

Real Estate

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BLUFFTON'S ONLY DAILY HOMETOWN NEWSPAPER

Short sales and foreclosures

BY FRANK DUNNE, JR.

SPECIAL TO BLUFFTON TODAY

A symptom of the current economic situation as it applies to the real estate market is the inordinate number of home foreclosures. According to RealtyTrac, there are currently more than 1,000 homes either foreclosed, in pre-foreclosure, or up for auction in Beaufort County alone.

This is nothing to celebrate, but there is, in fact, an upside when looking at the marketplace as a whole. The way to get a market to turn around positively is to get people to start buying real estate again. This is happening to some degree thanks to deflated home values (low prices) and low interest rates, but also because there are a lot of bargain hunters out there shopping for short sales and foreclosed homes.

Writing for RIS Media, real estate expert and trainer Darryl Davis notes interestingly, "Much of the population, and agents alike are unaware of short sales and their process." This is unfortunate because if it becomes necessary, a short sale could be the right move, and there are benefits to the homeowner, the buyer, the lender, and the real estate market at large.

The difference is simple. Foreclosure means that a lender has assumed ownership



Special to Bluffton Today

Savvy buyers can take advantage of "short sales."

of a home due to a homeowner's inability to make the mortgage payments. The foreclosed home is known as Real Estate Owned (REO). A short sale is a process by which the homeowner can avoid foreclosure by selling the home for less than is owed on the mortgage.

Certain conditions must be met in order for a short sale to happen, though. First, the lender has to agree to accept an amount less than is owed. Second, the homeowner must prove hardship (inability to pay the mortgage) with supporting documentation.

If the conditions are met and a short sale is executed, a substantial portion of the money owed is "forgiven," and the seller's credit rating not impacted as severely as

it would be with a foreclosure. The lending institution benefits because it is able to recoup more of the bad loan than might otherwise be possible. Of course, the buyer is getting a great deal.

Short sales also help the local real estate market in that the negative pressure on home values in the same neighborhood is less than if the short sold homes had been foreclosed.

Two things to keep in mind if you are interested in buying a short sale; you must be patient and you have to be realistic about how low you can make your offer. "You've got to do your homework," said Tisha Chafer of Century

SEE 'SHORT' ON PAGE 2

Financial questions and answers

BY ILYCE GLINK

TRIBUNE MEDIA SERVICES

Q: I have a home equity line of credit for \$50,000. I have had it for five years and owe nothing on it. As I recently lost my job, that line of credit is a means to survive.

My question is, do I try to grab all of it at once as a financial cushion, or would that send up red flags? Should I grab \$45,000, and leave a little room at the top? Is that less obvious or less damaging for my credit score? Is there a different optimal amount to take? My equity in the house is conservatively \$190,000.

A: Your question is particularly timely, since so many lenders and creditors are clamping down on lines of credit that they deem too risky – which these days is apparently everyone.

I have heard from some of my sources who work for credit card companies that the federal government is requiring lenders and creditors to have cash on hand equal to, in some cases, 40 to 50 percent of the credit that has been extended in the form of available credit on a credit card, or a home equity line

of credit (HELOC). To the regulators, the fact that you haven't borrowed from your HELOC up until this point doesn't mean that you won't eventually tap it to help you make it through a tough time, like a job loss.

So, if you have a \$50,000 line of credit, the federal government might require your lender to have \$10,000 to \$20,000 in cash on hand, just in case you borrow against your line of credit and then default.

I'm hearing from creditors that these requirements for cash on hand are unsustainable, given how much credit everyone has been extended over the past two decades. So everyone's credit is going to be clamped down.

For example, if you have a credit card that you haven't used in 12 months, the lender may close it or reduce the amount of total available credit. We're hearing from thousands of Americans who have had their home equity lines of credit reduced or closed. Not only does this make it difficult to access the credit you've so carefully preserved, but it will also tarnish your credit score.

Credit experts say that

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Short

From the cover

21 Southern Lifestyle Properties. According to Chafer, it is fairly common for bargain hunters to show up at the table with a lot of cash expecting the bank to accept an unrealistically low offer. This is a misconception.

"You have to remember, if a home is in pre-foreclosure the price is already substantially discounted. Paying cash isn't going to sweeten the deal," said Chafer. "Look at comparable sales in the neighborhood. The bank isn't going to take \$200,000 if comparable homes in the neighborhood are going for \$280,000."

Chafer also notes that the buyer needs to be patient with a short sale because banks aren't very quick to accept offers. "Sometimes the bank doesn't get back to you for two months," she said. "If you're in a hurry, or you're a nervous, emotional person, you'd probably do better to look at buying a foreclosure."

