

# Who wins in a cash-for-keys deal?

*NPR Marketplace*

Listen to story here:

[http://marketplace.publicradio.org/display/web/2009/04/10/mm\\_cash/#](http://marketplace.publicradio.org/display/web/2009/04/10/mm_cash/#)

*(story starts at 2:10)*

## TEXT OF STORY

**TESS VIGELAND:** As homes continue to go into foreclosure, banks continue to deal with messy, expensive evictions. Many have found it cheaper and easier to offer occupants money to leave home quick and clean. It's called Cash for Keys. Marketplace's Eve Troeh reports.

---

**Eve Troeh:** Real estate broker Richard Allen used to sell homes in Canyon Country, Calif., just north of Los Angeles. Then the foreclosure tidalwave hit. Now he works for the other side.

**Richard Allen:** My clients are banks. They're selling the homes after they take them back through foreclosure.

The banks pay Richard to clear out the former owners. Evictions can cost banks thousands in legal fees and clean up. So many have turned to a cheaper alternative. It's called "cash for keys," and it's just what it sounds like. Former owners agree to leave by a certain date, and the bank gives them some money for "good behavior."

Today Richard's meeting a young man named Hector for the first time.

**Allen:** Hector? Nice to meet you.

And probably the last. Richard's here to get the keys to Hector's Condo.

**Hector:** I mean, everything works. Heat works.

**Allen:** Did you guys have any problems with cockroaches or anything?

**Hector:** No.

About five minutes later...

**Hector:** That's the mail key and then the house keys.

**Allen:** OK, then I've got your check.

The check from the bank is made out to Hector for \$2,000. He's going to live with friends in L.A. He seems OK about all this.

**Hector:** I mean the only way to think about it is I get a fresh start again.

Hector's 25 -- bought the condo four years ago with a so-called balloon mortgage. After two years, his payments went up by \$500 a month. He couldn't afford the increase, even with roommates. The bank foreclosed, and assigned Richard Allen to deal with Hector and the property.

Richard laid out the options: eviction or cash for keys. Hector took the cash.

**Hector:** If I would have said no, we probably would have stayed here, what, another month?

Then, Richard worked out how much he'd get. It's usually about one percent of what the bank thinks the home's new sale price will be.

Dan Sinclair lives in Patterson, Calif. He was on this show about a year ago. He'd stopped paying his mortgage -- couldn't afford it. But was still living in his house with his wife and three kids. When foreclosure began, Fannie Mae offered the family \$2,500 if they were out in 30 days and left the place clean. Sinclair says the offer calmed him down.

**Dan Sinclair:** You know it's not your property anymore and you feel like you want to leave them with a pile of dung, kind of like what they're handing you, so to speak. And so that little bit of incentive removes that temptation to do something you know you shouldn't do anyway.

Dan Sinclair thinks about the concrete patio he put in, and the surround sound speakers still in the walls -- investments left behind. The family owed about \$500,000 on the house. It sold at auction back to Fannie Mae for \$180,000. Now the Sinclairs live in an apartment about a quarter mile away.

**Sinclair:** We drive by our old house all the time. And we miss it.

The house is sitting there, empty. No buyers.

On its face "cash for keys" is a game where everyone wins. The bank gets a clean, empty property. The former owners get money to move on. But dig a little deeper, and...

**Allen:** Everybody loses.

That's Richard Allen again, the real estate broker in Canyon Country. He says: look at Hector's case -- the condo will be on the market in about a month. And it'll be priced to move.

**Allen:** It's gonna be sold for significantly less than what he bought it for.

**Troeh:** Would it sell for something that Hector could have even afforded at some point?

**Allen:** I would believe so.

But Hector's credit is shot. He can't buy anything anytime soon. And Dan Sinclair's old house is now a bargain, but his credit's ruined, too. Meantime the banks aren't making any money while the properties sit vacant.

Zoe Cronin is a lawyer over on the East Coast with Greater Boston Legal Services. She says displacing people and leaving empty properties doesn't make social or economic sense.

**Zoe Cronin:** I think the banks believe that they can only market the property vacant. But you have to take a closer look at that. Is that really a model that's a 20th century model and doesn't apply to the current situation.

She says owners in foreclosure may not be able to afford their mortgage, but most of them can pay something less. Her group is working with nonprofits that could buy properties from banks, and keep former owners in their homes as tenants.

In Los Angeles I'm Eve Troeh, for Marketplace Money.