

Bulldoze: The New Way To Foreclose

TIME

By STEPHEN GANDEL | Time.com - 16 hrs ago

Banks have a new remedy to America's ailing housing market: Bulldozers.

There are nearly 1.7 million homes in the U.S. in some state of [foreclosure](#). Banks already own some of these homes and will soon have repossessed many more. Many housing economists worry that near constant stream of home sales from banks could keep housing prices down for years to come. But what if some of those homes never hit the market.

Increasingly, it appears banks are turning to demolition teams instead of realtors to rid them of their least valuable repossessed homes. Last month, Bank of America announced plans to demolish 100 [foreclosed homes](#) in the Cleveland area. The land is then going to be donated back to the local government authorities. BofA says the recent donations in Cleveland are part of a larger plan to rid itself of its least saleable properties, many of which, according to a company spokesperson, are worth less than \$10,000. BofA has already donated 100 homes in Detroit and 150 in Chicago, and may add as many as nine more cities by the end of the year.

(**LIST:** [Top 10 Most Affordable Cities for Renters](#))

And BofA is not alone. A number of banks are ramping up their efforts not just to rid themselves of their unwanted homes, but to fully dispose of them. Fannie Mae has a program to sell houses to local municipalities for around a few hundred dollars. Wells Fargo has donated 800 homes to be demolished since 2009. [JPMorgan Chase](#) says it was one of the first banks to begin donating houses it couldn't sell, or didn't think were repairable. Since 2008, the JPMorgan has donated or sold at a discount 1,900 houses to city or county officials.

The banks do the deals because once the properties are donated they no longer have to pay taxes or for upkeep. Tax experts say the banks may also be able to get a write off for the donation. That appears to be a better deal than trying to repair some of these homes, which according to a [BofA](#) spokesperson are more economical to demolish than fix up. The local governments like these deals because they get free land to develop or use for open space. Cleveland-based Cuyahoga County Land Reutilization Corp., which inked the deal with BofA, has been one of the most aggressive local government organizations in striking these deals. Housing economists like these deals because they remove homes from the market that would otherwise sell for a low price or not at all, dragging down home prices in general. An oversupply of homes on the market has been once of the big problems plaguing real estate. At the end of June, it would take nine and a half months for the current number of homes on the market to sell. The housing market is considered healthy when supply equals six months of sales. So taking some of these homes off the market for good could remove some of the inventory drag.

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The question is whether the banks will ever put up enough housing for demolition to make a difference. The Obama administration says it is working on its own plan to revamp its loan modification program in order to help keep more people in foreclosure in their homes, reducing the number of [foreclosed properties](#) on the market. Some areas of the country are

looking at how to speed up foreclosures in an effort to return some normality to the market. It's not clear that any of this will work. Certainly, the idea that we are at the point where banks would be better off knocking down houses that reselling them shows there is still something very wrong with the housing market. But what is clear is that banks and others are at the point where they are ready to try something new to boost the housing market. And that is a good sign for the future.

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