Market Matters

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sdHb SAN DIEGO HOME BROKERS

Principal relief for stressed homeowners

Kathleen Pender
Published 11:18 a.m., Saturday, October 27, 2012

A limited number of underwater homeowners in California will soon be able to get principal reductions of up to $100,000 apiece on Fannie Mae and Freddie Mac loans through the federally funded Keep Your Home California program.

The federal agency that oversees Fannie and Freddie has steadfastly refused to allow permanent principal reduction on loans they own or guarantee on the grounds it would cost taxpayers money. But in mid-September, Fannie and Freddie told servicers they could immediately begin accepting money for principal reductions from programs financed by the U.S. Treasury's Hardest Hit Fund, including Keep Your Home California.

Fannie's and Freddie's willingness to accept money from Hardest Hit Funds does not signal a change of heart on the part of their regulator, the Federal Housing Finance Agency. Lest anyone get the wrong idea, Freddie says it will allow funds to be used for "principal curtailment."

"We don't consider it (principal reduction) in a way that is commonly understood. We are not writing off some percentage of the amount owed. We are simply accepting funds ... through this program to allow it to be applied to unpaid principal or arrearage," Freddie Mac spokesman Brad German says.

Fannie Mae spokesman Andrew Wilson says, "This in fact for us is not a principal reduction. It's a principal payment. It's as if your grandmother wanted to give you $50,000 to apply to your mortgage. In this case, the grandmother, as it were, was the Hardest Hit Fund."

Taxpayer funded

That may be, but the money is still coming from taxpayers. The fund was set up in 2010 to provide $17 billion in homeowner assistance to 18 states hardest hit by the housing crisis.

The California Housing Finance Agency set up four programs under the Keep Your Home name to distribute California's share - $1.9 billion. It allocated $772 million to principal reduction - enough to help an estimated 9,000 borrowers.

It could shift money from the other three Keep Your Home programs to provide more principal reductions, program director Diane Richardson says. The other programs make mortgage payments on behalf of unemployed and delinquent borrowers and provide transition assistance to homeowners who are going through a foreclosure or short sale.

To qualify for principal reduction in California, homeowners must live in the home, owe more than it is worth, be of low-to-moderate income, and be delinquent or have some hardship that puts them in imminent risk of default.

The balance on the first mortgage cannot exceed $729,750. Other rules apply, but there is no asset limitation. The maximum reduction is $100,000 per homeowner.

For eligible homeowners, the program will reduce mortgage payments to less than 38 percent of household income by reducing principal to between 105 and 140 percent of the home's value.

The goal is to provide a sustainable mortgage payment, not to provide instant equity. For that reason, the principal reduction is structured as a loan that is forgiven after five years.

Five-year plan

If a homeowner gets $100,000 in principal reduction and within five years sells the home for a profit or refinances and takes cash out, the profit or cash-out - up to $100,000 - must be used to repay the loan. After five years, there is no repayment requirement.

Under the original rules, servicers had to reduce principal by $1 for every $1 in principal reduction provided by the program, but few write-downs got done.

In May, the program eliminated the matching requirement and since then more servicers have taken part. To date, 2,511 homeowners have received principal reductions totaling $185.6 million - or roughly $74,000 apiece.

Fannie and Freddie say the elimination of the matching requirement allowed them to participate in the principal reduction program, but servicers are still gearing up to accept the payments.

"GMAC is on board, they are processing manually," Richardson says. "I think BofA will be on board in early November." She says the other large servicers have agreed verbally to accept the payments but couldn't say when.

BofA's program

BofA "is preparing to launch a new Hardest Hit Fund recast program for underwater customers in November," BofA spokesman Rick Simon says. "This program provides a one-time contribution through the Hardest Hit Fund to eligible customers to reduce their loan balance.

"Monthly payments are recalculated based on the new lower balance. There is no change to the mortgage rate or term." He says Fannie and Freddie loans will be eligible for the recast program, but state housing finance agencies will control eligibility, application and approval.

Wells Fargo spokesman Tom Goyda says, "We continue to work through the details of how Keep Your Home California funds would be applied to the principal on loans controlled by Fannie Mae and Freddie Mac, but are not yet able to do principal reduction modifications on Fannie and Freddie loans through the program.

