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Woodward Asset Capital moves to block short sale flopping

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Woodward Asset Capital is launching a new business in April to reduce short sale fraud and condense negotiation time lines.

VerifiedShortSale will enable banks to receive short sale offers directly from agents representing buyers and investors, as opposed to selling agents who represent the borrowers.

"The biggest problem in this market is that agents aren't working for the banks, and they realize that," Ron Jasgur, president of Woodward Asset Capital, told HousingWire. "Many times agents will put a property on the market for a price considerably less than it's worth."

He also said some real estate agents purposefully give the bank a deceptive listing price. Meanwhile, they sit with another, higher offer in their back pocket. If the scam is successful, the bank is unaware that it could get a higher price for the property, and sells low to a borrower in cahoots with the agent.

The agent will then get the opportunity to resell the property for the higher, alternate offer. This is a fraudulent process known as flopping.

Considering that big banks such as **Wells Fargo** ([WFC](#)^[1]: 31.51 -1.16%) publicly call for quicker short sales, there is an indication that flopping may increase, as financial institutions push through these deals. A recent **CoreLogic** ([CLGX](#)^[2]: 17.86 +0.56%) study finds more than half of short sales happen in Arizona, California, Florida and Texas are projected to cost lenders an estimated \$310 million [in unnecessary losses](#)^[3] in 2010. Losses average \$41,500 per fraudulent short sale, the research notes.

A graphic example of short sale fraud is available by clicking the below graphic.

"With our software, flopping virtually disappears, and every sale approval can be defended without question," Jasgur said. "No longer is the listing agent able to hold anything back from the bank," because every and all offers are submitted by buying agents.

The direct communication between banks and investors also will speed up short sale approval time lines, Jasgur claims. Investor approval is a prerequisite to a successful short sale. And since lenders will have all offering information from vendors, they can quickly close a deal and negotiate with any secondary lien holders with interest in the mortgage.

"Banks foreclose on properties all the time and borrowers go delinquent all the time. But short sales are becoming a lender's best interest because they are more cost effective,"

