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3 Predictions for Distressed Properties in 2012

DAILY REAL ESTATE NEWS | THURSDAY, JANUARY 05, 2012

It's hard to know exactly what will happen with foreclosures, REOs, and short sales in the coming year. Factors such as employment, home values, and consumer confidence will determine whether they go up or down. The one thing that's certain is that they'll still be around and affecting the housing market.

"Foreclosures aren't going away right now," says Andy Firoved, CEO of CounselorDirect, a technology company that specializes in automating processes for various government foreclosure-prevention programs. "We're going to have a certain level. The question is, how many?"

Apart from quantity, there are certain things regarding distressed properties that can be predicted with some level of assurance, says Firoved, whose clients include housing departments in states with the highest unemployment and biggest declines in home values — the so-called "Hardest Hit." Here are three of his prognostications for 2012:

Prediction #1: Government home owner assistance programs will get more effective.

Most of the government's initial efforts at helping home owners who were threatened with foreclosure due to problems like job loss or medical expenses came up short. This was primarily due to a combination of poor promotion of the programs and arcane, overly bureaucratic processes.

Firoved says the underlying issue here was that federal and state governments were in too much of a rush to roll out these programs. "People came in with the best intentions, but had problems with the execution," he adds.

However, newer initiatives, such as the "Hardest Hit" mortgage assistance programs and the revamped [Home Affordable Refinance Program \(HARP\)](#), will likely get more traction because they're better publicized and administered.

"The word is getting out, and people are starting to get assistance," Firoved says. "These programs are starting to find higher-level efficiencies as well."

Prediction #2: The amount of evictions will stay the same or even go down.

While the number of evictions that have taken place over the past couple of years seems high compared with healthier economic times, they actually aren't as high as they could be. "The majority of [delinquent and foreclosed-on borrowers] have not been evicted," Firoved says.

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Why? For one thing, banks are hesitant to pursue foreclosures because of the [robo-signing issue](#), which still hasn't been settled. Also, evictions are labor-intensive and involve some thorny legal procedures, Fivored explains. Many banks simply don't have the will or the resources right now to evict all of those borrowers. "The problem is that there are a lot of people out there who haven't paid their mortgage in a while, and they have gotten used to it," he says.

Although "the party's got to stop at some point," Fivored is guessing it'll keep going, for the most part, through 2012.

Prediction #3: Banks will get creative in dealing with REOs and delinquent home owners.

That's not to say that lending institutions will remain passive this year. "In 2012, the theme is going to be managing the shadow inventory," Fivored says. "That's going to be two different things: REOs and delinquent home owners who they haven't done anything with yet."

According to him, banks will accomplish this by working out special deals, such as [leasing foreclosed and bank-owned homes to their former owners](#). They may even allow foreclosed-on and delinquent borrowers to continue living in homes without making any payments — at least in the short term — because they want properties maintained for eventual resale, Fivored says.

By Brian Summerfield, REALTOR® Magazine

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