

# Real estate: Our readers weigh in on walking away from a home

**Damage to credit is noted; short sale as alternative to foreclosure is an option**

**By Josh Brodesky**

ARIZONA DAILY STAR

Last Sunday's column about the idea of underwater homeowners walking away from their properties generated such a wide variety of responses — from enthusiastic support to calls for personal responsibility — that I thought we would return to it for a follow-up.

It seems fitting, really. With more than 68,000 Tucson homes now underwater — where the owners owe more than their properties are worth — conversations about just what to do are playing out across our community. They are a part of our fabric, sadly. And it seems appropriate to further that conversation with a few comments from readers and others.

University of Arizona law professor Brent T. White, who has argued that walking away can at times be in the best economic interest of severely underwater homeowners, has continued to get attention for the idea. He was on Fox Business last week, where he held his own despite some tough questions about the credit hit taken by homeowners who walk away.

Now I'll step aside and open up the column to a handful of interviews and e-mails.

## **The credit hit**

"The trade-off is you ruin your credit," UA economist Marshall Vest said. "You have to have credit in order to even rent a place, and you know depending upon your credit scores, it can affect the interest rates you pay. So this really affects your life if you do this."

"The second item is, if everyone were to walk away, that would put even more downward pressure on prices, which means even more people would be upside down, even more people would walk away, so what he (White) has recommended would make the prescription worse."

But when I asked Vest when values might return to peak levels, he acknowledged "it could be years."

So what does a homeowner who is severely underwater do?

"It's an interesting question," he said. "I am glad I don't have to face it."

## **The greed factor**

"Going by your take on Prof. White (I did not read his paper), it would seem that the middle class are the victims, not participants, in the Great Greed of 2007-2008," wrote Fred Niegocki, a retired schoolteacher.

"But many went into debt, serious debt, with their eyes wide open. Flipping a home was a great idea, right? A bigger house is better, especially in an upscale neighborhood, right? Wages should go up, the American dream, right?"

"But, alas, everything went south. White says people continue to work on paying their mortgages out of fear and shame. Why not out of integrity, responsibility, or trustworthiness? White says that they are foolishly propping up housing values, theirs, yours and mine!!! Deplorable!"

**Don't forget short sales**

Broker Fred Seger, of Fred Seger & Associates, called in to suggest short sales as a much better alternative than walking away. These sales are short because lenders must agree to sell properties for less than they are owed, but can avoid the hassle, cost and potential damage of a foreclosure. Meanwhile, short sales are potentially less of a credit hit for the homeowner than a foreclosure.

"When you use the words 'walk away' and so on, maybe (you should) interject the concept of short sale," Seger said. "Contact your real estate person and maybe they could help you negotiate something with your lender to your best end."

### **Just walk away**

That's what Ed Stroetz said he did on his Tucson home.

"I independently came to the same conclusion as Dr. White did," he said in an interview.

Stroetz, a retired attorney, bought his home in 2005 for \$225,000. He said he put \$45,000 down, but now probably couldn't sell his home for anywhere near what he owes. He said he considered a modification, but even that didn't make any economic sense. He's stopped making payments and is simply waiting for the foreclosure process to start.

"I don't know why more people won't do that, if they do the simple math," he said.

What about his credit?

Stroetz said he's not worried about credit because he doesn't need it, but cutting off payments still nagged at him.

"Really I had to deal with that part," he said. "Here you have been this financially stable person all of your life, and now you have to say 'No, I'm not going to pay.' "

### **Personal responsibility**

"I had to grimace at your story regarding your interview with Brent White on Nov. 22," wrote Art Wadlund, a partner in Hendricks & Partners. "Why don't more people walk away from their homes? How about these people actually signed a promissory note (a promise to pay) that stated they would pay back the loan under certain terms and conditions. Obviously some people just don't have the income to pay their loan and have no choice but to walk. We all understand that. But others do have the means.

"In the late 1980s I was faced with a similar choice. Friends told me to file for bankruptcy. But I felt that my word meant something and struggled for the better part of a decade to get out of the hole. Don't take this as me being more righteous than others — I am surely not, however, the note I signed meant something to me and it means something to many others."

*Real estate reporter Josh Brodesky is thankful to so many people, there's no way he could squeeze it all into this one little sentence. Track him down at 573-4178 or brodesky@azstarnet.com*

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