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CitiMortgage paying borrowers \$12,000 after a short sale

Posted By [JON PRIOR](#) On June 16, 2011 @ 4:34 pm | [No Comments](#)

CitiMortgage, the mortgage servicing arm of **Citigroup** ([C](#)^[1]: 38.13 +1.33%) is paying borrowers an average \$12,000 after completing a short sale this year.

Justin Rand, the senior vice president of loss mitigation at the bank, said servicers are putting more of an emphasis on streamlining the process and pursuing a short sale ahead of foreclosure. The short sale process in 2009 took an average 120 days from listing to close. But by reaching out to borrowers instead of waiting for them to ask the bank, short sales now take an average 83 days to complete, Rand said at a panel for the REO Expo Conference in Fort Worth, Texas, earlier this week.

"For Citi-held portfolio loans today, we have a little over 16% of delinquent loans in a short sale program," Rand said, adding that increased from roughly 4% two years ago.

Not only are the timelines shrinking to complete these deals, but the incentives paid to qualifying borrowers – again only on loans owned by Citi – increased in recent years as well.

In early 2009, Citi offered an average \$1,500 to qualifying borrowers. That went up to between \$3,000 and \$5,000 in 2010 and finally up to an average \$12,000 so far in 2011, Rand said.

"Incentives will be offered to customers experiencing financial hardship who need funds to proceed with the short sale," a Citi spokesman said. "The amount, which is agreed upon up front, varies according to the borrower's individual circumstances and loan characteristics. It is disbursed to the homeowner when the sale is completed."

The key to a successful short sale, just like modifications, is the timely collection of financial documents. Regulators helped move the process along with guideline changes to programs like the Home Affordable Foreclosure Alternatives initiative, which lessened the amount of documents required.

"It took us about 30 days to collect documentation in 2009 to now less than 10 days," Rand said. "A lot of the time, for seriously delinquent loans, all we need is just a letter of authorization from the homeowner."

David Sunlin, the operations executive for short sales at **Bank of America** ([BAC](#)^[2]: 10.675 +0.71%) was on the same panel as Rand. He said the entire industry is becoming more proactive. BofA [completed](#)^[3] more short sales than REO every month for the last year and a half. The short sale department at BofA grew from 150 people to now over 3,000. Each employee handles roughly 75 cases.

"We're past the point where we're bumbling around losing files," Sunlin said.

Rand said the big shift began in 2009 as the **Treasury Department** was putting together plans for the HAFA, which would launch in April 2010.

"In 2009, we started a proactive approach, reaching through MLS services and reaching out to real estate agents and customers with underwater mortgages, distressed loans," Rand said. "We're not going to turn anybody away if the short sale meets the net requirement we're looking for."

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[1] C: <http://finance.yahoo.com/q?s=C>

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