



New Federal Program Addresses Short Sales of Homes

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National Mortgage News reports that the major mortgage servicers are preparing for the Treasury Department to roll out a short sale program and they are signing up vendors that specialize in handling these difficult real estate transactions that help troubled homeowners avoid foreclosure.

Loan Resolution Corp. chief operating officer Travis Olsen said one of the top 10 servicers has hired his firm to manage the short sale process. "We will take their borrowers who have been denied a home retention plan and hand-hold them during the rest of the process," he said. The COO also noted that his Scottsdale, Ariz.-based pre-foreclosure asset-management company has received requests for bids from several top-five servicers.

Treasury is expected to provide incentives for servicers to conduct short sales and share some of the costs of paying off second lien holders. "The final details of the [short sale] program are being finalized, and will be announced as soon as completed," HUD assistant secretary David Stevens told a congressional panel on Wednesday (Sept. 9).

In a short sale, the lender agrees to accept a loss on the sale of the property and forgive the remaining balance on the mortgage. If a short sale doesn't work, the next step is foreclosure. It usually takes LRC a couple of days or weeks to complete a short sale after the buyer makes an offer, while the timeline for servicers can be 60-120 days. "We can sometimes approve short sales the same day the offer is received," Mr. Olsen said.

Kraft & Associates
2777 Stemmons Freeway
Suite 1300
Dallas, Texas 75207
Toll Free: (800) 989-9999
FAX: (214) 637-2118
E-mail: info@kraftlaw.com