

Feds targeting short sellers

New rules seek to speed sales of distressed homes

By **DAVID WINZELBERG**

Residential brokers and real estate attorneys are looking to new federal rules on short sales to help speed closings in a still-stagnant Long Island home market.

Short sales, in which homes are sold for less than the amount of their mortgage, have surged in popularity over the past six years as recession-hit homeowners have sought to get out from underneath loans they can no longer afford and houses no longer worth what is owed on them.

More than 22 percent of homes currently listed for sale in Suffolk County and 16 percent in Nassau are short sales, and the

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numbers are expected to rise in the continuing flat market.

The government eased the rules for short sales last fall by allowing homeowners who were current on their mortgage – but underwater on their home's value – to qualify for short sales.

As a result, short sales outpaced foreclosures nationally for the first time last year.

Though increasingly popular with sellers, short sales are far less attractive to buyers because lenders have notoriously dragged their feet on approving the sales, which result in a loss against the loan value. It is not uncommon for a lender to require four or five months to approve such a sale, and as long as a year to close, local brokers and attorneys said.

"They're not motivated to do it," said Peter Goodman of the Goodman Law Firm in Melville, a boutique that specializes in short sales.

A new Treasury Department program, approved as part of the fiscal cliff tax package and set to go into effect next month, is designed to encourage lenders to respond to short-sale requests within 30 days. The rules are aimed at loans from traditional lenders, but government-sponsored entities like Fannie Mae and Freddie Mac are expected to voluntarily follow suit.

About half of the nation's home mortgages are held by traditional lenders.

Treasury Department spokeswoman Andrea Risotto said her agency has taken its cue from housing industry complaints that short sales are "very unwieldy and

cumbersome."

"The industry is moving toward one standard," Risotto said. "We're continuing to strengthen our program to make it homeowner friendly and as efficient and effective as possible."

The program offers financial incentives to lenders that comply with the federal short sale guidelines. Risotto



JOE MOSHE: New rules should boost the residential real estate market.

to said the Treasury Department also tracks the major lenders' short sale performance with monthly compliance reviews. Lenders also get quarterly report cards "to show we're holding them accountable," she said.

The main incentive for a lender in a short sale, of course, is avoiding the costs and arduous legal work of a lengthy foreclosure process, which is why the new rules are generally supported by the lending industry.

Joe Moshe, owner/broker of Plainview-based Charles Rutenberg Realty, said streamlined short sale rules will be a boost for an otherwise lackluster market. Last week, Moshe's firm launched a division dedicated to short sales that provides agents with experienced negotiators that will act as liaison between lenders, buyers and sellers. Agents also receive real-time updates on the progress of their short sales so they can keep clients in the loop.

"Short sales are a big part of our industry and getting bigger," Moshe said. "Anything that keeps them moving becomes a good thing."

And some experts, including short sale specialist Rich Klein, a partner in Mineola-based Diamond Law Group, said lenders have been getting better at moving short sales without federal help.

Klein said the three biggest reasons for short sale delays are sellers who aren't ready to leave, buyers who can't get approved for a mortgage and title issues, such as missing certificates of occupancy, judgments and liens.

"You're only as good as your weakest party," he said.

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