

Going with the REO flow

By *Inman News*
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Editor's note: The following Q&A interview with Pamela Dela Cruz, a broker-owner in Northern California, is featured as a part of the "To Be a Broker [2]" editorial project that highlights broker challenges and strategies for success. [Click here \[2\]](#) for more info.

Q: What is the biggest change you have made to the brokerage in the past year, and what prompted this change? How has this change impacted the bottom line, if at all? What has changed about your service offering in the past year?

We switched from working with short sales and bank-owned (REO) properties in 2008 to working only with REOs in 2009. Our business-to-business model allowed us to expand from one county to presently five counties, including: San Francisco, San Mateo, Solano, Contra Costa, and Alameda. We also gained additional REO lenders in 2009. [Click here to take survey \[1\]](#).

Our decision to change from short sales and REOs to REOs only in 2009 was prompted by the lack of approvals with short-sale transactions in 2007-08 (the rate of approval with lenders and buyers was only about 40 to 50 percent acceptance).

Even though there were qualified buyers and acceptable offers, the banks were not approving short sales quickly enough. There were multiple offers, but buyers would find other properties that got approvals more quickly. If accepted, the banks often took five to eight months to close, on average. With REOs, there are still multiple offers, but they get accepted within a week or so and can close within 30 days or less.

Our bottom line quadrupled in 2009. In 2009 alone, our office covered 95 percent REO listings and business has more than quadrupled in just over a year. We have had \$15 million in sales volume in just 15 months. We focused on listings only for financial institutions. We never lost a sale with the REO properties.

Our focus on REOs allowed us to establish alliances with multiple banks throughout the U.S., including Wells Fargo, Downey Savings & Loan (now U.S. Bank), and Ocwen Loan Servicing LLC, among others. The list continues to grow. We work with local business vendors in home repair to prepare homes for market.

Our niche will remain with lenders involved with short sales and REOs for 2010 and 2011. We cover the San



Francisco Bay Area for now, and our flat-fee offering to list properties in the multiple listing service will be available in the Greater Los Angeles and San Diego areas, and potentially throughout the state.

Q: Are brokers more or less relevant to sales associates in the current housing market than they were five years ago? Why or why not?

A: I am an independent, solo broker working with contractors and assistants. Our office handles listings only.

Q: Are brokers more or less relevant to consumers these days than they were five years ago? Why or why not?

We service financial institutions on foreclosures and short sales. For consumers, we offer an \$890 flat fee MLS open listing, or if we represent the consumers directly on the full-service listings they can make an offer directly with our brokerage. We do not have buyer agents at this time.

Q: What changes, if any, have you observed in the structure of real estate commissions/compensation/fees in the past year, and what has caused those changes?

Commission varies if a third-party company is included. In dealing with REOs, there may be a third-party asset department involved with the transaction, with an overall commission of 5.75 percent to 6 percent.

Commissions may be split three different ways by the asset department, listing broker and selling broker. Banks, who are involved with their own short sale or REO inventory, may not reduce the commission, in which case the commission is split equally between listing broker and selling broker -- usually at 6 percent. ...CONTINUED

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Q: What are the most vital services, in your opinion, that you provide?

A: Since our focus is to service financial institutions on REO and short-sale listings, prompt and courteous service is of utmost importance. We respond to every phone call with a live representative every day of the week and maintain a toll-free phone number.

For banks, we can provide property inspections and status reports within 24 hours. For short sales, we handle all of the negotiations and communications with the lenders. We don't utilize third-party short-sale negotiators. That eliminates high total listing commissions.

We can do short-sale listings affordably for the homeowner for as low as 5 percent, which will not be charged to the seller but rather applied to the net loss of the property at closing. Although our office is located in Walnut Creek, we have access to shared offices in other locations, so meeting lenders, potential sellers/buyers and other Realtors is very easy to coordinate.

Our office doesn't have agents, partly because I see so many agents hopping from one brokerage firm to the next. In time, I may add agents.

Q: What would your agents say are the most vital services that you provide to them? What would consumers say are the most vital services that you provide to them?

