

Phillip Greene and dad Robert inspect Phillip's new home in Renton, Wash. Phillip was able to buy the home despite his 2009 foreclosure on a condo, making him a "boomerang buyer." NICK ADAMS/USA TODAY

'Boomerang buyers' test the market again

An estimated 7 in 10 who lost their homes in recession will own another within 8 years

By Julie Schmit
USA Today

Four years ago, Dave Peterson was in the worst financial crisis of his life. He was in foreclosure, had declared bankruptcy and was struggling to find a place to rent in Las Vegas because of his terrible credit.

But last year he and his wife, Gabby, bought a $280,000 home that's bigger than the one they lost.

Peterson is a "boomerang buyer," one of several million who'll return to the market in the coming years, real estate experts say, bringing needed muscle to a housing market that seems to be finding its footing. They are people who lost homes in foreclosures and short sales in the historic housing bust who are striving to be homeowners again.

Since 2007, more than 4.7 million homeowners are estimated to have lost homes to foreclosure or short sale. Seven in 10 will return to ownership within eight years of their short sale or foreclosure, John Burns Real Estate Consulting estimated.

With the start of the housing bust now six years past, this will be the first big year for returnees, accounting for 10 percent of home sales, up from 4 percent last year. They'll stay at that level until starting to subside in 2016, about eight years after the height of the foreclosure crisis, John Burns projected. His firm has estimated the crop of boomerang buyers who lost homes in 2007 through 2012 will exceed 500,000 a year in 2013 through 2016.

Already, boomerang buyers are adding up to real numbers in some markets. In Phoenix, one of the areas hardest hit by foreclosures, 40 percent of Academy Mortgage's home-purchase customers are boomerang buyers, estimated Chad Melin, Academy's branch manager in Chandler, Ariz.

In Southern California and across the Southwest, almost 14 percent of new home sales in the last half of 2012 were to boomerang buyers, according to a Burns Consulting home builder survey of 178 builders nationwide. That compares with less than 5 percent of new home buyers in the Northeast, Southeast and Northwest, the survey shows.

Outside the West, other large cities with many foreclosures will also see substantial numbers of boomerang buyers, Burns said. Those include Atlanta, Chicago, Miami, Orlando, Fla., and Washington, D.C.

Like Peterson, some have already purchased again. He got his new home loan through the Department of Veterans Affairs, paid no money down and got a 3.74 percent, 30-year fixed-rate loan last April.

Given the 60 percent drop in Las Vegas home prices from 2006, Peterson now pays $1,600 a month in mortgage costs versus $3,000 for the smaller house he lost. Whereas his previous house plunged in value with the housing bust, his new house has risen in value, he said.

Las Vegas prices were up almost 13 percent in December year-over-year, Standard & Poor's Case-Shiller data show.