

**For Immediate Release**

**Contact:**

**Sofia Gutierrez**  
**ForeclosureS.com**  
**916-781-0648**  
**sofia@halldinpr.com**

## **Foreclosures.com: Stress Tests are In. Banks Need Capital.**

### ***‘Phantom Inventory’ of Foreclosed Properties Goldmine for Buyers***

**SACRAMENTO, Calif.** – The nation’s banks need cash and their bulging portfolios of “hidden” foreclosure inventory are one ticket to help them get it, if they price it right. That’s the bottom line based on analysis of the foreclosure numbers and today’s economics by ForeclosureS.com, a leading real estate information provider and publisher of the U.S. Foreclosure Index.

Forget the news headlines that scream “Foreclosures Soar”—just over one million homes were lost to foreclosure last year with this year on track to hit 1.2 million by year-end. Last week half of the nation’s largest banks failed the government’s much ballyhooed “stress” test. The test, the Supervisory Capital Assessment Program or SCAP, looked at current and expected future bank capital requirements and what might happen to the nation’s 19 largest bank holding companies in the event of a “worst-case” economic scenario.

“The real news is many of these banks need to raise capital and whether they announce plans to do so through common stock offerings (Wells Fargo, Capital One Financial, U.S. Bancorp, KeyCorp, and BB&T Corp. already have) or not, that can

translate to incredible deals for consumers on bank-owned foreclosure inventory,” says Alexis McGee, foreclosure expert, educator, and author.

“This isn’t a pipedream amid a recession with 8.9 percent national unemployment and foreclosures at all-time highs,” says McGee, also president of ForeclosureS.com.

“This is reality as tax incentives beckon, and affordability is at 38-year highs, housing supplies tighten, and markets bottom. Now is the time for homebuyers and investors to press capital-hungry banks to unload their ‘phantom’ REO inventory.”

‘Phantom’ inventory is the bulging portfolios of non-performing assets, REO (lender-repossessed foreclose properties) which are NOT for sale on the nation’s Multiple Listing Service (MLS is the standard real estate listing service). Currently only about 30% of all bank REO’s are listed for sale in the MLS.

“This is a staggering low number,” McGee explains. “That leaves 70% of lender-owned REO’s that no one knows about potentially available for sale. Despite their need for more capital to shore up financial reserves against future losses, many banks continue to hold back these foreclosed homes to sell later to prevent flooding markets and depressing prices,” adds McGee.

“To avoid bidding wars on low-priced MLS listed foreclosures, you need to find out about and work the ‘phantom’ REO inventory, and then make the bank an unsolicited offer,” says McGee. “Potential buyers can find those properties by researching public records for Trustees or Sheriff’s Deeds (type of deed issued to buyer at foreclosure by a Trustee Sale or Sheriffs Sale) or from foreclosure information providers like <http://www.foreclosures.com/lists/> that will do the work for you. Don’t wait for banks to list the property for sale on their own websites or for it to make it to the MLS. That is

where you competition is and will only create bidding wars (and higher prices) on well-priced listed REO properties. The great deals will sell to savvy ‘insider’ buyers who work the ‘phantom inventory.’ And you need a reliable source of inside information to get these deals,” adds McGee.

Economic developments—official reports and anecdotal evidence--suggest that buying now makes sense, too. Consider a few statistics:

- Housing affordability remains at near-record highs. Based on the National Association of Realtors’ Housing Affordability Index, a median-income family earning \$61,500 could afford a \$291,600 home in March assuming a down payment of 20 percent and with 25 percent of gross income devoted to mortgage principal and interest. In January, that same family could only afford a \$283,400 home and just a \$263,300 property at the beginning of 2008. Total existing-home sales were at a seasonally adjusted annual rate of 4.59 million units in the first quarter, according to NAR statistics, down 3.2 percent from the fourth quarter, and 6.8 percent from first quarter of 2008.
- First-time homebuyers, capitalizing on the current affordability, accounted for half of all home purchases during the first quarter, according NAR’s latest report. In releasing the data, Realtors’ chief economist Lawrence Yun pointed to these nearly 455,000 buyers as “critical” for the housing recovery.
- Home prices already are climbing in some areas, NAR reports. In the first quarter, 18 of 152 metropolitan statistical areas reported year over year price gains, while 134 reported lower median existing single-family home prices in comparison with

the first quarter of 2008. Nationally, the median existing single-family price was \$169,000. That's 13.8 percent below the first quarter of 2008.

- Sales of new single-family homes were at a seasonally adjusted rate of 356,000 in March, down 0.6 percent from February, according to numbers from the U.S. Census Bureau and the Department of Housing and Urban Development. The median sales price of a new home in March was \$201,400.
- Pending home sales also climbed in March, according to the NAR's Pending Home Sales Index. The index, based on contracts signed, increased 3.2 percent over February, and is up 1.1 percent from a year ago.
- Qualified first-time homebuyers are eligible for an \$8,000 tax credit for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009, according to provisions of the American Recovery and Reinvestment Act.
- The government has taken steps to increase the ability of lenders to make more loans. On May 1, the Federal Reserve announced that beginning in June, commercial mortgage-backed securities (CMBS) and securities backed by insurance premium finance loans will be eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF). The CMBS market came to a standstill in mid-2008. CMBS accounted for almost half of new commercial mortgage originations in 2007.
- Individual states, including California, Arizona, Nevada, and Florida, report rebounding housing markets. In California, for example, the nation's foreclosure leader, existing home sales increased nearly 64 percent in March, with the

statewide median price of an existing single-family home up 2.2 percent in March to \$253,040 compared with February 2009. CAR's Unsold Inventory Index fell to just 5 months in March, compared with 12.2 months in March 2008.

ForeclosureS.com has been the professional's source for accurate foreclosure property information for more than 20 years. With that in mind, we're revamping our approach to the foreclosures numbers in order to provide the most up-to-date, useful reports that tell the real story of foreclosures across the country. Stay tuned as we debut a new and improved U.S. Foreclosure Index for the Second Quarter 2009 in July 2009.

In the interim, keep in mind that not all pre-foreclosures end up as lender-owned repossessions. The foreclosure process varies by state, and can include notice of default, notice of foreclosure auction, and/or notice of REO (lender-owned real estate that occurs after a foreclosed property fails to sell at auction and reverts back to the lender).

For Foreclosure Statistics and Information for your area, as well as expert commentary from Alexis McGee, president of ForeclosureS.com, please contact Sofia Gutierrez, ForeclosureS.com, 916-781-0648 or [sofia@halldinpr.com](mailto:sofia@halldinpr.com).