

THE WALL STREET JOURNAL. Digital Network W.S.J.com MarketWatch BARRON'S All Things Digital.

Tuesday, December 2, 2008 As of 7:41 PM EST

THE WALL STREET JOURNAL. REAL ESTATE

Today's Paper • Video • Columns • Blogs • Graphics • Newsletters & Alerts • New! Journal Community

HOME U.S. WORLD BUSINESS MARKETS TECH PERSONAL FINANCE LIFE & STYLE

BUYING & SELLING SECOND HOMES HOME & GARDEN

TOP STORIES IN Real Estate

Lenders Tiptoe Into Bulk Sales 9 of 10

Toledo Tries to Shake Detroit's Shadow 10

REAL ESTATE | DECEMBER 2, 2008, 7:41 P.M. ET

Lenders Tiptoe Into Bulk Sales

Glut of Foreclosed Homes Spurs Some Trial Runs

Article Comments

Email Printer Friendly Share: Yahoo Buzz Text Size

REAL ESTATE

DECEMBER 2, 2008, 7:41 P.M. ET

Lenders Tiptoe Into Bulk Sales Glut of Foreclosed Homes Spurs Some Trial Runs

By JAMES R. HAGERTY

As the glut of foreclosed homes swells, banks and other lenders are starting to warm to the idea of selling some of the homes in bulk to investors, a departure from the practice of selling homes one at a time.

For the past year, investors have been eager to buy large numbers of homes from lenders at knock-down prices. Lenders have generally resisted that idea, but now some are trying it out on a small scale.

Barclays Capital estimates that banks and loan investors owned 871,000 foreclosed homes as of Nov. 1, up from 414,000 a year earlier. Barclays

forecasts that this inventory will peak at around 1.4 million homes in mid-2010.

That deluge has persuaded some banks to start bargaining. In recent months, Wells Fargo & Co., Fannie Mae and Synovus Financial Corp. have negotiated a few transactions and have signaled to investors they might be willing to do others.

So far, no major lender has fully embraced the idea of selling in bulk. In many cases, they say prices that investors are demanding remain too low. The banks say they can get more money for most homes selling them through local agents. If investors buy homes and quickly flip them for a higher price, banks feel they have just let a middleman earn proceeds they should have been able to get on their own.

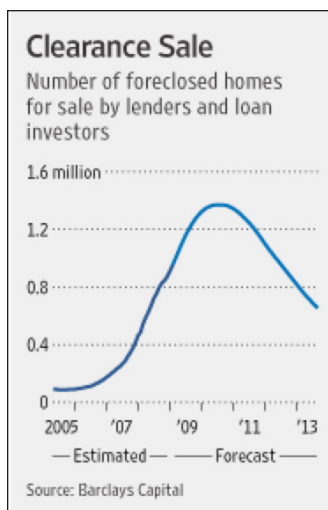
“We are getting a ton of bottom fishers,” says Barbara Desoer, president of mortgage and insurance services at Bank of America Corp., but the prices being offered aren’t attractive. Ms. Desoer says Bank of America, which this year became the nation’s largest mortgage lender by acquiring Countrywide Financial, isn’t doing bulk sales for now.

Still, others are starting to experiment on a limited basis. Wells Fargo, the nation’s second-largest home mortgage lender, expects to keep selling most of the homes one by one through local agents. But in the past six months, the bank has completed half a dozen bulk sales and is evaluating another one, says Ben Windust, a senior vice president at the banking company. He says each such sale has involved 20 to 40 properties. In most cases, the sales involved homes that proved difficult to sell through local real-estate agents or that need lots of repair work to make them salable. Lenders seem more comfortable considering bulk sales of low-value homes in marginal neighborhoods and in regions where housing demand is weakest.

James Odell Barnes, an investor in South Carolina, says he and a group of investor partners recently paid about \$1.2 million for a bulk purchase of about 800 homes from Fannie Mae. That works out to about \$1,500 apiece on average. A large share of the homes were in Detroit and other depressed Michigan cities; others were in cities including Indianapolis, Pittsburgh, Memphis, Tenn., and Toledo, Ohio. Mr. Barnes says he quickly resold for about \$50,000 one of the Detroit homes purchased from Fannie for \$1,800.

A Fannie Mae spokesman declined to comment, but the company has acknowledged an openness to considering bulk sales. Fannie has a huge and expanding backlog of homes to sell. It reported last month that its inventory of single-family foreclosed homes on Sept. 30 was 67,519, about twice as many as it owned nine months earlier.

Fannie’s main rival, Freddie Mac, says it is open to bulk sales but hasn’t been able to reach acceptable terms. “We don’t accept 20 or 30 cents on the dollar,” says James “Chris” Bowden, a Freddie vice president.





**Jim Simon, chief executive
Gibraltar Global Group**
www.gibaltarglobal.com

Gibraltar Global Group LLC, Shelton, Conn., created in January by executives with experience in corporate relocation services, has completed several small bulk purchases, says **Jim Simon, chief executive**. Gibraltar makes repairs when necessary and then lists the homes for sale through local brokers, he says, adding: “Frequently the houses are in terrible condition.” Mr. Simon says he and his colleagues got experience in finding buyers for foreclosed homes in the housing downturn of the late 1980s and early 1990s.

Some homes get sold at least twice before new occupants move in. An example is a three-bedroom house on Burnt Leaf Lane in Snellville, Ga., a suburb of Atlanta. The home had sold in March 2007 for \$116,900. After the owners defaulted, Saxon Mortgage, owned by Morgan Stanley, acquired it through foreclosure in April 2008. Saxon sold the home to Gibraltar for \$39,000 in September. Two weeks later, Gibraltar sold the home for \$50,000 to Real Property Investment Group LLC of Atlanta. Gibraltar’s Mr. Simon says his firm’s profit on the transaction after commissions and other costs was \$4,600. Normally, he said, Gibraltar sells homes to owner-occupants rather than investors like Real Property.

A Morgan Stanley spokeswoman declined to comment.

Partly for public-relations reasons, lenders are expected to be more open to considering bulk sales to nonprofit groups seeking to acquire homes in poor neighborhoods as a way to prevent blight and create affordable housing.

Housing and Neighborhood Development Services, Orange, N.J., is setting up a nonprofit company to pursue such deals. Harold Simon, executive director of the new company, says it is negotiating to buy mortgages backed by about 100 homes, mostly in northern New Jersey. He declined to identify the seller of those loans.

—Ruth Simon contributed to this article.

Write to James R. Hagerty at bob.hagerty@wsj.com