"We have participated in a Nevada program that allowed borrowers to apply some of that state's Hardest Hit Funds to reduce the balance of a loan as part of a Harp refinance."

The Federal Housing Finance Agency says it has not changed its stance against permanent principal reductions. "Under the California program, the Hardest Hit Funds are paying off some amount of the outstanding loan balance; Fannie Mae and Freddie Mac are not reducing principal and are not sustaining any losses," agency spokeswoman Corinne Russell says.

In contrast, principal reductions under the Home Affordable Mortgage Program "would have resulted in substantial losses to both companies, both in the form of reduced principal and also from the infrastructure and systems costs."

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CNNMoney
A Service of CNN, Fortune & Money

Home prices rise for fifth month in a row

@CNNMoneyOctober 30, 2012: 10:50 AM ET

PHOTO: SCOTT OLSON/GETTY IMAGES

NEW YORK (CNNMoney) -- The housing market picked up more momentum in August, as the average home price for 20 major cities jumped 0.9%, according to the S&P/Case-Shiller home price index

The increase marked the fifth consecutive month of gains for the index with all but one city, Seattle, recording month-over-month price increases.

"The sustained good news in home prices over the past five months makes us optimistic for continued recovery in the housing market," said David Blitzer, spokesman for S&P.

The Case-Shiller report is one of many gauges of housing market health that has turned upbeat in recent months. New and existing **home sales** have been stronger, inventory of homes for sale has fallen and developers have stepped up building activity.

Slow improvement in the national economy has also boosted the housing market, as have record **low mortgage rates**. The rates for a 30-year loan have stayed below 3.7% since May. Combined with home prices that are still about a third less than they were when they hit their peak, these record-low rates have made homebuying very affordable.

Related: Obama's housing scorecard

Of the cities S&P's index covers, Phoenix has roared back the fastest, with a whopping 18.8% year-over-year gain in August. That marks the fourth month in a row of double-digit price hikes. Detroit prices rose 7.6% over the past 12 months and Miami's grew 6.7%.

Mike Larson, a financial analyst with Weiss Research, remains cautious about the outsized gains in Phoenix and some Florida markets. Much of the return represents "a resurgence in investor demand," he said. Investors now represent about 27% of the home purchases in the market, according to data from the National Association of Realtors.

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Most of these buyers are looking to take advantage of beaten down prices so they can rent out the properties at a healthy profit, he said.

"The fly in the ointment is that these buyers lack emotional attachment," said Larson. So unlike regular homeowners, they will likely not stick with the homes should the market head South again.

Among the three cities to have year-over-year losses, Atlanta recorded the biggest decrease in home values, with prices down 6.1%. New York was down 2.3% and Chicago fell 1.6%.

Rising prices are expected to continue, leading some economists to predict the **housing market** has finally turned a corner.

"Looking forward, price increases will continue," said Jed Kolko, chief economist for Trulia. His company has more recent data, for September and October, that shows asking prices on homes have risen.

"Prices on Election Day will be almost the same as when Obama took office, probably just 1.7% below where they were in January 2009," he said.

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First Published: October 30, 2012: 9:31 AM ET

Foreclosure victims buying homes again

By Pete Carey pcarey@mercurynews.com San Jose Mercury News
Posted:

MercuryNews.com

LIVERMORE -- R.C. and Stacy Davis lost their condominium to foreclosure in 2009, a bad break that seemed destined to keep them from buying another home for many years.

Yet on Wednesday -- only three years after their foreclosure -- the couple signed the papers to buy a four-bedroom house in Livermore.

Their avenue to homeownership? A loan backed by the Federal Housing Administration.

"We're as happy as can be," Stacy Davis said.

The ability to get an FHA loan so quickly after a foreclosure could be welcome news to thousands of people who lost their homes during the housing bust. In the coming 12 months, about 22,000 Bay Area foreclosures will hit the three-year mark.

While mortgage giants Fannie Mae and Freddie Mac make people wait seven years after a foreclosure, the FHA will approve loans after three years, providing the buyer has established good credit and the ability to pay the mortgage.

