

## Foreclosure can open doors too

By Marilyn Kennedy Melia | Special to the Tribune  
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It's not surprising that one segment of the housing market -- foreclosed properties -- is stirring interest.

"We are in a foreclosure frenzy," says Michael Olszewski, broker-owner of Area Wide Realty in Chicago.

But that leaves buyers looking for a home competing against professionals who know how to find, finance and fix foreclosed properties -- for a profit.

Still, while investors probably make up the majority, there are the foreclosure purchasers who intend to live in the home.

They can get a price significantly less than comparable properties -- if they are willing to expend effort, and be savvy.

For starters, not everything that appears to be a bargain is, notes Olszewski. Many homes falling into foreclosure sold for a price that's inflated compared with similar properties.

A home sold in the height of the boom for \$205,000 might still fetch \$190,000 today -- so even if a buyer gets the foreclosed \$205,000 property for \$187,000, it's only at a slight discount.

Buyers looking for a home generally hunt after the lender has taken the property back or "REO" for real-estate owned.

At its Web site, <http://www.NRBA.com>, the National REO Brokers Association lists agents who specialize in these properties.

Some REO homes are in move-in condition, but many are trashed, says Marisa Barra, an agent with Lomitas GMAC Real Estate in Aurora.

It's not just the condition of the home, but also the appeal of other homes on the block and in the neighborhood that matters.

Over the years, Chicagoan Knitasha Washington has lived in several foreclosed homes she bought. Renovating a home won't result in an uptick in value if the surrounding properties are in disrepair, she notes.

When a buyer does find a property, financing can be a challenge. The lender that owns the property typically won't provide a mortgage on it. But borrowers with an impressive financial profile can compensate for a property's disadvantages: "I am seeing deals where buyers have a credit score in the upper-700s and savings in reserve and a 10 percent down payment," says Olszewski.

Buyers who want a home to live in but lack any, or all, of these credentials can often find financing through the government-backed FHA 203K loan program, says Frank Montro, with Oak Realty, Chicago.

Buyers can get a loan to covers the purchase and repairs -- up to the FHA loan limits.

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