

[Login](#) | [Register](#)

March 18, 2009

Economy

**Banks Refusing To Take Back Foreclosed Properties**

by Mhari Saito

[Listen Now](#) [3 min 16 sec] [add to playlist](#)

Mhari Saito for NPR

Sharon Little walked away from her Cleveland rental property in 2006 when she declared bankruptcy. But her lender didn't finish foreclosure action, leaving her to pay for fines.

*"Eventually, they're going to tear this house down. ... Somebody's going to have to foot the bill, and frankly I think it should be the bank because it's their house. It's not my house really."*

*Cleveland resident Sharon Little*

All Things Considered, March 3, 2009 · Let's say you're one of the millions of Americans facing foreclosure. You made mistakes, borrowed more than you should have — or maybe you lost your job — and now have to walk away from your house. In some parts of the country, simply walking away isn't so simple — especially if the bank doesn't want your house.

At 8:30 nearly every Monday morning, employees from the Cuyahoga County Sheriff's Office stand in a windowless room in Cleveland's Justice Center to auction off hundreds of foreclosed houses.

Hoping to buy are a few investors, bargain hunters and the rare person trying to save his or her house. Most often, it's lawyers from local law firms representing global financial institutions who claim property here. Although these days, that's starting to change.

When there's no bid, the lender can either try to sell at another sheriff sale or do nothing. Doing nothing means the foreclosure is not complete. And Cleveland foreclosure attorney Larry Rothenberg says doing nothing is becoming more popular.

**Lenders Not Bidding**

"Lately, lenders are finding that the costs to purchase property at the sheriff sale and resell it, and the likelihood of finding a buyer weigh against a decision to buy the property. And so it's become more likely than before that lenders are not entering bids at sheriff sales," Rothenberg says.

That changes the foreclosure equation. Rick Sharga of RealtyTrac says employees at his online foreclosure sales company have heard of other cities where lenders are walking away from foreclosures, and he worries it could spread.

"There are some urban areas where you've had rapid price depreciation, where you also have extreme unemployment issues, and nobody's buying the properties," Sharga says. "All those conditions need to be in place before a lender is going to be motivated to do what you're seeing happen now."

And when lenders don't complete a foreclosure action at a sheriff sale, the house stays in the homeowner's name.

**'It's Not My House'**

Sharon Little says she was shocked to find out she was still listed as the owner of a rental property on a busy Cleveland street. She walked away from the house in 2006 when she declared bankruptcy. Since then, thieves have stripped the house of siding, copper plumbing, and even windows. She found



Timothy a. Clary

A man walks past a boarded-up building in an area of Cleveland filled with homes for sale or on the auction block.  
AFP/Getty Images

out her name was still on the deed only when she got a summons last October to appear in housing court.

"Eventually, they're going to tear this house down," Little says. "Somebody's going to have to foot the bill, and frankly I think it should be the bank because it's their house. It's not my house really, so ..."

### Begging For Foreclosure

But the city of Cleveland is writing tickets for housing code violations to whomever is listed on the deed.

Bus driver Curley Jackson has been on the phone with his loan servicers trying to persuade them to foreclose on property he can no longer afford.

"I surrendered these properties back to you all. I said, 'You keep leaving them in my name, I'm getting these tickets.' They don't care. They're not getting a ticket. They're not getting threatened with jail," Jackson says.

Cleveland Housing Court officials say they are now seeing homeowners take matters into their own hands. Little, for instance, wrote up a deed and gave her house to her lender.

"That's because it was their house from the jump, so that's what we do — give it right back to them. You can keep your house. I don't want it," Little says.

### Untouchable Real Estate

Bankruptcy attorney Richard Nemeth has asked state lawmakers to propose a bill that would force lenders to completely follow through with foreclosure or forgive the homeowner's debt.

"It's a really sad set of affairs when people don't want to touch a piece of real estate with a 10-foot pole," Nemeth says.

County officials in Cleveland hope a new land bank will help solve this problem by giving lenders a place to dump unwanted property. In the meantime, the city is forced to use scarce tax dollars to maintain or demolish some of these unwanted foreclosed houses.

*Mhari Saito reports for [WCPN](#) in Cleveland.*

### Related NPR Stories

March 2, 2009

[From A Responsible Homeowner: I'm Not Mad](#)

Feb. 28, 2009

[Mailman Finds Delivery Route Altered By Recession](#)

June 12, 2008

[Abandoned Houses Invite Crime In Minneapolis](#)

Recent First



**[BulkREO Investments \(BulkREOInvestments\)](#)** wrote:

Sounds like some of these banks holdings will ultimately end up going into the FDIC clearing house of REO properties. Granted

they generally don't like taking a hit, but everyone is taking it these days and from what I'm seeing there are a decent amount of private investors willing to take these portfolios off of banks hands in bulk (at a discount of course).

Thursday, March 05, 2009 10:54:54 AM

[Recommend \(0\)](#)

[Report abuse](#)



**[S B \(Essbee\)](#)** wrote:

What prevents a defaulted borrower from merely executing a quit claim deed back to the bank. Look at a quit claim deed. Who signs it? If a bank doesn't record a sheriffs deed, couldn't a homeowner quit claim deed back to the lender anyways? A borrower could really execute a quit claim deed and have it recorded at anytime.

**Problem solved** Wednesday, March 05, 2009 6:07:58 AM

[Recommend \(3\)](#)

[Report abuse](#)



**[Abdul Jaludi \(Abbie0315\)](#)** wrote:

The banks can't have it both ways. If they kick the homeowner out, then they own the house. If they don't want the house under the banks name, then leave the homeowner in it and work out a modified payment plan until they decide what to do with the house.

Wednesday, March 04, 2009 9:56:30 PM

[Recommend \(2\)](#)

[Report abuse](#)



**[Long Road \(erfc\)](#)** wrote:

Christopher - it's not only common sense, it's written into the paperwork the owners signed.

Wednesday, March 04, 2009 12:23:53 PM

[Recommend \(1\)](#)

[Report abuse](#)



**[Darren M \(Darren\)](#)** wrote:

Christopher,  
Fair enough point, though the flip is also true. The deed holders should assume their name is on the deed until they are informed that it is not on the deed.

Wednesday, March 04, 2009 12:22:37 PM

[Recommend \(1\)](#)

[Report abuse](#)