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Wehner**

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Buyers flock to cheap foreclosed homes

by Catherine Reagor - Mar. 22, 2009 12:00 AM
The Arizona Republic

A Glendale home that sold less than two years ago for \$259,000 sold again three months ago for \$113,000. A Phoenix home that fetched \$190,000 two years ago just went for \$45,900. A Queen Creek home sold for nearly \$275,000 when it was built in 2005. Last month's price: \$78,000.

If there's an upside to the Valley's growing foreclosure problem, it's the number of home bargains now available.

Lenders saddled by a growing portfolio of foreclosed properties are selling homes for prices not seen in metropolitan Phoenix for a decade.

"I haven't seen pricing like this ever," said Beth Jo Zeitzer, president of the foreclosure real-estate brokerage Phoenix-based R.O.I Properties. "Valley foreclosure properties are plentiful and priced to sell."

Almost half of all Valley home sales last year were foreclosed homes resold by lenders, according to an analysis of sales data by The Arizona Republic.

Investors, first-time buyers, retirees and people moving up to bigger homes are all taking advantage. Deals can be found on nearly new homes on the Valley's fringes, fixer-uppers in historic neighborhoods in central Phoenix, new and old condominiums from Mesa to Glendale, and even luxury homes in Scottsdale.

There are some potential pitfalls to buying foreclosure homes: bidding wars, repair costs, financing and the risk that home prices will continue to fall. But foreclosures do offer an opportunity to buy Valley homes at prices unthinkable just a few years ago.

"There's a lot of properties to choose from, particularly in the \$100,000 range," Zeitzer said.

Finding deals

Nearly half of Valley homes for sale are properties that lenders have taken back or that are about to go into foreclosure, according to the Cromford Report, which analyzes area real-estate data. Market watchers expect that number to increase in the next few months as the foreclosure moratoriums put in place by big lenders begin to expire.

Prospective buyers can find foreclosed properties on most Internet sites that list houses for sale and by contacting real-estate agents.

Before buying a foreclosed home, check out the neighborhood. Are there other foreclosures that might threaten your hoped-for resale price? Are there rentals that might drive down your rental income? Are there empty homes for sale that soon might become foreclosures themselves?

"Look at other homes in the area, particularly on the same block," said Julie Bieganski, a real

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estate agent with 1st USA Realty. "Check out the schools, the shopping and the roads." In January, she and her husband paid \$63,000 for a foreclosed home in Phoenix that they plan to sell or rent. More than \$261,000 was owed on the home when it was foreclosed on last fall.

"Try to buy the ugliest home on the block," she said.

The most popular segment of the foreclosure market now is homes priced below \$100,000. Many of the best deals can be found in the West Valley, south Phoenix and Pinal County, the areas hurt most by the housing-market downturn.

"You are going to find the real deals on the homes with the most (physical) damage in the neighborhoods with the highest foreclosure rates," said Realty Executives agent Brett Barry, who says 70 percent of his business now is listing foreclosures. "Those are the homes that draw the multiple offers."

He said lenders don't want to spend more than \$15,000 to \$20,000 to fix up a foreclosed home for a sale. So if a home has extensive damage, the price is discounted more. Some foreclosed homes have been stripped of appliances, light fixtures, tile and even toilets by former residents.

Bob Ortega bought a foreclosed home in Queen Creek for \$90,000 late last year. Similar homes in the area that aren't in foreclosure were listed for more than \$150,000. But he had to buy a new stove, refrigerator, washer and dryer and then repaint and carpet the house.

"The last owners must have been mad because they did some real damage," he said. "It was a big headache, but I think I ended up with a deal."

Unfortunately, he is seeing other foreclosed homes in his neighborhood now selling for \$10,000 to \$20,000 less than he paid.

Buying

There are two ways to buy a foreclosed home now: directly from a lender by working with a real-estate agent or at an auction.

When working with an agent, it helps to find someone who

knows how to negotiate with lenders. Most lenders have downsized their staff and may not respond quickly to offers on foreclosed homes.

In January, Brady Switzer bought a 2,290-square-foot foreclosure home in Litchfield Park.

"The asking price was \$229,000, but we haggled with them and got it for \$190,000," he said. "The lender was fairly easy to deal with."

To sell foreclosed homes quickly, lenders have been hiring big auction firms.