Q&A

From the cover

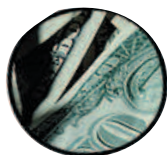
30 percent of your credit score depends on the credit you have available. Having less credit available (because the credit card company or HELOC lender has cut you off) will take some points off of your credit score.

To your question: You have to tread delicately. If you don't take money out of your credit line, you may be one of those who ends up having the credit limit cut and later regret that you didn't take the money out when you could. But taking a sizable amount of money without the means to pay back the funds can put you in a precarious situation.

Let's think about how this would play out: If you tap 80 to 90 percent of your line of credit, you will hurt your credit score at least a little. But if your credit line is cut substantially, that too might hurt your credit score, as you'll have less available credit.

Optimally, you'd never tap more than 25 to 30 percent of a line of credit – in your case, you'd only want to take \$12,500 to \$15,000. Anything more than that could lower your score a little, depending on other factors in your credit history. But since you might actually need the cash, it's better to take it now rather than want it later and not be able to get it.

Just remember, this isn't play money. It has to last until you



find a new job, and then you have to

pay it back, with interest. So spend it carefully, and with luck you'll find a new job soon. Make sure you understand the risks of taking the money out if you decide you have to. Remember, your home equity line of credit is tied to your house, so if you stop making the payments, you will put your house at risk of foreclosure. Good luck.

Top SC court lifts stop on home foreclosure sales

BY MEG KINNARD
ASSOCIATED PRESS WRITER

COLUMBIA – South Carolina's highest court has lifted a temporary stop on thousands of pending foreclosure sales in the state.

Supreme Court Chief Justice Jean Toal on Friday replaced an injunction with procedures to ensure foreclosures are handled uniformly while eligible homeowners seek out federal assistance.

Earlier this month, Toal ordered South Carolina judges to stop finalizing foreclosure sales on thousands of properties to give homeowners more time to take advantage of a new federal program to help them refinance mortgages.

Mortgage experts said Toal's ruling was the nation's first court-ordered stop for an entire state. Foreclosure listing firm RealtyTrac Inc. said Toal's order could affect 5,000 homes facing foreclosure

Homeowners turn to online home trading sites

BY LISA ORKIN EMMANUEL
THE ASSOCIATED PRESS

MIAMI—Diane Peek needed to move from Georgia to central Florida, but for six months no one even showed interest in the house she and her husband built outside Atlanta.

In suburban Orlando, Andrew Bou needed to sell his family home to move to Atlanta, but also no luck. Peek and Bou each joined a Web site that matches people willing to trade their homes. They punched in their needs, their likes and dislikes and like two singles finding love on a dating site, they became a match.

About seven months later, they swapped homes.

Peek and Bou are part of a small but growing number of homeowners who are turning to the Internet to swap properties. The sites — there are about a dozen — allow interested homeowners to browse potential swaps narrowed by giving preferences like price range, number of bedrooms and bathrooms, and city of choice. The homeowner also creates an account with the same information for others to browse.

"It was a wonderful experience for us," Peek said. "To me it's just a great thing with

the housing market the way it is right now. It's a great way to hold on to your equity if you have to move."

But some experts say they don't expect Online house trading to become a major trend because in most cases it's usually simpler to sell one's home, move to the other city and house hunt. Swapping also limits choices because the traders have to be swapping regions.

"I definitely know it's a growing market and certainly there are opportunities," said Paul Habibi, real estate professor at the UCLA Anderson School of Management. "I think these are

still going to be one-off transactions and not the norm."

Brian Stroka, owner of onlinehousetrading.com, the site Peek used to swap her home, said the swaps aren't pure trades — it's a little more complicated than that. Each party buys the other's home, getting a new mortgage. That gives a bit more flexibility as the homes can be of widely differing values.

On his site, it's free to post a proposed trade, profile and to look at properties. There is a \$29.95 one-time fee for advanced searches and he makes money from advertising.

The Tampa entrepreneur

has no way of tracking successful trades unless someone writes to thank him. He says his site is growing fast. He founded it in June 2007 and it has more than 50,000 profiles and gets about 75 new ones a day. It has also gone international with an additional 105 countries. He said he started his site after the "market started to get worse and worse and people couldn't sell their homes."

That's why Megan Seitz, a Detroit real estate agent, launched mkhomeswap.com in February. It has 270 registered users, who for a fee ranging from \$20-\$150 can trade, rent or sell their homes.