

StarTribune.com | MINNEAPOLIS - ST. PAUL, MINNESOTA

Foreclosures become more than some bargain for

Buyers seeking quick deals on bank-owned homes are losing out to the industry backlog.

By [Jim Buchta](#), Star Tribune

Last update: August 26, 2007 – 10:01 PM

No one needs to remind Danelle Hoepfner that the number of mortgage defaults is skyrocketing. Almost two months ago, she and her fiancé, Brad Cheney, made an offer on a Bloomington house that was in default, but they have yet to get a response from a California lender that holds the mortgage.

"With all the houses on the market, don't you think they'd want your money?" Hoepfner said. "I guess that's not how it works."

If you believe the infomercials promising instant wealth from distress sales, then the record number of foreclosures should mean easy pickings for investors. But real estate agents and prospective buyers say that offers on many bank-owned houses go unanswered for weeks and that closings are sometimes abruptly canceled.

Sales agents blame the delays on a growing backlog of listings and on ill-prepared mortgage companies that might be hundreds of miles away and grossly understaffed. Some experts say that buyers themselves are contributing to the problem by making unrealistic offers in hopes of snagging a bargain.

"It's unbelievable, and I'm hearing this from every agent I talk to," said Jay Anderson, of Coldwell Banker Burnet in Minneapolis, who has been waiting six weeks for a response to an offer of his own on a foreclosure home that he plans to hold for investment.

Listings backlog is growing

Experts say that buying a bank-owned property shouldn't take longer than a traditional transaction and that most come off without a hitch, but real estate agents say some buyers are facing increasingly frustrating delays as mortgage delinquencies rise.

Earlier this month, a Minnesota study based on sheriff's sales said there were 11,207 foreclosures statewide in 2006, and a record pace has continued through 2007. In July alone there were 975 foreclosures in the 13-county Twin Cities metro area, up from 392 a year earlier, according to RealtyTrac.

The sluggish housing market is doing little to help those who are unsuccessfully trying to sell their houses before the situation comes to a final sheriff's sale. These houses often become "short-sale" listings, in which the owner has made arrangements with the lender

to sell the property for less than is owed so that it won't go back to the lender.

Those transactions can be more complicated, in part, because the sale terms must be approved by the lenders. Additionally, those lenders often are in offices far away where loss-mitigation departments are struggling to process the listings and to prevent other homeowners from meeting the same fate.

Richard Bauer, the agent representing the anxious sellers of the house that Hoepfner and Cheney are trying to buy, said that, across the country, lenders are struggling to adapt to changing market conditions.

Bauer said that he has received four offers on the Bloomington house, but that none of the other buyers was willing to wait for the lender to process the offer, leaving the sellers closer to foreclosure.

"You hear that and it doesn't sound logical," said Bauer, an agent with Edna Real Estate in Minneapolis. "But you ask: 'Is this whole mess logical?'"

An expert's view

Danielle Babb, a California-based real estate investor and author, said inquiries about bank-owned listings have increased 400 percent nationwide, but because a typical lender can process only 10 to 12 a day, the levels are becoming unmanageable.

Babb said most major lenders and brokers are well-equipped to handle the barrage and have large staffs that can be reallocated from one task to the next. But many small- and medium-size companies that are new to the mortgage industry just aren't nimble enough to process these transactions quickly enough, she said.

"And with layoffs [happening within the industry], banks are even more understaffed, so they're not ramping up yet," said Babb, who recently coauthored "Finding Foreclosures."

Dan Arrigoni, president and CEO of Twin Cities-based U.S. Bank Home Mortgage, said his company doesn't have a backlog of listings, in part because it didn't offer the riskier sub-prime and Alt-A mortgages that are much more likely to default.

© 2007 Star Tribune. All rights reserved.