George Bein has bought three Valley foreclosed homes at auction. One he bought for less than what he had offered the lender a month earlier.

"Wait for the auctions if you can," he said. "The deals are better. But it's extremely important to inspect the properties and know your top bid and stop there."

Typically, photographs, addresses, information on the size of the homes and opening bids are available on the auction firm's Web site. Most auction firms also hold open houses on foreclosed properties, but the viewings are limited. Buyers can get their own appraisals on foreclosed homes and use those to negotiate with lenders.

"Due to the increase interest in foreclosures, lenders are now being flooded with offers," Zeitzer said.

She advises buyers to keep their offers simple, without too many demands or contingencies.

Financing

A foreclosure sale can close more quickly when the buyer has financing lined up before making an offer.

More buyers are paying with cash now because the mortgage industry, battered by loan defaults, is making financing tougher to obtain, especially for people who don't plan to live in the home. Some lenders will discount foreclosure prices even more for cash deals. More than 30 percent of all Valley homes sales in January were paid for with cash, compared with 19 percent in January 2008.

Financing is available to buy foreclosed homes, particularly for buyers who are going to live in them.

Jay Luber, president of Phoenix-based Galaxy Lending, said borrowers with good credit can usually take out a conventional loan with a 5 percent down payment.

For buyers who plan to live in the home, the Federal Housing Administration offers mortgages that require a 3.5 percent down payment. This program has a sales price limit of \$346,000 in Arizona.

Both of those loans require the house to be in decent shape, and the loans don't usually come with money for renovations.

There is a loan that will finance fixing up a foreclosure home: the FHA 203K streamline loan.

"Homeowners can take the purchase price of a foreclosure home and add the home's rehab cost to come up with an adjusted sales price," said Reg Gustin of Mesa-based Sun American Mortgage. "Buyers can finance the adjusted amount through FHA if the property appraises for that much."

These loans require the buyer to keep the home for 90 days.

Other financing help for foreclosure home buyers is coming soon from the federal government. A portion of the \$121 million coming to Arizona next month from the federal Neighborhood Stabilization program includes money to help people buy foreclosed homes. Specifics on the program vary by city. More information will be available soon on the Arizona Department of Housing's Web site.

The city of Phoenix plans to use a portion of its neighborhood funds to give qualifying buyers \$15,000 to cover the down payment or closing cost on a foreclosed home.

Who's buying

Many investors bought Valley foreclosed homes during the past year, and more investors are jumping into the market as prices continue to fall.

Hossien Safaie of Keller Williams Arizona Realty said he works to find foreclosed homes for clients that can be fixed up in four weeks and then resold quickly before being undercut in price by new foreclosures.

"The last foreclosure home I worked with a client to buy and fix up was in north Phoenix," he said. "It resold in a day for a

\$60,000 profit. The day we bought the foreclosure house, we had contractors ready and started marketing it for resale."

Some market watchers are concerned about too many investors buying foreclosed homes.

"It's great that foreclosure homes are selling and investors are interested," said Margie O'Campo de Castillo of Arizona Dream Realty. "But too many investors got us into the current mess."

For first-time buyers, the foreclosures are a blessing of sorts. O'Campo recently worked with a young family who bought their first home in El Mirage for \$86,900. The house sold for more than twice that much when it was built a few years ago.

"Valley foreclosures are one family's tragedy and another family's opportunity now," O'Campo said.

Market overview

Foreclosure-resale deals aren't likely to go away anytime soon, and in some areas the deals are getting even better.

Only about half of the 50,000 Valley homes to go into foreclosure during the past year have resold.

Tom Ruff, an analyst with the real-estate research firm Information Market, recently looked at buying a small home in Phoenix.

The property sold for \$232,000 in March 2005. The lender foreclosed on the home in early February and turned around and listed it for \$45,900.

"The bungalow sold within hours, and there were multiple cash offers on the property," Ruff said.

Last month, foreclosure sales climbed to account for almost 70 percent of all Valley resales, a figure that may alarm fretful homeowners. But the figure also suggests better things ahead.

"Homeowners with foreclosures in their neighborhood might not like what these sales with low prices do to their values, but these homes must be resold and fixed up for the market to come back," said Arizona housing analyst RL Brown.