"There's definitely a movement of folks who have had a foreclosure to re-emerge and re-engage in the market," said Dustin Hobbs of the California Mortgage Bankers Association. He said brokers around the state have picked up on the trend.

"It helps the housing market," said Guy Schwartz of CMG Financial in San Ramon, which handled the Davis' mortgage.

The FHA, which is self-supporting, provides mortgage insurance for loans with low down payments and more flexible household income requirements. The Davis loan came with a 3.5 percent down payment plus required monthly mortgage insurance and a 3.75 percent interest rate on a 30-year loan.

"An FHA loan is a good option for those who can qualify," said Paul Leonard, California director of the Center for Responsible Lending. And there couldn't be a better time to try, he said.

"We are at near substantial price corrections," he noted. That, and low interest rates present "kind of a historic opportunity if people can qualify," he said.

But it's not clear whether there's a flood or a trickle of new borrowers with foreclosures in their recent past.

The FHA said it doesn't have data on how many of the loans it insures involve people who are buying homes after a foreclosure or short sale.

Wells Fargo, the country's largest FHA loan originator and servicer, said it doesn't break out those loans. In the first six months of this year, Wells Fargo has made more than $73 billion in FHA-backed loans compared with $47 billion last year, spokesman Jim Hines said.

Mason McDuffie Mortgage in San Ramon is working with foreclosure victims.

"We are making loans and have made loans to people who have corrected their credit," said Bill Godfrey of Mason McDuffie. "It's nice to see."

The borrowers are "people who waited three years, have a job and qualify," Godfrey said. "They have their credit, have a job and things are looking better. They may not be perfect ... but that's part of the way to move forward. Clearly there is some thawing in that area."

Some listing agents complain FHA loans take a lot more time and work. "It's a hard transaction to complete," said Bob Barrie of Keller Williams in San Jose. Barrie said he is listing a home next week in Santa Clara, and if there are multiple offers, a buyer with an FHA loan will be at a disadvantage.

The Davis' journey from foreclosure to new home began in 2005 when they bought a condo in Concord for $262,000 at the peak of the market.

The couple's interest-only, 100 percent-financed loan was a classic bubble product that became a formula for foreclosure during the housing crash.

To make things worse, the condo was in a rough neighborhood, said Stacy Davis, who is a special-education teacher at Mission San Jose High School in Fremont. Her husband is a senior producer for the Golden State Warriors.

They tried to sell the condo after their daughter was born, but no one wanted to buy it, Stacy Davis said. "We decided we're going to try to stick this out. We owned it and we would make it work."

So they remodeled, put in a new kitchen and molding.

Meanwhile, the neighborhood deteriorated. Shopping carts piled up on the sidewalk, she said. Graffiti blossomed on walls.

After their son was born, they tried a short sale and found a buyer. "Within a week, an upstairs bathroom pipe busted open and flooded the whole place -- the new kitchen, the molding, all destroyed. So the buyer backed out," she said.

Their condo in ruins, they moved to a rented house in Dublin and the bank foreclosed. Their credit rating dropped to about 500, but they were able to build it back to about 700.

"Within a year we were getting credit card applications. We didn't feel like it affected our lives at all," she said.

The purchase of the house in Livermore completed, the Davis family will begin moving in early next month.

Contact Pete Carey at 408-920-5419 Follow him at Twitter.com/petecarey.

U-T San Diego

Report: 32% of homebuyers are first-timers

By Lily Leung

Wednesday, October 31, 2012

Nearly one in three homebuyers in September were first-timers to the housing market, reported the National Association of Realtors on Wednesday in its **Realtors Confidence Index**.

That's up from 31 percent recorded in August and down from the historical norm of 40 percent, based on research from the trade group. The share of first-time buyers peaked in 2009, when it was 50 percent.

The change can be explained by the stricter guidelines to obtain mortgages, lengthy short sales and a high rate of investor purchases that often involve cash, the report said.

"Unsuccessful first-time buyers typically continue their property search, sometimes making a number of bids before securing a property," it continued to state.

Related: **6 tips for first-time homebuyers**

Common complaints from Realtors include: "Banks are not lending," banks are "taking way too long to give approval," and banks are "requesting more paperwork and records."

