

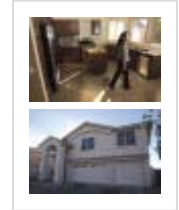
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Lenders reduce prices, offer major incentives to unload properties

The Business Journal of Phoenix - by [Jan Buchholz](#) Phoenix Business Journal

Deep discounts and significant financial incentives are starting to proliferate in the local housing market as lenders push to get foreclosed properties off their books.



That's good news for creditworthy first-time home buyers and others who aren't tethered by the need to sell an existing home before moving. It also creates an excellent opportunity for investors who exercised restraint when prices soared to unrealistically high levels and have maintained good credit, local experts say.

"We want to make sure people know there are great deals out there," said Beth Jo Zeitzer, president of **ROI Properties**.

Zeitzer's brokerage specializes in selling homes and commercial properties that have been returned to the lender through trustee sales.

ROI has about 250 current foreclosure listings. Of the 20 homes in escrow, all are being purchased by owner-occupants, she said. That flies in the face of prevailing assumptions that most foreclosures land in the hands of investors.

"We have a pretty broad buyer base," Zeitzer said.

And some remarkable deals are available, she said. For instance, a 3,200-square-foot home in Gilbert that was listed for \$515,000 in June now is priced at \$430,000. In addition, the lender is offering \$5,000 toward closing costs, a \$3,000 agent bonus plus a 3 percent commission, and \$6,000 to cover paint and repairs.

At the other end of the spectrum, a south Phoenix house priced at \$164,900 in early December has been dropped to \$122,400. It includes a \$2,000 closing cost credit, a \$3,000 bonus to the buyer's agent plus 3 percent commission, and \$4,000 for paint and repairs.

"That's a lot of incentives," Zeitzer said.

Marc Gastineau, an agent with John Hall & Associates in Scottsdale, is focusing much of his time on finding qualified buyers to take advantage of bank-owned properties, mostly through an aggressive Internet strategy.

"We're finding them in droves," Gastineau said.

Though many are investors, he said, "We've got a handful of first-time buyers. Interest rates are still reasonable."

But he's also finding a niche of buyers who are custom-made for a growing market that goes beyond foreclosure and eviction. Some angry owners who defaulted on their loans and were evicted have been vandalizing and stripping their former homes of appliances, fixtures and even cables in the walls.

In one case, a family walked away from a 2,500-square-foot house in Chandler, leaving the water turned on in the upstairs bathroom. The floor collapsed into the kitchen below, causing thousands of dollars in damage.

A would-be buyer put a bid on that house, but asked for concessions when an inspector found serious mold problems. The bank didn't budge. Now Gastineau has a new buyer.

"He's a contractor who specializes in that kind of property. He's figuring out the cost of fixing the mold problem, and he'll make an offer soon," Gastineau said.

Although talk of foreclosures has dominated the news for months, most of the numbers reflect the notices of trustee sale that are sent out as soon as a homeowner defaults on a loan -- usually after missing just one or two payments. After that, it could be three to five months before the property is sold, often to the original lender. That lender contracts with brokers such as Zeitzer to get the property vacated and ready for sale, often at deeply discounted prices.

However, in the process of moving toward a trustee sale, some homeowners find ways to make their back payments or negotiate a short sale, in which the lender agrees to take less than what is owed against the house, so long as the owner finds a viable buyer.

The number of homes in foreclosure varies wildly, depending on the source of information. Trustee notices filed with each county reflect quantifiable numbers that gauge activity, though that can't predict how many houses actually will be sold in foreclosure proceedings.

Foreclosure proceedings increased by 88 percent in Maricopa and Pima counties in 2007, according to Pennsylvania-based **Default Research**.

Many trustee notices only now are translating into lender-owned properties that are being marketed at foreclosure discounts.

"Over the next 12 to 18 months, we'll continue to see that kind of inventory coming on," Gastineau said.

Some lenders and asset managers, who service loans on behalf of lenders, concede that the foreclosure numbers are likely to increase, but they aren't guaranteeing rock-bottom prices.

"We list properties at fair market value. It isn't a fire sale," said Kevin McRae of **American Home Mortgage** in Texas, who works closely with ROI Properties in Phoenix.

Every property is unique and subject to different pressures, he said. That's why his company

works with a partner that knows the Phoenix market well and can respond quickly to changing conditions.

"There's no generic rule of thumb, but we prefer not to sit on a property," McRae said.

He is willing, however, to make one blanket observation: "This is the perfect time to buy."

Get Connected

ROI Properties: www.roipropertiesaz.com

Default Research: www.defaultresearch.com

Marc Gastineau: www.marcgastineau.com

Notices of Trustee Sales Recorded

Maricopa County, 2007 total: 23,333

Maricopa County, 2006 total: 10,800

Year-over-year change:

109 percent

Source: Default Research

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