

Banks look to lawyers to place value on foreclosed properties

BY MIKE SUNNUCKS

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Banks are bringing in real estate attorneys to determine the values and possible future dispositions of foreclosed homes, buildings and other properties.

The Phoenix market has been one of the hardest hit by the subprime and housing busts, and plenty of homes have been taken back by banks. The trend also is starting to hit the commercial real estate market, where there is a glut of office, retail and industrial space, as well as land (especially in the suburbs) that was slated for housing subdivisions and other development.

Lenders and banks are trying to figure out what to do with distressed properties — including foreclosed homes and commercial holdings — as well as properties whose owners are behind on payments and enlisting the help of attorneys.

"We are hired by the banker, the equity buyer or the borrower to give an evaluation and then carry out an action plan to either preserve or enhance property value," said Jordan Rose, managing partner of Rose Law Group PC, a Scottsdale firm specializing in real estate matters.

Rose said banks, private equity groups and investors are looking at Phoenix and other hard-hit markets. She said they want quick evaluations and recommendations of what to do, including potential workouts of existing loans, tax and zoning implications, and valuations.

"Sometimes a client just wants to understand a fair value for the asset as an alterna-



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Attorney Jordan Rose said she has a lot of clients that want her firm to place value on real estate. "Sometimes a client just wants to understand a fair value for the asset as an alternative to an appraisal," she said.

tive to an appraisal. We have a lot of clients coming in with a small portfolio asking us to value the land, as their appraisals are all over the map," Rose said.

More accurate appraisals sometimes results in working out new loan terms and deals for distressed properties, she said.

Exaggerated appraisals and lax financing requirements are blamed in part for the housing bubble burst, which was fueled by speculative buying by investors, subprime

loans and lax lending protocols.

A number of law firm representatives declined to comment for this story, but acknowledged privately they have attorneys assessing real estate for lenders and others.

Those law firms also are also assessing the local impact of the \$850 billion Wall Street and credit bailout.

President-elect Barack Obama and other Democrats favor a temporary moratorium

on foreclosures to encourage workouts. Sen. John McCain, R-Ariz., wants the feds to use bailout money to acquire bad mortgages and rework their terms with distressed homeowners.

Economists and housing analysts warn that those approaches could have side effects on the housing market: A moratorium could delay recovery, while workouts could lower long-term property values.

All that plays into the future of the real estate market, including what to do with distressed and foreclosed properties. So does the credit crunch, which is stalling deals, said Mike Sanchez, managing partner of Sherman & Howard LLP, a Denver-based law firm with offices in Phoenix. A host of commercial and investment banks also face lawsuits from disgruntled investors, laid-off workers, shareholders and pension plans.

But if the credit crunch eases, Sanchez, Rose and others expect more deals to get done and more options to open up.

"The credit crunch will not be cured overnight," said Tanya Wheelless, president and CEO of the Arizona Bankers Association. "The good news is that banks are starting lend more freely to other banks again and that's really the first step in the recovery process. So, there are positive signs that things will continue to improve."

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