Locally, it appears first-time homebuyer interest is strong, if a recent workshop hosted by the San Diego Association of Realtors is any indication. Nearly 150 people came out to the Oct. 20 event to learn about financing options, types of sales and tips to be a more appealing buyer.

Figures from the National Association of Realtors are based on more than 3,400 responses from surveyed Realtors from Sept. 24 to Oct. 1.

Have story tips, a hot property listing or a question? **Email me**: **lily.leung@utsandiego.com | Tweet me**: **@LilyShumLeung | Subscribe to this blog**.

THE ORANGE COUNTY REGISTER

Homeowners make green upgrades that pay for themselves

By JEFF COLLINS
2012-10-28 12:58:37

Jan Shomaker doesn't have to look far to find the benefits of going green.

She remodeled her three-bedroom, two-bathroom Mission Viejo house to add energy-efficient lighting and appliances and natural ventilation to reduce summer cooling costs. Solar panels partially cover her roof, and solar tubes shoot light into dark rooms.

Her average electric bill? Just 91 cents. A month.

A neighbor with a similar house pays $450 a month for power.

And there's another benefit. Shomaker, broker-owner of SPS Realty, estimates that her $10,000 investment in eco-friendly renovations and components has boosted her home's value by about $50,000.

"You save money by going green," she said, "if you've done it the right way."

More and more developers are building environmentally friendly homes in Orange County. And homeowners are seeing added incentives to retrofit older homes with green and energy-efficient features.

Now, there's some evidence that those efforts can pay off when the homes are sold.

A recent University of California study found that green-certified homes sell for about 9 percent more than similar homes that aren't green. The study compared 1.6 million conventional homes sold in California from 2007 through 2012 to 4,231 LEED-certified, Green Point Rated and Energy Star-rated homes sold in the same period. The sample included nearly 117,000 conventional homes and 723 green-certified homes sold in Orange County.

Among the findings: A $10,000 investment in green certification raised sales prices by an average of $34,800.

Price premiums were highest in areas with hotter climates and higher air-conditioning costs. Buyers also tended to pay more for green homes in areas with higher rates of hybrid-car ownership – a sign of greater environmentalism dubbed the "Prius effect," the study said.

"These are kind of ballpark numbers," said study co-author Nils Kok, a visiting scholar at UC Berkeley who teaches finance and real estate in Holland. "(But) no matter how you twist and turn it, benefits (of green investments) outweigh costs."

The California study came on the heels of two industry surveys showing that homebuyers are willing to pay at least $5,000 extra for green homes, with two-thirds of buyers rating energy efficiency as important.

Kok noted that components that cut energy bills – such as dual-pane windows, insulation and solar-electric panels – matter most to homebuyers.

The cost benefits, however, aren't always apparent when looking at Orange County green homes.

Local agents say interest is high here in features that reduce utility costs.

Irvine broker Desiree Patno estimated that eco-friendly features add on average 2 percent to 5 percent to "a fully upgraded home with windows, solar, tankless water and light fixtures."

But agents Eileen Oldroyd of Mission Viejo and Erin Barry of Long Beach, who both have green Realtor designations, questioned whether homeowners get their full investment in green components back when they sell.

Homeowners can recoup anywhere from 50 percent to 90 percent of their investment in some eco-friendly features when a home sells, they said. Other features merely help a home sell quicker but have little effect on the home's sale price.

"In my opinion, you don't get 100 percent of improvements back on any property," said Oldroyd, a member of the Orange County Association of Realtors' green committee and owner of a car that uses recycled vegetable oil.

Oldroyd found five Orange County homes for sale that have green features or are green-rated, but were selling for about the same amount as comparable homes in their area or only slightly more.

Long Beach appraiser Rob McClelland, who teaches about green-building appraisals, says that green-certified homes are more likely to sell for a premium but not more than the amount invested.

"The reason they sell for more is they cost more to build," said McClelland, who does appraisals throughout Orange and Los Angeles counties. "The builder and the seller probably aren't going to make a profit on that."

There also are limits on how much buyers are willing to spend on green components.

Buyers are paying extra to add solar power and upgraded insulation to homes at KB Home's Whisler Ridge development in Lake Forest, said Steve Ruffner, the company's Southern California division president. The builder touted the development as the first "net-zero" tract home project in California.

