

Number of short sales on the rise

By Julie Schmit, USA TODAY

Short sales are increasing as a percentage of home sales in many states, helping some neighborhoods and homeowners avoid the more devastating impacts of foreclosures.

Short sales — when lenders allow financially strapped borrowers to sell homes for less than their unpaid mortgage — accounted for 12% of home sales nationwide in the second quarter. That's up from 10% in the same period last year, says researcher RealtyTrac.

The increases were sharper in some states, including California, Nevada, Michigan, Georgia and Colorado, the data show.

In Colorado, short sales were 17% of all sales in the second quarter, up from 10% a year earlier. In California, they made up 25% of sales, vs. 18%.

[Bank of America](#), the largest home mortgage servicer, expects to complete more than 100,000 short sales this year — more than double what it did in 2009, the bank says.

Wells Fargo Senior Vice President J.K. Huey says short sales have been "steady to slightly" up in recent months, partly because there are fewer bank-owned houses for sale in some markets, and that has forced buyers to pursue more short-sale properties.

Short-sale homes, which often remain occupied until sold, tend to retain values better than those that go through foreclosure. That helps values of neighboring homes.

In the second quarter, short-sale homes sold at a 21% discount to non-foreclosure homes, while bank-owned homes went at a 40% discount, RealtyTrac says. Short sales may also reduce losses for loan owners because they avoid full foreclosure costs. Borrowers may qualify for new mortgages sooner after a short sale than after a foreclosure.

"Short sales are a very positive solution," says BofA Vice President Dave Sunlin.

Short sales peaked at 16% of the market in early 2009, RealtyTrac says. Realtors say there should be more short sales and that they should get done faster.

"We lose buyers constantly because short sales take too long," says Beth Peerce, president of the California Association of Realtors. Short sales completed in the second quarter took 245 days, on average, RealtyTrac says. In a June survey, 77% of California Realtors called short sales difficult or extremely difficult; 15% said clients were foreclosed on while pursuing short sales.

Many short-sale efforts fail because homeowners aren't eligible because they can still make payments, or purchase offers are too low, says Wells Fargo's Huey. Loan owners may not agree on sale prices, either, she says. In most states, lenders can try to recoup short-sale losses from

homeowners unless balances are forgiven. At BofA, Sunlin says balances are forgiven more than half the time.