

Federal Reserve Recommends Short Sales Among Solutions to Housing Crisis

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On Jan. 4, Federal Reserve Chairman Ben Bernanke sent a [letter and white paper to Congress](#) outlining his insights and recommendations on restoring the health of the U.S. housing market.

Among the key findings on current market conditions:

- Housing prices remain **33% below** their early 2006 peak
- Currently, **1 in 5** mortgage holders are underwater (12 million homeowners)
- In states with the price declines (i.e. Nevada, Arizona and Florida) roughly **half** of all mortgage borrowers are underwater on their loans
- The number of properties currently in the foreclosure process is **more than four times larger** than the number of properties in REO inventory

The white paper suggests that no single solution exists and that progress will come through “persistent and careful efforts to address a range of difficult and interdependent issues”—a position we have always stressed.

Among these efforts, **the paper strongly recommends incentives for alternatives to foreclosure, namely a short sale or deed-in-lieu.**

The white paper also emphasizes a fact we are all too aware of: foreclosures drive down property values in the surrounding area and lead to a “ripple-effect” that harms homeowners, lenders and taxpayers alike.