But so far, none of the buyers has opted for the full "net-zero" package, which costs about $19,000 to $30,000 extra after federal rebates, he said. About half of the 58 Energy Star-rated homes have been sold.

"Solar probably is the winning option," Ruffner said. "It's the most efficient green add-on."

Many sellers and prospective buyers are not knowledgeable about the benefits of green upgrades, agents said.

Shomaker noted that the Terramor Village project at Ladera Ranch – featured in books and national news articles about green homebuilding – scarcely garners much attention for its eco-friendly features today. Out of 29 Terramor homes for sale, she said, only five had listings that mentioned the homes' green features.

"That's just a product of the owners not knowing what they have," Shomaker said.

Another roadblock, agents say, is that appraisers often don't take green features into account when assessing values for lenders.

Shomaker, chairwoman of the local Realtor green committee since its formation in 2009, persuaded her husband – albeit reluctantly – to do a green remodel on their home after the couple moved to Mission Viejo in 2006.

The Shomakers gutted the 1979 home, recycling wood and concrete from the driveway and rear patio. They removed the lawn, gave away palm trees and replaced landscaping with drought-tolerant plants and a shade tree. Habitat for Humanity removed cabinets, granite counters, sinks and lights to reuse in future projects

The couple also built extended eaves on front and rear patios to shield the house from summer heat. They installed solar attic fans to vent hot air and added dual-pane windows, wall insulation, attic heat barriers and a 50-year metal roof coated to reflect sunlight.

A tankless water heater and zoned heating and cooling system replaced conventional components. Fans and "awning" windows throughout keep the home cool at less cost than air conditioning. LED lighting, solar tubes channeling natural light into dark corners and 18 rooftop solar panels keep electricity costs down.

The Shomakers made their home 500 feet bigger, created large, open living areas and even clung to luxury items like a second refrigerator and wine cooler.

The project cost $160,000, but they would have spent all but $10,000 anyway, Shomaker said. Their combined gas, water and electric bills total $60 or less a month.

"It's the gift that keeps on giving," Shomaker said. Her husband, Allen, now retired and on a fixed income, has become a committed convert.

"You've got to start somewhere," said Allen Shomaker, a former marine clerk at the ports of Long Beach and Los Angeles. "It may cost a little more, but it will save you money in the long run."

Contact the writer: 714-796-7734 or jcollins@ocregister.com

State use of homeowner fund not the norm

Andrew S. Ross, Chronicle Columnist
Published 4:57 p.m., Thursday, October 18, 2012

When it came time to dole out the $26 billion to compensate homeowners for mortgage abuses perpetrated on them over the years, California was pretty good at the getting. But it hasn't been so good at the giving.

Of the $410.6 million in direct payments designated to help mitigate the damage done in the Golden State, very little is going to where it was intended. Instead, it's helping to plug Gov. **Jerry Brown**'s budget hole.

According to a report released Thursday, California is one of nine states that has devoted minimal amounts of the $2.5 billion set aside nationally in the settlement for foreclosure prevention, antifraud measures, legal aid, counseling and other relief programs.

On the other hand, 23 states are using all or most of the money for such services, while some governors in hard-pressed states, like South Carolina, fought legislators' attempts to use the money for more general purposes.

In California, Brown announced the switch in his May budget revise, which sought to cover the unanticipated $15.7 billion deficit. Most of it went to service housing bond debt, with $118 million "reserved for similar uses in 2013-14."

"We're looking for the money where we can find it," Brown said at the time.

Attorney General **Kamala Harris**, who fought hard for the nationwide settlement, was not happy. "While the state is undeniably facing a difficult budget gap, these funds should be used to help Californians stay in their homes," she said.

Harris's office said on Thursday that $18.5 million of the direct payments allocated to California are going for various settlement-related services, including the tracking of how the five major banks are spending the rest of the money due to California as part of the national settlement.

"We're using the balance to fund the California Monitor program, dedicated to ensuring that lenders keep their commitments to homeowners, and to support legal services and housing counseling for homeowners," said spokesman **Shum Preston**. "California homeowners are guaranteed to receive $12 billion in principal reduction for their loans under the commitment, and estimated to receive nearly $18 billion in total benefits."

