

Kevin F. Jursinski: Obama's short-sale incentive program a failed opportunity

KEVIN F. JURSKINSKI - GUEST OPINION • JUNE 17, 2009

The real estate economy in Lee County has been hit harder by foreclosures than most other marketplaces in the United States. One foreclosure alternative is the proper utilization of a short sale with proactive guidelines to increase the chance for a successful loan workout.

Recently, the Obama administration, through the Treasury Department, created a modification to its existing mortgage foreclosure program, "Making Homes Affordable", which purportedly "streamlines" the short sale process to assist lenders, homeowners and real estate professionals in closing short sales. Unfortunately, they have missed a great opportunity and the new guidelines fall far short of their mark to accomplish the goal.

In a short sale, the purchase price of the property is less than the amount necessary to pay off the mortgage. The lender must consider waiving the deficiency or negotiating with the borrower for a settlement amount.

Currently, participants in short sales are frustrated with the process due to the amount of time to get a short sale offer approved by the lender. During this long delay period, interest, taxes, insurance, maintenance and expenses continue to increase.

The Obama administration, in an attempt to address this concern, created a program which will, sadly, have no real positive effect on the problem:

1. The short sale seller must apply for and attempt to qualify for the mortgage modification program.

This is a flawed requirement that creates more red tape inasmuch as a short sale has nothing to do with modifying a borrower's mortgage. In Lee County, the current loan-to-value ratio on most distressed properties eliminates these borrowers from qualifying for the mortgage modification program.

2. Borrowers with second home mortgages or investment properties are eliminated from the program.

There is no reasonable basis to exclude these borrowers who comprise a substantial portion of those affected by the foreclosure crisis.

3. The eligibility to the new short sale incentive restricts properties with second mortgages.