A: Low overhead and use of outsourcing. For the financial institutions we support, we outsource a variety of tasks, particularly marketing on the Internet and in print media. We utilize over a dozen third-party companies to market the listings. Some include videos on YouTube, Craigslist and Postlets.com.

We also have alliances with vendor specialists in multiple counties including locksmiths, plumbers, contractors, landscapers, painters, and handymen -- all available on short notice. All of our invoicing/billing and escrow transaction coordination is performed in-house.

Q: What is the latest trend with home sales in your market area? Short-sale listings and sales? REO listings and sales? Purchases by first-time buyers? What is the latest trend with home prices? Offers?

A: We are seeing a reduction in REO listings and an increase in short sales. In the first and second quarters of 2009, REOs were approximately 65 percent of the market in cities such as Brentwood, Antioch, Pittsburg, Bay Point, Oakland, San Leandro, Hayward and Fremont. The third and fourth quarters proved to have reductions in REO properties.

(See [more market statistics here](#) [3] for areas in the San Francisco Bay Area region, prepared by Dela Cruz and Robert M. Saltzman, a professor at San Francisco State University.)

There are more short-sale listings on the market than REOs in some areas. This, however, may be due to the combination of the length of time it takes to sell short sales, but also because of the foreclosure moratorium holding back many REO listings.

With the national homebuyer tax credit, there has been a significant increase in first-time homeownership.

Homes priced under \$300,000, particularly REO listings, tend to get multiple offers, therefore increasing the closing price over list price. In one case, a property closed in July 2009 for \$78,000, was placed back on the market for \$98,000 in September 2009 (just two months later), and received multiple bids in the \$124,000 range.

Q: What are buyers' primary concerns these days? Has this changed in recent months?

A: I think buyers see that market prices are very competitive with multiple offers and offers getting accepted within a few days. This has driven many closing prices to be substantially higher than the list price. The deals are abundant and prices are increasing. There are many properties in Solano County, Contra Costa County and Alameda County under \$100,000, but they are going very quickly. ...CONTINUED

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Unfortunately, the severe competition could be a driver for buyers and/or buyer agents to use false information when they submit offers. I observed a recent example with a property with 23 offers in Vallejo, Calif. ... an agent submitted an offer indicating 20 percent down with a conventional loan. (It was) accepted but two days before close of escrow, (that offer) switched to an FHA loan with only 3.5 percent downpayment.

There were other offers, too, but there (remains a question of whether this was an effort to) make the offer attractive in order to get accepted.

Q: What are sellers' primary concerns these days? Has this changed in recent months?

A: Foreclosure and bad credit are primary concerns. Sellers are nervous and carefully trying to cover all bases. They attempt loan modifications for a combination of reduced interest rates or a reduced principle balance. If this fails, they try short sales. They understand that if short sales don't work and they have missed more than three months of payments and cannot reinstate the loan with an additional 90 or so days after that, then a foreclosure may be inevitable.

They fear that their credit scores will be impacted and that it would be impossible to apply for any type of loan --

whether it be a credit card, auto loan, or even another property -- for the next several years.

Q: Are the demographics of buyers or sellers changing? Explain.

A: There are many first-time homebuyers making offers on properties. If they have an FHA loan, it is difficult to compete with all-cash investors. However, 2010 and 2011 may prove to have a more level playing field between first-time homebuyers and investors, with incentives like tax credits ... for the first-time buyers. Past homeowners who have sold or lost their homes and are ready to buy again are moving back to the more stable market areas.

Q: What types of properties are selling fastest in your market area and why?

A: Low-priced homes sell quickly. Many investors and first-time homebuyers are gobbling up properties for \$100,000 and below like an after-Christmas ornament sale at Macy's. All-cash offers are closing in under seven days (in some cases). Some of the buyers are making blind offers without even seeing the property. Only once they get accepted will the buyers view the home and accept or deny the offer after the inspection period.

Q: What types of properties are selling slowest and why?