"The good news is that the foreclosure homes are selling."

Tread Carefully When Making a Low-Ball Offer

These days, it's easier to make a low-ball offer than it used to be, but still it's important to be smart. Here are some things that a real estate practitioner and would-be buyer should consider when contemplating such an offer:

- **Use foreclosures as comps carefully.** Look realistically at the prices foreclosures in the neighborhood brought. Foreclosures aren't good comps if the homes were stripped of appliances, pipes, HVAC, etc.
- **Examine details of short sales critically.** How many liens were there against low-selling short sales? If there were no secondary liens, the lender had considerable

flexibility.

- **Establish realistic time frames.** Even in the best of circumstances, foreclosure takes a long time. Will the seller play the waiting game? How long have houses whose owners have equity stayed on the market? Is the buyer in a hurry?

If your buyer makes a low-ball offer, the bank probably won't be in any rush to take it. They'll likely just keep soliciting offers without coming back with a counter. Ultimately, the property is likely to sell for a higher price and, chances are, you and your buyer won't know it until the deal is done.

FEATURED PROPERTIES



\$179,900
18649 N 27TH ST
Phoenix, AZ 85050

Beds/Baths: 3 / 2
SF: 1,401 / County Assessor
Year Built: 1976

Centrally Located Horse-Property--Bank Owned and Priced to Sell! Mature Pine, palm and citrus trees. Stained concrete flooring throughout. Ceiling fans. Fenced dog run in grass backyard. 7 stall barn with breezeway and attached shade. 20X15 building as workshop, tackroom, or storage. Easy access to trails and open riding areas. Home sold AS-IS, No SPDS or CLUE.



\$286,500
7210 N 175TH AVE
Waddell, AZ 85355

Beds/Baths: 3 / 2
SF: 2,026 / County Assessor
Year Built: 1998

Wonderful Bank Owned Home on over an acre! Huge great room w/fireplace. Large Covered Patio. Almost 15 fruit trees. Barn with built-in paddocks. Separate tack building and green pasture in back. Purchase this property for as little as 3% down! This property is approved for HomePath Mortgage and HomePath Renovation Mortgage Financing. Please contact listing agent for more information. Home sold AS-IS. Priced Right!



\$299,000
16328 E Gamble LN
Scottsdale, AZ 85262

Beds/Baths: 4 / 3.5
SF: 3,463 / County Assessor
Year Built: 2006

** Wonderful Semi-Custom on 1.25 mountain view lot ** Enjoy the 360 degree mountain views from the open family room, master and Rooftop deck! Travertine tile & upgraded carpet t/o. Kitchen with cherry cabinets, granite countertops, stainless steel appliances, breakfast bar. Stacked stone 2-way fireplace & more. Lender approval is required. GREAT PRICE!

For more info on these properties please contact:

Juan Pesqueira - Investor Specialist

Qualifying for a low-down FHA loan

FHA lending is soaring - with good reason. These mortgages are affordable, flexible and available.

By Les Christie, CNNMoney.com staff writer Last Updated: April 6, 2009: 3:17 PM ET

NEW YORK (CNNMoney.com) -- Mortgages insured by the Federal Housing Administration can be a lifeline for low-income or high-risk borrowers. These loans have tiny down-payment requirements, competitive rates and easy credit-score hurdles.

In fact, terms are so attractive that some may ask why all home buyers don't use FHA mortgages.

Well, a lot more of them do. Since the housing bust began, FHA lending has soared to account for 20% of the total dollar volume in home loans - up from just 3% in 2006.

There were 384,451 home purchase loans issued during the first two months of 2009, nearly four times the pace of 2008 when 631,649 were issued, and far more than the 278,393 issued for all of 2007. The number of authorized FHA lenders skyrocketed 500% over the past two years.

"FHA stays active in volatile and declining markets, continuing to make mortgage credit available to borrowers, even when private mortgage providers are withdrawing," said the Secretary of Housing and Urban Development, Shaun Donovan, in Senate Appropriations Committee testimony on Thursday. "During difficult times, it is critically important to have an entity like FHA play this role - offering families access to near-prime rate financing."

FHA loans are especially attractive for homebuyers with steady incomes who cannot scrape together a 20% down payment because FHA lenders will finance up to 96.5% of the home price.