All well and good, says **Andrew Jakabovics**, co-author of the report published by **Enterprise Community Partners**, a housing nonprofit in Columbia, Md. "I'm sensitive to the fact that the state faces a major budget shortfall, but given the very specific uses of the money detailed in the settlement, it's hard to argue that the governor was right to reallocate the funds.

"The direct payments were intended to repair some of the harm done. It is wrong to have treated the money as if the state had won the lottery."

-- "States Fall Short on Help for Housing." sfg.ly/T3x47w.

No there there: "We knew certain parts of government really wanted evidence of active spying. We would have found it if it were there."

So said a U.S. government investigator involved in a White House probe of **Huawei**, the Chinese telecom accused by U.S. lawmakers of being an espionage arm of the Chinese government.

The investigator was quoted by Reuters this week, in a report on the 18-month probe, the classified findings of which were leaked to the news agency. Chief finding: there is no evidence Huawei has spied for China.

This has to come as a disappointment to many, including the House Permanent Select Committee on Intelligence, whose 11-month "investigation" found that Huawei and another Chinese telecom company, **ZTE**, present threats to national security so severe that U.S. companies should stop doing business with them forthwith.

One of the two members who wrote the report, Rep. **Dutch Ruppersberger**, D-Md., did put on a brave face, insisting that Huawei and ZTE had failed to prove a negative - that they are not Chinese spies. "China has the means, opportunity, and motive to use telecommunications companies for malicious purposes," he reminded Reuters darkly.

The other member, the committee chairman, Rep. **Mike Rogers**, R-Mich., has so far not responded to the White House findings. Rogers had earlier raised an additional charge, outside of the report, against Huawei - that its equipment was being deliberately used to route proprietary information to China. However, the example offered by the committee, involving a Huawei computer in San Antonio turned out to be bogus.

The White House has not commented, although its own investigation reportedly does raise concerns about potential "vulnerabilities" in Huawei's networking equipment that could be exploited by outsiders for malign purposes.

"Huawei has not seen the report, but welcomes the vindication in terms of the integrity of our company," said **William Plummer**, a company spokesman.

"It would also like to highlight that the quality and security of our solutions are world-proven across over 150 markets by over 500 network operators, including 45 of the world's top 50."

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CNNMoney
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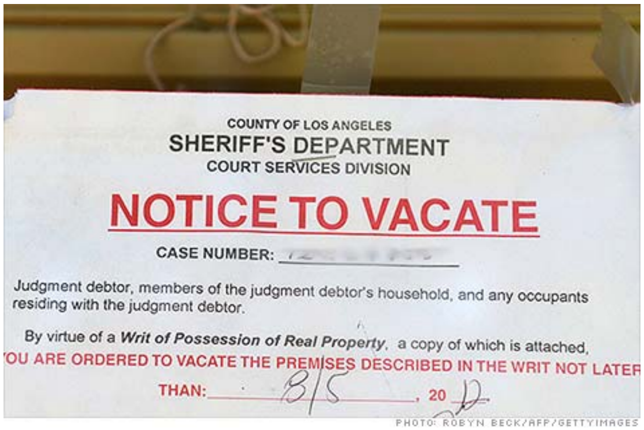
Foreclosures fall in 62% of U.S. cities

By Les Christie @CNNMoneyOctober 25, 2012: 5:28 AM ET



Recent data suggests the housing market is beginning to rebound.

NEW YORK (CNNMoney) -- Foreclosures fell in nearly two-thirds of the nation's largest metro areas during the third quarter, according to RealtyTrac Thursday.

With 62% of the nation's 212 largest markets seeing foreclosure activity shrink during the latest quarter, the ongoing decline is yet another sign that the housing market is starting to **stabilize**.

During September, foreclosure activity in 58% of the major metro markets had even dropped below September 2007 levels.

The numbers indicate that "most of the nation's housing markets are past the worst of the foreclosure problem," Daren Blomquist, RealtyTrac's vice president said in the report.

Major cities like **San Francisco, Detroit**, **Los Angeles**, **Phoenix** and **San Diego** saw foreclosures fall by double-digit percentages of 26% or more.