A: High-end luxury homes are the slowest to sell currently unless it's priced substantially below market. If it is an REO and priced substantially lower, there are multiple all-cash offers at this price range (\$1 million and above). If you have a combination of a luxury home and are in a short-sale status, that will take even longer, requiring several months to close.

Q: What is the largest investment you have made in technology in the past year, and has it paid off?

A: A new color laser printer, high-definition digital camcorder, BlackBerry phone with e-mail/Internet, and Wireless Aircard for the laptop were four investments in technology. We have utilized YouTube for our lenders, to show them before-and-after conditions of REO properties.

It has given them the opportunity to get narrated viewings of properties from top to bottom without ever visiting the properties. Many lenders are located in other parts of the state, out of state, or out of the country and rely on this to determine conditions of the properties.

Next year we'll spend money for a revamped business Web site with an e-commerce area for the flat-fee listings offering. ...CONTINUED

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Q: In which areas have you reduced costs in the past year, and what has been the business impact of those cuts?

A: We've reduced our advertising spending by about 65 percent in the past year. Once you are a contact for banks, the referral system works very quickly and marketing is word-of-mouth between various departments. In 2010 and 2011, it is imperative to place more advertising dollars targeting homeowners interested in the flat-fee listings and in short-sale listings.

Q: What is your forecast for the real estate market in 2010?

A: There will be more short sales and bargain buyers and sellers. The REO inventory is declining at a steady rate. I think there will be an increase in short-sale listings. There is a lot of education now about the process and consumers are becoming more aware of their options. If loan modification fails, a short sale is their next best

option.

Q: What is the single biggest challenge that you face as a broker? What is the biggest worry these days about the state of the housing market and economy? About your brokerage?

A: Growth is the biggest challenge. I would like to accommodate the requests from lenders as quickly and efficiently as possible and not lose their loyalty if tasks are taking too long or properties aren't selling fast enough. As they rely more heavily on our services, I need to have stable, reliable assistants and contractors to accommodate those needs.

Soon our services will also cover Los Angeles, San Diego and the surrounding areas with flat-fee listing services. A call center for order management is currently in place but will have increasing in responsibilities.

Q: Briefly describe a typical day for you, and what duties occupy the most and least time.

A: 7:30 a.m., wake up; 8:30 a.m., drink homemade drip coffee for inspiration; 9 a.m. to 1 p.m., answer about 50 to 100 e-mail messages and dozens of phone calls. Delegate marketing/administration tasks as necessary. Review contracts, process invoicing/billing. If necessary, deal with cash-for-keys negotiations with tenants or past homeowners. Work with sheriffs and lawyers on eviction coordination.

From 3 p.m. to 6 p.m., prospect for new clients or obtain appointments. Maybe have more coffee. Then work some more, if I'm not out relaxing.

Q: What is most misunderstood, by agents and/or by consumers, about the work that you perform?

A: Myth: Listing brokers don't work. I think consumers believe brokers and agents simply list properties and then wait for an offer. There is a lot of research and time on the back end that is not seen by consumers. There are a lot of processes and preparation in listing REO properties. We are not just paper-pushers.

Q: Feel free to comment on any other aspect of your work as a broker that you think would be relevant and helpful for other brokers.

I love this career. With eight years in banking and eight years in the information technology industry, and now going into my fifth year in real estate, I've never found anything more challenging yet rewarding, personally and financially. In five years, I have met many interesting people and learned more about my community and the beautiful area I've lived in for over 33 years.

This career allows you to brainstorm an idea and with time and dedication see positive end results. I can see myself in this industry for many years to come. In a down market (my first two years in 2006 and 2007, which I call "The Lean Years"), there was a lot of trial and error.

However, I've lived through those times. For new and experienced brokers and agents alike: we should educate ourselves in the latest real estate issues and newest technologies. Don't be afraid to switch something if it's not working, but devote enough time into it to see results. It is important to hang in there, push forward, and see the exciting things ahead.

Pamela Dela Cruz is broker-owner for Pamela Dela Cruz & Associates [4], based in Walnut Creek, Calif.

