

Banks Stacking Up More and More Real Estate Holdings: "Shadow Housing" Grows Across the Country

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Yesterday, the *Wall Street Journal* covered the reality of banks collecting more and more real estate on their books, describing the situation as a "shadow housing" market in an article written by Dawn Wotapka and entitled, "[Shadow Housing Inventory - Going Nowhere Fast.](#)"

According to the WSJ, financial institutions that are supposed to be in the money business are holding lots of homes on their books and look to be holding lots more before this bad economy bottoms out. Experts are predicting that this "[Shadow Housing Inventory](#)" will depress real estate sales prices even more (prices will go down as the banks try to move them off their books) and this won't be good for a fast economic recovery.

[Back in January, we discussed predictions on how big the Shadow Housing Inventory may get.](#) Then, experts were pondering as many as 6,000,000 homes being owned by banks by 2013. The WSJ article suggests that number may be too low.

One additional factor brought out by the article: *underwater mortgages* (where the homeowner owes more on the mortgage than the house is now worth) will result in more defaults in the coming year or two - and there are lots of these out there, so the Shadow Housing Inventory may get bigger before it gets smaller.

One factor that the article doesn't address: the *cost to the banks to carry this property* for any amount of time. Financial institutions have to pay carrying costs here: upkeep, maintenance, etc. on each one of these properties. Those numbers add up, making the bank that already lost its mortgage note (its money business) now have to pay out bucks to try and keep the value of that real estate asset while it hopes to convert that property back into a money asset (cash, new note). That's not good for the economic recovery either.

The financial industry has been hard hit by an unprecedented amount of failed mortgages - and this whammy resulted in [ForeclosureGate as banks were overwhelmed by the need to foreclose on so many properties in a short time window](#). Huge numbers of folk walked their notes in Florida and elsewhere, leaving banks in the lurch. And leaving banks with the costs of foreclosure, defending against wrongful foreclosure claims, etc. in addition to the above-referenced carrying costs.

Meanwhile, banks are trying to sell this stuff. Check out [BankOwnedProperties.Org](#) -- the shadow housing inventory is definitely for sale. What is needed is buyers.