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South Florida Business Journal - October 11, 2010

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South Florida BUSINESS JOURNAL

Blog: Heard Along the Coast

Foreclosure Fallout Grows

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Monday, October 11, 2010, 2:08pm EDT | Modified: Monday, October 11, 2010, 4:20pm

A political debate is growing as more lenders call a halt to foreclosures, some politicians advocate a general freeze and worries about the economic ripples grow.

On Monday, the *Washington Post* [reported](#) that the Obama administration doesn't want a national freeze after House Speaker Nancy Pelosi and Senate Majority Leader Harry Reid called for more aggressive action.

On "Fox News Sunday," U.S. Rep. Debbie Wasserman Schultz, D-Pembroke Pines, was asked whether Democrats would support a moratorium on all home foreclosures and responded: "I do ... I think we need a combination of a freeze, potentially, and also we need to sit down ... with the banking industry and talk to them about ways in which we can help them be able to work those mortgages out," according to a Fox News blog.

Read more [here](#).

On Monday morning, CNBC's Larry Kudlow and Trish Reagan interviewed Fort Lauderdale attorney Shari Olefson, of Fowler White Boggs.



Shari Olefson

She took the "no" side of a debate on whether there should be a general moratorium on foreclosures, as some in Congress have urged.

"I think all foreclosures is all too big of a bucket to stop. There are a lot of foreclosures done correctly," she said in a telephone interview with the *Business Journal* after her television appearance.

A lot of homeowners don't want their own foreclosures stopped, either, said Olefson, author of "Foreclosure Nation: Mortgaging the American Dream."

One reason the foreclosure system was designed to move quickly was to keep lawyer fees down for those facing foreclosure, she said.

Federally controlled Fannie Mae had one of the quickest time lines, she said.

A *Washington Post* article on Sunday said federal officials started hearing as far back as 2008 about problems in the mortgage servicing industry.

The lead paragraph of the [article](#) says the system "was designed to seize people's homes as fast as possible, often without regard

Olefson said she hadn't read the *Post* story, but she heard about it. I read a bit of it to her and asked how much of a political issue this will be.

"Not to be totally cynical about it, but I think it is the political hot potato. It is *the* issue and I think there are politicians jumping aboard this," Olefson said.

The foreclosure freezes appear to be having an effect on the amount of available resales and pending sales in South Florida, said Peter Zalewski, principal of Bal Harbour-based Condo Vultures.com.

Available inventory in Miami-Dade, Broward, and Palm Beach counties shrank by 1.8 percent in the two weeks since the policies started being, going from 69,229 condos, townhouses, and single-family houses on Sept. 27 to 67,977 properties as of Oct. 11, Condo Vultures found. Pending sales have dropped 2.4 percent from 21,119 on Sept. 27, down to 20,622 as of Oct. 11.

Caught in the middle are brokers who handle foreclosure resales.

Kevin Berman, president, broker and owner of [Banker Realty Services](#) in Fort Lauderdale, said he's fortunate that a lot of his deals don't involve banks that have issued foreclosure moratoriums.

"I know people that it has put everything at a standstill," he said. "The sales have been postponed till the end of December."

While he doesn't see a horrendous situation, the moratoriums "could be catastrophic" for some brokers, he said.

Berman says he knows what to tell investors about the status of 16 properties his firm is involved with, but knows colleagues at other firms who can't find out what's going on from banks.

"They don't even know what to tell the buyers," he said.

Berman said he's seeing a drop-off in calls from potential buyers, and expects some current deals to fall through as investors walk away.

The good news is there doesn't seem to be a wave of title insurers declaring moratoriums on writing policies on foreclosures. That means potential buyers can still get title protection, although Berman expects title insurance rates to go up.

A potential upside is that transactions in general could be handled more properly and foreclosures "that shouldn't be done won't get done," he said. That could include short sales or modifications that keep people in their homes.

Meanwhile, the national media is putting an intense focus on foreclosure moratoriums, partly delving into what the halts mean to the economy. (I did a keyword search on "foreclosure moratoriums" this morning and there were 2,323 related articles.)

The Associated Press [reported](#) that Karl Case, of the S&P Case-Shiller housing index fame, says the moratoriums could slow the housing recovery.

A *Wall Street Journal* [blog](#) found foreclosures take, on average, 100 days longer in Florida, where judges are involved, than in California, where judges are not.

And this even includes Florida's use of the "rocket dockets," with retired judges being pressed back into action.

As to the political details, the Sunday *Post* article says a congressional oversight panel did a report in March 2009 about the sloppy paperwork issues, and the Government Accounting Office also weighed in.

One potential political issue is touched on in a paragraph that says servicers make more money when they foreclose on, rather than help, borrowers. A number of attorneys general are investigating these types of issues. (We're waiting to hear back from Florida Attorney General Bill McCollum.)

Not all lenders say they have problems, though.

Wells Fargo said Friday that its affidavit procedures were accurate, according to an [article](#) in the *San Francisco Business Times*, one of our sister newspapers.

Among the lenders that have halted foreclosures in some states are PNC Financial Services Group, Bank of America, JPMorgan Chase & Co. and GMAC Mortgage.

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