What's your opinion? Leave your comments below or send a [letter to the editor](#) [5].

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Stumping for wife, Bill Clinton says mortgage crisis needs fix

By Josh Richman, Staff Writer

Article Last Updated: 01/16/2008 03:56:14 PM PST



Bill Clinton answers questions from the media following an appearance at Everett & Jones Barbeque...

VIDEO

- [Bill Clinton stumps for Hillary in Oakland, calls for foreclosure aid](#)

OAKLAND - Homeowners teetering on the edge of foreclosure need immediate help - federal dollars funneled through local relief efforts - before a long-term fix to the mortgage crisis can be hammered out, former President Bill Clinton said Wednesday.

Clinton took questions for about an hour during a mortgage-crisis roundtable at Everett & Jones barbecue restaurant on Broadway and Second Street, trying to allay people's fears while stumping for his wife's presidential campaign.

His presence here in California, while U.S. Sen. Hillary Rodham Clinton still has the Nevada caucus and South Carolina primary ahead of her, may indicate just how important California's Feb. 5 primary will be in deciding who gets the Democratic nomination.

And the choice of topic was significant as well, indicating the Clinton campaign's desire to focus on a slumping U.S. economy after seven years under the Bush administration's stewardship.

These years have seen "a deliberate attempt to give people more mortgages on more attractive terms because we weren't achieving economic growth any other way," the two-term former president told a hand-picked group of community leaders, homeowners and campaign supporters Wednesday. The Bush administration has had "no strategy in this decade to create more jobs and create more income for ordinary people," he added.

As a crowd developed outside and construction workers across the street halted their labor to gaze down through the windows, Clinton said there are "very few villains" to blame in this crisis, as the road to this particular hell was paved mostly with the good intentions of buyers who wanted to own homes and mortgage lenders who thought property values would continue to rise while interest rates stayed low.

"This happened because everyone assumed the only stable part of our economy was home ownership," he said. But even veteran economists didn't seem to see interest rates would rise "if we kept borrowing money like a drunken sailor as a country." What has happened is "a systematic failing of the American economy and the way the mortgage market works," with homeowners - many of whom never missed a monthly payment until those payments suddenly ballooned out of control - taking the hit.

With the net cost to society for every foreclosure hovering somewhere around \$250,000 - what with homeowners' losses, neighbors' lowered property values and other costs - "the dumbest thing we can do here is nothing. The most expensive way to handle this problem is to let the foreclosures occur."

"We need to stop the bleeding here," he said.

His wife's plan, which includes freezing all subprime foreclosures for 90 days and creating a \$30 billion Emergency Housing Crisis Fund to support states and cities in helping embattled residents refinance their homes with affordable monthly payments - would help people keep their homes for the next few years until Washington can come up with a longer-term solution, he said.

Republican National Committee spokesman Paul Lindsay issued a statement Wednesday saying Hillary Clinton's plan "would result in massive tax hikes. As long as she and her surrogates attempt to mislead voters on these critical issues, Clinton will continue to lack the trust that Americans expect."

Everett & Jones owner Dorothy King said she's grappling with the threat of foreclosure on her recently-deceased mother's home, and her restaurant itself has a subprime mortgage loan - an example of how businesses are at risk as well as homeowners.

She said she had been crying and praying about the situation Tuesday when she got word that Clinton was coming: "I looked up and said, 'Thank you, God,' so I want to welcome you. Not only are you in the best barbecue but I need help." Paul Williams of Hayward said he fears the Clintons' prescription for the mortgage crisis will fare no better than their 1993 health-care reform plan, sunk by conservatives and the insurance industry.

But Bill Clinton replied "there's really nobody on the other side," in this situation, other than a small number of conservatives philosophically opposed to any government intervention. Nobody stands to gain if this crisis continues, he said, adding that "the real debate here is how much can we do without misleading people" who never should've qualified for a mortgage in the first place.

Pamela Dela Cruz, a broker with RE/MAX Accord in Lafayette, said the government at least should make it quicker and easier for families finding themselves in dire straits to sell their homes before foreclosure. Clinton replied he agrees, and said his wife proposed such a bill but it couldn't be enacted in time to help those already under the gun.

