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## Distressed Homes in U.S. Sell at Biggest Discount in Five Years

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By John Gittelsohn



Dec. 2 (Bloomberg) -- U.S. homes in the **foreclosure** process sold for about 32 percent less than non-distressed properties in the third quarter, the biggest discount in five years, as buyer demand slumped, according to RealtyTrac Inc.

The average discount for bank-owned real estate, residences in default or those scheduled for auction rose from 29 percent a year earlier, **RealtyTrac** said in a report today. A quarter of all U.S. transactions involved those types of homes, according to the Irvine, California-based data seller.

Sales of foreclosure properties plunged 31 percent as the end of a buyer tax credit reduced purchases overall, RealtyTrac said. The decline came before loan servicers including **Bank of America Corp.** and **JPMorgan Chase & Co.** halted some home seizures amid claims that employees processed thousands of documents without verifying them, a practice known as robo-signing.

"The foreclosure-processing controversy, which was brought to light at the very end of the third quarter, could chill demand even further," **James J. Saccacio**, chief executive officer of RealtyTrac, said in the report.

Home seizures dropped 9 percent in October from the previous month, RealtyTrac reported Nov. 11. The company's data are from information recorded in government registers. Another company, **Lender Processing Services Inc.**, reported a 36 percent plunge, basing its figures on data collected from servicers at the time of foreclosure.

### Negotiating Price Cuts

Carl Chmielewski, a broker with Providence Realty LLC in Hudson, Ohio, who specializes in selling foreclosed properties, said 14 of his sales were put on hold in October while loan servicers or owners, including Bank of America, JPMorgan, **Fannie Mae** and **Ally Financial Inc.**'s GMAC unit, made sure the papers were properly processed.

Lenders are now more willing to negotiate lower prices for foreclosures, said Chmielewski, who said he sells 25 to 30 homes during a typical month.

"We're finding there's more flexibility by banks," he said in a telephone interview. "Offers that wouldn't have been accepted a couple of years ago are now."

Fannie Mae began offering incentives on its seized homes in September, including giving as much as 3.5 percent of the sales price for closing fees. Brokers representing buyers of Fannie Mae's foreclosed homes also stood to receive a \$1,500 bonus for closing a sale, according to a Sept. 23 **announcement**.

41% Discount

Bank-owned real estate sold at an average 41 percent discount in the third quarter, up from 35 percent a year earlier, RealtyTrac said. Discounts for homes in default or scheduled for auction averaged 19 percent, compared with 18 percent a year earlier. Most of those properties were short sales, in which a lender accepts less than the balance on a mortgage, said **Daren Blomquist**, a RealtyTrac spokesman.

The overall discount was the biggest since the fourth quarter of 2005, when the average was 34 percent. Only 0.5 percent of U.S. sales were foreclosures at that time, according to RealtyTrac.

Sales of **existing homes**, which make up more than 90 percent of the market, declined more than forecast in October amid the foreclosure moratoriums and the absence of the tax credit of as much as \$8,000, the National Association of Realtors reported Nov. 23. Purchases fell in July to the slowest pace in a decade's worth of record-keeping by the Chicago-based group.

To contact the reporter on this story: **John Gittelsohn** in New York at [johngitt@bloomberg.net](mailto:johngitt@bloomberg.net).

To contact the editor responsible for this story: Kara Wetzel at [kwetzel@bloomberg.net](mailto:kwetzel@bloomberg.net).

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