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HouseRebate.com Targeting Banks With Short Sale Program

BY NED RANDOLPH

As the housing crisis enters another calendar year, local online discount brokerage **HouseRebate.com** believes lenders may be more willing to approve "short sales" by delinquent homeowners.

Through its new short sale program, HouseRebate.com will identify homes in default, strike a deal with the homeowner and market the property on various Web sites and the region's Multiple Listing Service.

In a short sale, the owner sells the house for less money than what is owed to the bank.

If HouseRebate.com finds a buyer, it will negotiate with the bank by packaging the offer along with the seller's financial hardship, says Brian Yui, founder of HouseRebate.com.

"Basically, we're just giving the lender a complete package of the seller's financial condition and showing comps (comparable sales) and justifying that they're getting market value for the property," says Yui. "We'll also walk the neighborhood and contact the neighbors to see if anyone wants to buy it. We'll go door-to-door."

Often short sales can be done with no out-of-pocket costs to the homeowner, says Yui.

The goal is to make it easy for the banks to justify selling the house for less than what they are owed, versus engaging in the time and money of a drawn-out foreclosure process.

"It's to show that these people can't afford to stay in their house, to prove to the lender that they're better off selling it," says Yui.

Process Takes 120 Days

Foreclosures take 120 days to exhaust all required notifications, then repossess and re-list homes for sale.

Short sales can be concluded in a few weeks, depending on lender participation.

Lenders usually recoup less on foreclosed homes, which are often sold in bulk for a fraction of their market value, says Yui.

Foreclosures are not only destructive to neighborhoods, blighting them with empty houses, but severely damage homeowner credit ratings.

After a foreclosure, consumers cannot qualify for a government-approved loan for five to seven years, versus two years on a short sale, says Yui.

"Some homeowners try to keep the house nice to make a sale because sellers are motivated to save their credit," said Yui. "If it's foreclosed, it's empty and doesn't show as well."

Foreclosed homes accounted for half of all sales in San Diego in December, according to **MDA DataQuick** of La Jolla, which reported last week that notices of default surged 121 percent in December over November after a brief state-mandated moratorium.

Real estate professionals express dismay that banks refuse to approve short sales only to foreclose months later, and then sell the home for even less.

"It just doesn't make any sense," said broker Gordon Kane, owner of **Realty & Mortgage Consultants** in Poway.

Kane estimates that lenders lose as much as \$20,000 to \$40,000 on a \$400,000 property in foreclosure compared to a short sale.

"I avoid them like the plague," says Rex Downing of **Rex Downing & Associates**.

"From my perspective as an agent, it's like slave labor — doing a whole lot of work for a tiny bit of money."

Yui says banks are starting to come around.

"I think the time is right to launch this program, because lenders are more likely to do a short sale or loan modification now than a year ago," said Yui. "I also think they realize that if they don't do something, they will lose more money."

Consultant Hired

HouseRebate.com has hired Mortgage Resolution Services in Orange County to be its negotiator on short sale packages with banks.

The commission and closing costs — which range from 4 percent to 6 percent, depending on the bank — are paid by the lender.

HouseRebate.com splits the commission with the buyer's agent.

HouseRebate.com offers free loan modification kits with step-by-step instructions on how to modify mortgages — either by lowering interest rates, extending loan terms or delaying payments towards the principal.