"You've given me some good ideas, I'll take them back and talk with Hillary about them tonight," Clinton promised. Oakland Mayor Ron Dellums, whom Hillary Clinton named her campaign's urban-policy chairman in October, moderated Wednesday's forum and at the end praised Bill Clinton as "perhaps the best political listener I've ever encountered." While the mortgage crisis may have its roots in global and national economics, he said, Oakland remains the nation's 10th-hardest-hit city in foreclosures. It's in cities such as this that people's homes and livelihoods are on the line, "and that's where the issues ultimately have to be wrestled to the ground," Dellums said.

Bill Clinton took a few questions from reporters after the roundtable, and seemed to take umbrage when asked about a federal lawsuit filed Friday to halt the Nevada Democratic Party's plan to hold caucus meetings at nine Las Vegas Strip hotels. The plaintiffs - Hillary Clinton supporters including the state teachers' union and some party

activists - claim this would give the Culinary Workers Union, which has endorsed Barack Obama for the president and which represents the hotel workers, undue influence on the vote.

"Their votes will be counted five times more powerfully," Bill Clinton said Wednesday, which in a "one-man, one-vote country" should be an offense to all. He noted it was a group of supporters, not the campaign itself, which sued: "I read about it in the newspaper."

Reach Josh Richman at jrichman@bayareanewsgroup.com or 510-208-6428. Read the Political Blotter at www.ibabuzz.com/politics



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Inman News Part 2 of 3 - Buying those foreclosed homes

Wednesday, 12 September 2007

Buyer beware: Foreclosure sales not for everyone

Real estate buyers are taking note of the rise in foreclosures in many housing markets across the country, but foreclosure properties aren't for everyone, said David Levin, principal for David Levin & Associates, a Florida-based real estate consulting firm. "There are real risks in the foreclosures business ... in a normal market. If you're not schooled in this stuff it's not for the faint of heart," said Levin. During the days when home-price appreciation and sales were setting records month after month, investors could profit by scooping up properties for a quick flip. Foreclosures may lure buyers because of the potential for a discounted price, but there can be other associated costs. "I'm keeping my fingers crossed that people don't get seduced," he said.

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Buyer beware: Foreclosure sales not for everyone

Part 2 of 3: Navigating today's real estate market

Tuesday, September 11, 2007

[By Glenn Roberts Jr. Inman News](#)

Editor's note: Sometimes it pays to learn from others, and in today's real estate market lessons can come at a high price. This three-part series examines hurdles for homeowners facing foreclosure, buyers who are interested in buying those foreclosed homes, as well as options for standard borrowers looking to purchase a home. (Read Part 1, "[Upside down: Homeowners share lessons in foreclosure](#)," and Part 3, "[Lenders still finding ways to finance home purchases, refis.](#)")

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During the days when home-price appreciation and sales were setting records month after month, investors could profit by scooping up properties for a quick flip. Foreclosures may lure buyers because of the potential for a discounted price, but there can be other associated costs. "I'm keeping my fingers crossed that people don't get seduced," he said.

Competition for foreclosure properties can sap some of the best bargains from the bunch, and Levin said that investors may hit a wall in trying to sell or rent out the foreclosure properties they purchase during a slow market. "Even the rental market becomes a little bit iffy. So now, suddenly you're competing with all of these speculators, trying desperately to get cash flow."

He noted a gradual shift among foreclosure investors to buy up properties earlier in the foreclosure process. Competition among investors for real estate sales by auction on the courthouse steps has "pushed the price up, which compressed the margin," Levin said. That led some investors to step back and target an earlier phase in the foreclosure process.

In an online article, Levin said that slumping real estate sales and prices have created problems in the foreclosure market.

"Expect the lenders to take back significant amounts of inventory as the foreclosure investors step back. With uncertainty and instability in the markets, foreclosure investors will change their investment strategy. Namely, investors will hold back and wait for the banks to take back property," Levin said.

