

REOs offer buyers chance at home ownership

Kaua'i Dreams Realty focuses on foreclosures

By Jon Letman
Kaua'i People

"Foreclosure" has become such a regular part of the recession's vernacular, for most people, it's just something they've grown accustomed to hearing almost daily. Hawai'i's foreclosure rate, while still relatively low compared with the top three states, Nevada, California and Florida, ranked 15th highest in the nation in May, an increase of nearly 400 percent from May 2008, by far the largest in that month's ranking.

What most people don't hear about, however, is what happens to a home after the foreclosure process forces its occupants out.

When banks take over ownership of a foreclosure property, they often work with a real estate broker who can help sell the home at the lowest best-value price in a given area to help reclaim losses quickly.

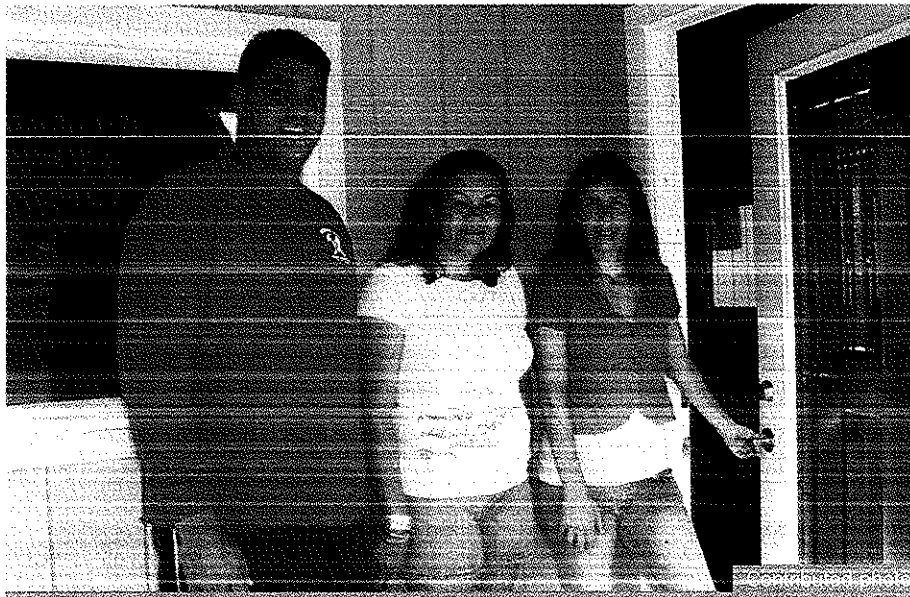
Unlike local banks in Hawai'i which tended to lend more conservatively, most foreclosures on Kaua'i have



come from mainland lenders like Wells-Fargo, IndyMac, American Home Mortgage Servicing, Inc. and others, said Julie Black, principal broker and owner of Kaua'i Dreams Realty. When those lenders foreclose on a home on Kaua'i, they may not have on-island real estate contacts and so they work with local agents.

Licensed and practicing on Kaua'i since 1984, Black works with many of the "real estate owned" (REO) bank foreclosed homes in Kaua'i's market today. Black has sold REOs since the 1990s – but instead of one each year, she now handles multiple homes that have fallen into foreclosure. Currently she has six active REO listings on Kaua'i with 18 more in the queue.

When Black realized the market was seeing an increase in REO properties, she aligned herself with a dozen mainland banks and went through the formal process to act as their representative on Kaua'i. REO



Realtor Julie Black, right, owner of Kaua'i Dreams Realty, opens the door to an REO home in Anahola for new owners Devin and Rema Caspillo.

transactions require far more paperwork than a normal home sale, Black said, so banks prefer experienced brokers who are familiar with local conditions.

Also, because banks want their foreclosed homes to move quickly and have no emotional attachments, they price them to sell. Banks ask Black what they think a home would sell for in a 30-day time frame and, as a result, prices are often much lower than the original loan.

A silver lining in the foreclosure-REO home market is, Black says, "that many buyers who were previously priced-out of the market, can now afford to buy. The overall depreciation in the market will definitely increase first-time buyers and that is good for the local population."

Black says an important consideration for REO home buyers is that these homes do not have the traditional warranties, disclosure

statements and other protections found in a conventional home sale. REO homes are sold "as is."

The REO market isn't limited to homes foreclosed on because of sub-prime loans and adjustable rate mortgages, she said, but includes sellers who must sell now and don't have enough equity or can't keep up with payments.

If an REO home is still occupied after the foreclosure process, banks some-

times offer "cash for keys" (CFK) relocation money intended to help occupants who are losing their home get out of the house and on the way to starting anew, probably in a rental unit. The CFK option is a faster, less expensive alternative to an unpleasant showdown in which law enforcement officers physically remove occupants from a foreclosed house.

Black said she thinks the noticeable increase in recent home foreclosures in Hawai'i may be due, in part, to the fact that many mainland banks left Hawai'i inventory "at the bottom of the pile," concentrating on mainland foreclosures first. Only now are they getting caught up and dealing with the problem in the islands.

Black expects the REO market to remain strong through 2009 and then possibly decrease next year. She says, "I personally would be happy to see a decrease in the market since that will mean fewer people are losing their homes."

To view REOs on Julie Black's blog, visit <http://blogs.alohaliving.com/kauai-real-estate-investors/>.