**Foreclosures**

**Are foreclosures a good investment?**

A foreclosure property is a home that has been repossessed by the lender because the owners failed to pay the mortgage. Thousands of homes end up in foreclosure every year. Economic conditions affect the number of foreclosures, too. Many people lose their homes due to job loss, credit problems or unexpected expenses.

It is wise to be cautious when considering a foreclosure. Many experts, in fact, advise inexperienced buyers to hire an expert to take them through the process. You should choose your Realtor by their experience with the Foreclosure process.

**How does HUD affect my buying a foreclosure?**

If you are strapped for cash and looking for a bargain, you may be able to buy a foreclosure property acquired by the U.S. Department of Housing and Urban Development for as little as $100 down.

With HUD foreclosures, down payments vary depending on whether the property is eligible for FHA insurance. If not, payments range from 5 to 20 percent. But when the property is FHA-insured, the down payment can go much lower.

Each offer must be accompanied by an "earnest money" deposit equal to 5 percent of the bid price, not to exceed $2,000 but not less than $500.

The U.S. Department of Veterans Affairs also offers foreclosure properties which can be purchased directly from the VA often well below market value and with a down payment amount as low as 2 percent for owner-occupants. Investors may be required to pay up to 10 percent of the purchase price as a down payment. This is because the VA guarantees home loans and often ends up owning the property if the veteran defaults.

If you are interested in purchasing a VA foreclosure, call 1-800-827-1000 to request a current listing. About 100 new properties are listed every two weeks.

You should be aware that foreclosure properties are sold "as is," meaning limited repairs have been made but no structural or mechanical warranties are implied.

You can only purchase a U.S. Department of Housing and Urban Development property through a licensed real estate broker.

**Where do you find government foreclosed homes?**

The U.S. Department of Housing and Urban Development acquires properties from lenders who foreclose on mortgages insured by HUD. These properties are available for sale to both homeowner-occupants and investors.

You can only purchase HUD-owned properties through a licensed real estate broker.

Down payments vary depending on whether the property is eligible for FHA insurance. If not, payments range from the conventional market's 5 to 20 percent.

Buying a foreclosure property can be risky, especially for the novice. Usually, you buy a foreclosure property "as is," which means there is no warranty implied for the condition of the property (in other words, you can't go back to the seller for repairs). The condition of foreclosure properties is usually not known because an inspection of the interior of the house is not possible before the sale.

Buying directly at a legal foreclosure sale is risky and dangerous. It is strictly caveat emptor ("Let the buyer beware"). In addition, there may be problems with the title, though that is something you can check out before the purchase.

The process has many disadvantages. There is no financing; you need cash and lots of it. The title needs to be checked before the purchase or the buyer could buy a seriously deficient title. The property's condition is not well known and an interior inspection of the property may not be possible before the sale.

**Can I get financing on a foreclosure?**

One reason there are few bidders at foreclosure sales is that it is next to impossible to get financing for such a property. You generally need to show up with cash and lots of it, or a line of credit with your bank upon which you can draw cashier's checks.

**Fixer-Uppers**

**Is it smart to even consider a fixer-upper?**

It depends. Distressed properties or fixer-uppers can be found anywhere, even in wealthier neighborhoods. Such properties are poorly maintained and have a lower market value than other houses in the neighborhood.

Many experts recommend that before you make such an investment, first find the least desirable house in the best neighborhood. Then do the math to see if what it would cost to bring up the value of that property to its full potential market value is within your budget. If you are a novice buyer, it may be wiser to look for properties that only need cosmetic fixes rather than run-down houses that need major structural repairs.

**Are there special loans for fixer-uppers?**

If you need a home loan to buy a "fixer-upper" and remodel it, look at the U.S. Department of Housing and Urban Development's Section 203(K) loan program. The program is designed to facilitate major structural rehabilitation of houses with one to four units that are more than one year old. Condominiums are not eligible.

A 203(K) loan is usually done as a combination loan to purchase a "fixer-upper" property "as is" and rehabilitate it, or to refinance a temporary loan to buy the property and do the rehabilitation. It can also be done as a rehabilitation-only loan.

Investors must put 15 percent down while owner-occupants are required to come up with only 3 to 5 percent. HUD requires that a minimum of $5,000 be spent on improvements.

Two appraisals are required. Plans and specifications for the proposed work must be submitted for architectural review and cost estimation. Mortgage proceeds are advanced periodically during the rehabilitation period to finance the construction costs.

If they pass the insurance hurdle, next check some of their references. A good contractor will be happy to provide as many as you want.

Finally, don't let yourself be rushed into making a decision no matter how competitive the market may seem. Also, never pay a deposit to a contractor at the first meeting. You may end up losing your money.

**Is remodeling worth the price and time?**

Remodeling magazine produces an annual "Cost vs. Value Report" that answers just that question. The most important point to remember is that remodeling a home not only improves its livability for you but its "curb appeal" with a potential buyer down the road.

Most recently, the highest remodeling paybacks have come from updating kitchens and baths, home-office additions and extra amenities in older homes. While home offices are a relatively new remodeling trend, for example, you could expect to recoup 58 percent of the cost of adding a home office, according to the survey.

**How do I look for fixer-uppers?**

You should first contact a specialist in Real Estate. Having a Realtor working for you can help to the information that you may not know to look for. They can also help you find the right property, help with negotiations and finding other specialist to inspect the property you choose.

You can find distressed properties or fixer-uppers in most communities, even wealthier neighborhoods. A distressed property is one that has been poorly maintained and has a lower market value than other houses in the immediate area.

Ascertaining whether the property you're interested in is a wise investment takes some work. You need to figure what the average house in a given area sells for, as well as what the most desirable houses in that area are like and what they cost.

Some experts suggest that buyers who take this route try to find a "cosmetic fixer" that can be completely refurbished with paint, wallpaper, new floor and window coverings, landscaping and new appliances. You should avoid run-down houses that need major structural repairs. A house price that looks too good to be true probably is. A smart buyer will find out why before buying it.

The basic strategy for a fixer is to find the least desirable house in the most desirable neighborhood, and then decide if the expenses needed to bring the value of that property up to its full potential market value are within one's rehab budget.