According to Maryland-based mortgage consultant Allen Hardester, the other attractions of FHA loans include:

A better loan modification program. The agency has a long history of helping borrowers who fall behind on payments. In two-thirds of default cases the agency figured out a plan to keep borrowers in their homes. And 90% of those mitigations were still working after two years.

They're cheap to refinance. FHA loans can be easily - and often cheaply - converted to similar FHA mortgages if interest rates drop.

Borrowers with weak or limited credit histories may still qualify.

Mortgage applicants can have very short credit histories or a late payment or two on their records and still get approved with low interest rates. The FHA guidelines set the credit score minimum at 620, but exceptions may be made for people with even lower scores.

Low rates. For months, interest rates on FHA loans have been lower than conventional loans. Plus, rates don't vary with credit score; you pay the same whether you're a 620 or a 700.

Although these loans target low- and moderate-income Americans, there are no income restrictions. However, FHA does limit the amount that can be borrowed, based on area home values. For example, the most that can be borrowed in a high-cost area such as New York City is \$729,750; meanwhile, in Buffalo, N.Y., a purchaser can borrow no more than \$276,250. Check the cap limits in your home town.

In addition, borrowers must pay an up-front insurance premium totaling 1.75% of the loan, which goes into FHA's fund for repaying lenders if borrowers default. So if you take out a \$200,000 loan, you would need \$3,500 at closing, in addition to normal costs.

Otherwise, there are few restrictions to getting an FHA loan. However, there is a perception that they are difficult to obtain. And they once were.

Few lenders would originate FHA loans during the housing boom because the underwriting and appraisal process was so strenuous. "If there was a crack in the sidewalk, they wouldn't approve the loan," said George Hanzimanolis, a mortgage broker in Pennsylvania and past president of the National Association of Mortgage Brokers..

That all changed a few years ago when HUD rethought its guidelines. Now, the process can be nearly as fast and painless as conventional loans.

The one class of borrowers who may be slightly better off with conventional mortgages are ones with very high credit scores who make substantial downpayments. Keith Gumbinger, of HSH Associates, a publisher of mortgage information, said they may save an eighth of a point on their rates.

To find an authorized FHA lender, go to the Department of Housing and Urban Development Web site.

Brought to you by

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All information deemed reliable but not guaranteed

Expert: Arizona housing market near bottom by Marjon Rostami The Arizona Republic

The Valley housing market may be nearing its bottom, analyst R.L. Brown said at a public meeting Thursday evening in northern Peoria

In what he termed "a doomsday scenario," Brown said it's possible a second tsunami could devastate the housing market in the next few years, bringing even more serious troubles than the current downturn.

But that won't happen if the federal government continues the path it's undertaken, he said.

The Valley housing economist and analyst spoke at Trilogy at Vistancia master-planned community, where residents say they live in a bubble, far removed from foreclosures that are making housing values plummet.

"Your neighborhoods out here are a piece of cake," Brown said. "It's the neighborhoods in some communities that are devastated."

However disconnected from the damage, Brown reminded residents that foreclosures have a rippling effect and urged attendees to take care of their neighbors to avoid lowering property values across the board.

In February, eight foreclosed houses were sold in Vistancia. Prices ranged from \$170,000 to \$350,000.

"I guarantee you that those are lower prices than what you paid," Brown said. "Foreclosed prices are setting the prices

on your street, and you need to be cognizant of that."

A significant part of the problem is lack of consumer confidence, which Brown said could take years or even generations to improve.

He predicted that the housing market is near the bottom, saying consumer confidence has shown signs of improvement over the the past three weeks.

Jeff Mitchell, a Trilogy resident, was a home builder in Oregon for 30 years before his company "pretty much self-terminated" last year.

"People miss the impact here. If a property here has been foreclosed, you couldn't tell by driving past it," he said.

"Feeling like we've really hit a bottom here is a really good sign that will help stimulate deals. Consumers need to stop sitting on their wallet and being so conservative. This is the time to buy."

Brown ended his presentation by trying to stimulate reassurance in the audience. He told the crowd to not lose sight of the fact that Arizona is in an enviable position.

"It's so easy to believe some of the stuff that is being said by economists who have never been west of the Hudson," Brown said. "This place will continue to be one of the best housing markets in the world.

"Arizona will flourish once again."