A credit crunch in the mortgage industry may also push some would-be foreclosure investors to the sidelines, he said, as lenders have tightened their underwriting standards.

The bottom line, Levin concludes, is that "banks will be left holding the bag" as they take on more foreclosures because of investors' declining interest.

Pamela Dela Cruz, a Realtor for RE/MAX Accord in the San Francisco Bay Area, said she has been working with more sellers who are in a foreclosure process, and she has seen more buyer interest in the short-sale properties she is handling. In a short sale, the homeowner attempts to avoid foreclosure by working with the lender to accept a sale offer that is less than the total amount due on a home's mortgage.

"I have had twice the amount of people looking at short-sale listings rather than just the normal sales," said Dela Cruz. Buyers do need to be more patient with short sales, as it can take several weeks longer to close short-sale transactions, she said.

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The inventory of homes owned by HomeVestors of America Inc. franchisees has been climbing, said company president and CEO John P. Hayes.

And his company, well known for its "We Buy Ugly Houses" billboard ads and a pursuit of distressed properties and properties in disrepair, is now testing out a new slogan: "We sell luvly houses."

For most of its 11 years in business, the national real estate market has generally been a seller's market, Hayes said. "We never worried about selling properties. This year, we (were) ending up with more inventory than we were comfortable with. The problem is not that there aren't buyers -- the problem is that buyers can't get the money," he said.

HomeVestors has its own in-house lending service and services loans for its franchises, and in the past 30 days the company launched an investor note program that offers loans to investors who buy houses from the company's franchisees.

"We have \$75 million-plus available to loan, so we don't have a shortage of money," Hayes said. There are about 270 HomeVestors franchises in 34 states, and last year company franchises bought about 7,100 properties.

"About half of the properties purchased by HomeVestors are sold to other investors wholesale, and about 38 percent are sold to consumers -- "usually first-time home buyers," Hayes said, while the franchisees retain a small percentage of the properties to serve as rentals.

Up to 10 percent of HomeVestors purchases help homeowners avoid foreclosure, the company also reported.

While HomeVestors will consider purchasing properties in any stage of foreclosure, Hayes said that preforeclosure properties are most desirable because it's easier to prevent foreclosure at that stage. While he said he didn't know the statistics, he believes that the number of foreclosure properties purchased by the company is growing.

"The worse (the market) gets the better it gets for us. We also have to be very cautious that we don't take more of these properties than we can responsibly handle," he said. "We have aggressively stepped up our campaigns to sell property."

In some cases, banks have approached HomeVestors to notify the company or its franchisees about an available supply of bank-owned, or REO (for real-estate owned) properties. "Until recently it didn't appear that banks were real serious about selling

those properties. Now, as the numbers are starting to pile up, I think that banks are starting to get more serious because our franchisees are starting to get those calls."

Levin said he believes the market is still in a transition at this point, and that the market will need a big dose of reality -- including a drop in real estate prices -- to return to equilibrium.

"I think everybody's beginning to realize (the downturn) was deeper than they thought it was. You never know when you hit the bottom or top until you've passed it. It took a few years of frenzy to get where we are -- it's going to take a couple of years to work our way through it," he said. "Everything that came together to make the bubble what it was through 2005 are now all the things conspiring against the market."

Ken Kulpa, a Northern California real estate professional who operates the MLSPiusForeclosures.com Web site, works with foreclosure properties for both sellers and buyers.

Preforeclosure properties tend to be the best deal for buyers, he said. "REOs are an OK buy, but I think preforeclosures are better. Banks want to get them off of their books -- they don't want to foreclose," Kulpa said. When he's representing sellers in a foreclosure process he tries to get an offer "that I think the lender will work with," he said.

Some investors will make purchase offers that grossly undervalue the property, Kulpa said. "I just don't feel right about that. The banks wouldn't accept that on a short sale," he said.

Even so, properties in a foreclosure process will typically be priced a bit lower than a typical for-sale home, he said. "Whether it's the bank or the person needing to sell, you do have to undervalue it -- generally about 10 to 15 percent," he said.

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