Related: Best Places to Live: Where homes are affordable

Stockton, Calif., which saw a 21% decline in foreclosures, still managed to claim the nation's highest foreclosure rate, however. "That foreclosures there are still the highest in the country speaks to how severe the problem was," said Blomquist.

Other California cities in the top 10, **Riverside**, **Vallejo**, **Modesto**, **Merced**, **Bakersfield** and **Sacramento**, all posted year-over-year declines of between 22% and 34%.

Yet, there are still some trouble spots, particularly in Florida.

In **Miami**, which had the 10th highest foreclosure rate, filings rose 11%. In **Jacksonville**, foreclosures were up 32%, **Palm Bay** saw a 64% increase, **Tampa** was up 43% and **Orlando** notched a 15% jump.

Blomquist attributed Florida's problems to the after effects of the robo-signing scandal. Florida is a "judicial state," where foreclosures get processed through the courts. Lenders hesitated to bring foreclosure cases before a judge until they were confident their paperwork would stand up to the stepped-up scrutiny that followed the scandal. But now that new rules have been put in place through the **$25 billion mortgage settlement**, they are playing catch-up.

Of the metro areas with the 20 highest foreclosure rates, all are still in California, Arizona, Nevada and Florida, with two notable exceptions. **Chicago** saw a 34% jump from a year-ago, and had the ninth highest foreclosure rate. **Atlanta** had the 15th highest rate. The good news there: Foreclosures fell 20% year-over-year.

Related: Government: We plan to sue more banks

In **Las Vegas**, filings fell dramatically -- 71% -- because of state legislation passed last year that requires lenders to file affidavits vouching for their paperwork and their foreclosure action against a borrower, Blomquist said.

Many lenders now bypass the foreclosure process entirely in Nevada, working with troubled borrowers to arrange short sales even before filing notices of default. That's not all good news, however. "[For cities like Las Vegas,] it's a shift in the way the distress is handled rather than the distress evaporating," said Blomquist. ■

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First Published: October 25, 2012: 12:45 AM ET

U-T San Diego

Should you accept offer to wipe out home loan?

By Lily Leung

Friday, October 26, 2012

What seems like a well-meaning offer from corporate America has turned into a hurdle for some borrowers in the late stages of a short sale.

Big-name lenders are notifying certain homeowners that they can get the debt of their second mortgages wiped out and those liens released, just like that.

The ideal outcome is to help borrowers who've defaulted on their home loans build equity so they no longer owe more than their homes are worth, which encourages them to continue making payments and stay in their properties.

Some of these offers have come with issues though, mainly for Bank of America clients. In some cases, the offers of full second loan forgiveness have or could have jeopardized those in the middle of a short sale, deals in which people sell their homes for less than what they owe on the mortgage as long **as the lender gives the green light**. In other cases, homeowners still don't have equity post-forgiveness.

These instances highlight the imperfections and unintended consequences that come with rolling out a massive program to help a lot of consumers quickly, said Katherine Porter, the California monitor of a **$25 billion deal between 49 states and five banks that was signed in the spring**. Lenders including Bank of America have forgiven and released second-loan amounts averaging $69,000, as part of that landmark deal that settled accusations of long-running mortgage abuse.

"There's definitely an effort to reach out to so many people, but there are definitely these friction points," said Porter, in an interview with the *U-T San Diego*. She has heard of similar issues from consumers throughout the state.

Brian Ruhl, a short sale Realtor in San Diego, has worked with clients who have experienced that kind of friction. In one case, Wells Fargo, the owner of the first loan, gave the OK to do a short sale, an offer good for only 30 days. More than a week later, the homeowner realized his second lien, owned by Bank of America, had been extinguished since he didn't opt out by the required date.

Even though Bank of America had fully discharged the debt of the second loan, it hadn't fully "released" the lien, which is required for a short sale to close. The estimated time for lien release was up to 90 days, which would cause his client to miss the 30-day closing deadline imposed by Wells Fargo.

Related: **Why the big banks are doing more short sales**

"They can't sell the property," said Ruhl, referring to the snag. "It delays the short sale process."

