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## Short Sale Delays Drive First-Time Buyers From Market: Survey

BY: CARRIE BAY

09/26/2011

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Processing delays have taken their toll on first-time homebuyer interest in short sales, according to the latest *HousingPulse Tracking Survey* released by Campbell Surveys and *Inside Mortgage Finance* Monday.



First-time homebuyers were a part of 39.7 percent of the short sale transactions completed in August, the *HousingPulse* survey found. That tally marks a three-month slide in the share of short sales that went to first-time buyers, and is the lowest percentage for this buyer segment ever recorded by the survey.

The first-time homebuyer share of short sales hit a peak of 54.1 percent of all short sale transactions in November 2009, just before the originally-scheduled expiration of the federal homebuyer tax credit, according to Campbell Surveys.

Short sale transactions have garnered a reputation for being problematic for buyers and sellers alike, with typical approval times of several months after a homebuyer first submits an offer.

Campbell Surveys has found that factors slowing down short sale approvals include lost paperwork, coordination with multiple investors, slow appraisals, and mortgage servicer

for approval of the transaction – short sale transactions are becoming less popular with first-time homebuyers, according to the polling firm

Still, for some first-time homebuyers, average short sale prices of 27 percent less than non-distressed properties compensated for the wait time, Campbell Surveys said.

Short sales are just one type of distressed property, with foreclosed REO homes also a significant component of today's housing market.

In August, the *HousingPulse* survey found that short sales accounted for 17.1 percent of the home purchase market, with damaged REO and move-in ready REO accounting for 13.2 percent and 15.6 percent, respectively.

Real estate agents responding to the August survey indicated that homebuyers frustrated with short sale delays are resorting to placing offers on multiple properties, with the intention of closing on only one. This practice can further bog down the short sale approval process.

The state of California is a hotbed of short sale activity, with these sales accounting for 31 percent of home purchases in the month of August, according to the *HousingPulse* survey.

“Short sales buyers/investors were generally looking at several properties and if one already had first and second approval, buyers would move towards the property that had a better chance of closing sooner. They would get tired of waiting on the short sale process,” commented one California agent.

“I feel that selling agents are telling the buyers it's okay to write multiple offers because they can walk away with no risk, especially on short sales,” reported another agent.

The *HousingPulse Tracking Survey* from Campbell Surveys and *Inside Mortgage Finance* polls approximately 2,500 real estate

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