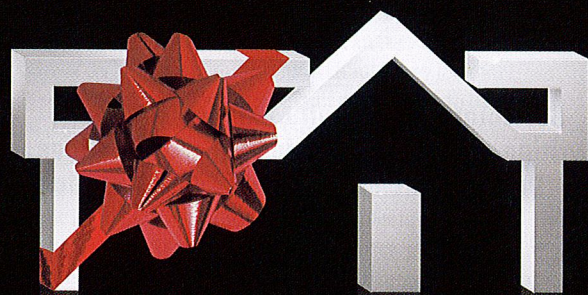
For the industry to rid itself of flipping and flopping, lost recovery dollars, and fraud, it will take more than workflow management software and additional staff or vendors. What we need is an elevated role, with the servicer acting more as homeowner than a loss mitigation group or asset manager.

And it requires technology that allows the buyer to negotiate directly with the other most motivated party.

It's a simple shift of mindset, one that returns the sale of a house to the model that historically worked best: Get the two most motivated parties together and negotiate the deal.

Jasgur is president of Woodward Asset Capital, developers of OfferSubmission.com and VerifiedShortSale.com

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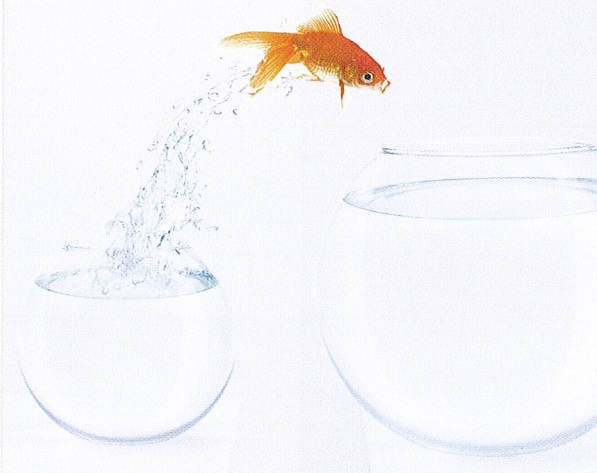


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