Ruhl had been unsuccessful in persuading Bank of America officials to release the lien sooner until the U-T began to ask questions about the transaction earlier this month.

Bank spokesman Richard Simon repeatedly told the U-T a second lien extinguishment would not affect the timeline or approval of a short sale and the goal is to release the second lien within a month to six weeks. The bank then corrected itself after looking into the file for one of Ruhl's clients.

"It appears that a limited number of short sales in the late stages of approval were interrupted and closed as the second-lien extinguishment program was rolling out and the short sale teams were uncertain how to treat the unfamiliar situation for him," Simon said.

Banks officials have promised to change the process and provide training to representatives so that these delays no longer occur, Simon said.

San Diego short sale negotiator Jacalyn Blank actually told two of her clients to say no to the second-lien forgiveness from Bank of America because she feared that their short sales would be delayed.

Bank reps gave her a 90-day release estimate, which again, would have delayed the short sale from closing, Blank said.

Another issue that has cropped up: Some borrowers will see no benefit from the program because they would still be underwater after their second-lien debts are discharged.

In both of Blank's cases, neither borrower would have been in an equity position following a forgiveness.

"I think it's a publicity stunt," said Blank, referring to the program. "I think it's a way for Bank of America to improve their public image. If you don't know the circumstances surrounding the individual's second loan, then it could look like you're doing a great thing."

So far, more than **2,800 homeowners in the nation have had their second liens "extinguished,"** totaling $199 million, or a rough average of $69,000 a person. Those numbers are based on a government report that covers March through June, the first four months of the settlement, so those figures have likely risen since then.

Bank of America, the most aggressive of the five banks in providing full forgiveness of second liens, **is in the process of notifying about 150,000 of its borrowers** that they qualify for these wipe-outs. Many of these second loans were absorbed after the purchase of Countrywide, which did a lot of piggy-back loans during the housing boom, said Porter, the public official keeping tabs on the mortgage settlement for California.

The more relief banks give, the more credits they get through the mortgage settlement. The sooner they rack up the needed credits, the sooner they are off the hook in providing consumer relief. Credit amounts also vary by relief.

Porter said she's aware of these second-lien forgiveness issues and stresses that no banks have received credits yet for any consumer help they've given so far.

The five lenders in the settlement agreement -- Bank of America, Wells Fargo, Citi, Chase and Ally -- must routinely submit reports to the national mortgage monitor. At some point, they will be grilled over the relief they receive and how much credit they would be due.

"I want the banks to get credit only where credit is due," she said.

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Consumer confidence at 4-year high

By Emily Jane Fox @CNNMoneyNovember 1, 2012: 11:01 AM ET

PHOTO: SCOTT OLSON/GETTY IMAGES

NEW YORK (CNNMoney) -- Consumer confidence in October rose to its highest level in four years, boosted by improvements in the job market.

The closely watched index, which measures how Americans feel about the economy, edged higher to a reading of 72.2 from a downwardly revised 68.4 in September, according to The Conference Board, a business research firm.

It marks the highest level since February 2008, when the country was at the early stages of a long and deep recession.

The reading came in slightly higher than what economists were expecting, according to a Briefing.com consensus.

A key factor behind Americans' optimism, was the improving **employment picture**. The number of workers reporting that jobs were "plentiful" increased more than 2%. People who are expecting more jobs in the coming months increased to 19.2% from 18.1%.

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This confidence in the job market comes on the heels of a positive report on Thursday, which showed that **private sector hiring** jumped in October.

These positive indicators land just a day before the closely-watched government's official monthly job report, which gives an expansive picture of national employment. It has taken on increased importance this month because it will give American voters one last snapshot into the health of the **job market** before the presidential election on Nov. 6.

Economists are expecting the unemployment rate to edge slightly higher, up 0.1% to 7.9%.

Economists keep a close watch on consumer confidence, because it often dictates how they spend. Consumer spending drives about 70% of the U.S. economy and it is particularly important during this time of the year, when retailers are gearing up for the **holiday season**.

"Consumers were modestly more upbeat about their financial situation and the short-term economic outlook, and appear to be in better spirits approaching the holiday season," said Lynn Franco, director of economic indicators at The Conference Board. ■

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