

## TALES FROM THE CRAWLSPACE

By; Scott Harris

Propertyexam

### **Sell more homes, make more money and stabilize the real estate market today**

Do I have your attention? These are bold claims but all fundamentally sound. This can all be done by HUD 203K renovation mortgage, a program that's been around for thirty years. According to RealtyTrac there are over 2 million homes that have been repossessed since the current "recession" began. More than 1 million more will lose their homes to foreclosure this year. Other sources agree the numbers of foreclosures are currently slowing but this is artificial. The only reason foreclosures aren't soaring is because banks are slowing down the process to review how it's being done. Additionally there just isn't anything happening with these homes, they languish on the market. Therefore, there is little incentive to list them on the RMLS. Less than 1/3 of the homes repossessed by lenders are currently on the market according to RealtyTrac. CoreLogic Reports the US "Shadow Inventory" to be 1.7 million units. This is all pretty abysmal, no matter how you look at it. Most Real Estate professionals agree that the current market can't stabilize until the huge inventory of discounted homes is reduced to "normal" levels. Most of these REO's are distressed. Some only a little, many need quite a bit of renovation to make them livable or marketable. The sellers aren't going to invest in these properties to make them "sellable". The only viable way to sell or to buy most of these homes is with the HUD 203K renovation mortgage.

Waiting for something else to come along and fix this inventory problem, isn't going to solve anything. There simply aren't enough cash buyers to pick up this entire inventory. Besides, isn't finding a cash buyer a little like hunting a unicorn? This program is here now, and it works. Basically, the mortgage includes funds to pay for renovating the home, after closing at the same interest rate as the mortgage. The renovation can include almost anything; foundations, HVAC and roofs to "lipstick on the pig". The seller sells the house they have, and the buyer gets the house of

their dreams, or at least the house they need. If you've heard rumors about how complicated the program is, or that it takes so long the seller or buyer will back out before it closes, that's just not how it works any more. A 203K mortgage should close in 45-60 days tops. The process is complicated, but not for Realtors. You have a professional 203K consultant in the mix that will do everything complicated about the process. The consultant will deal with the bank, the contractor and the borrower to plan, oversee and document the renovation. Everything else is just an FHA loan, nothing different. The program itself has not fundamentally changed, the environment has. In the past, it could take weeks to complete the "work write up" and the closing to proceed. This was because it all happened by phone, US postal service and repetitive meetings. Now, everyone has access to the internet, and what took weeks, can happen in one day. Speed of light, it's literally changed everything. Like many things in real estate, this is all about communication. Most consultants have an automated system for dealing with the paperwork and the only potential time crunch happens over the buyer making final decisions about details.

The only real impact on a real estate agent is that they may have to open the house up to let a couple of general contractors go through it with the borrower/buyer so they can bid. Realtors don't have to deal with the bids or the contractors, banks or anything like that. They might have to talk to their clients about getting all new cabinets and counters, or if they should refinish existing hardwood floors or replace them. At some point the Realtor should advise the client whether the neighborhood/value will sustain the improved value of the proposed, renovated home. That's about all there is to it, really. The other things a Realtor should do are inform clients this program is out there and how it can help them. Listing agents can list properties as qualifying for a federally funded mortgage rehabilitation program. The most exciting aspect of this program is the buyer usually ends up with equity in the home. Typically the more distressed the property, the better the selling price. The more money they spend on the renovation, the more the house will appraise for and the more equity they end up with. A typical example is a distressed REO house sells for \$200,000. The buyer puts \$50,000 into renovating the house. The renovated house appraises for \$285,000 (before closing). When the renovation is

complete the buyer has \$35,000 built in equity! DO I HAVE YOUR ATTENTION NOW??? I hope so; this is really exciting and fun. The people who go through this program will be so happy, their gratitude is palpable. These are the clients who send you Christmas cards years later and recommend all their friends and family. They get so much more than they ever expect possible, it's very rewarding.

There are many nuances with the HUD 203K that are worth knowing. There is a class on this and other topics I teach at Real Estate offices (for CEU credit). Call or email [Propertyexam.com](http://Propertyexam.com) to find out more about this important topic. Let's change the market together.