

# Real Est

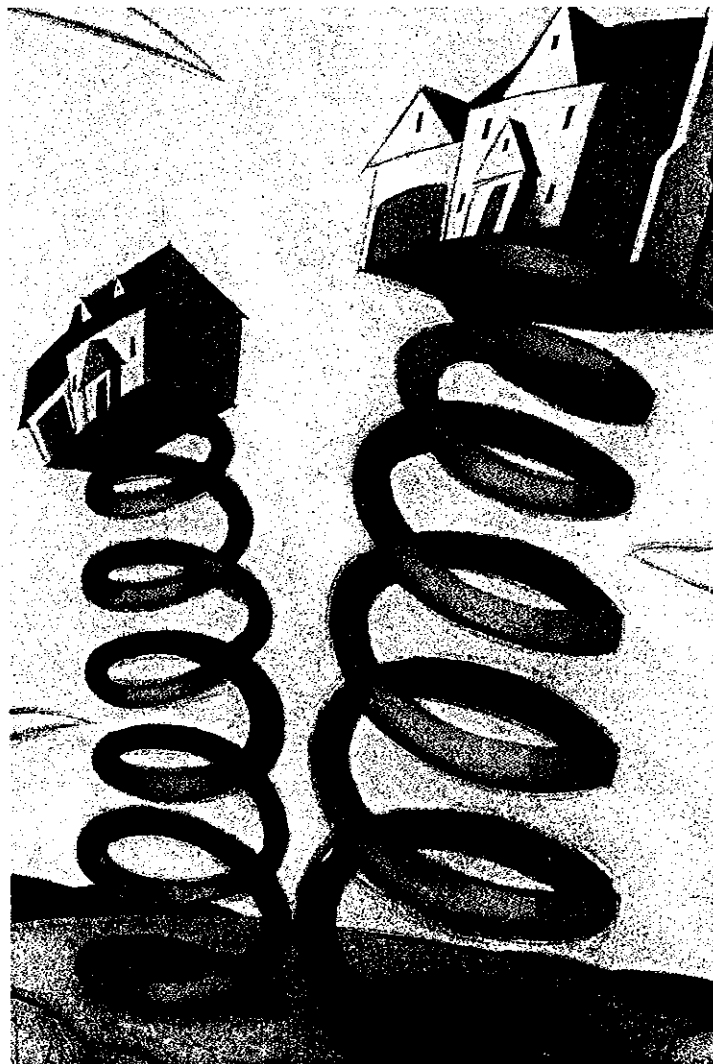
newsobserver.com/

| MORTGAGE RATES |                  |              |          |         |
|----------------|------------------|--------------|----------|---------|
| Percent        | Type of mortgage | Week ending  | Previous | Change  |
| 3.75           | 30-year fixed    | Jan. 8, 2007 | 4.25%    | -0.50%  |
| 4.50           | 15-year fixed    | Jan. 8, 2007 | 5.00%    | -0.50%  |
| 5.00           | 30-year fixed    | Jan. 8, 2007 | 5.438%   | -0.438% |
| 5.50           | 15-year fixed    | Jan. 8, 2007 | 6.254%   | -0.754% |
| 6.00           | 1-year ARM       | Jan. 8, 2007 | 6.508%   | -0.508% |
| 6.50           | 5-year ARM       | Jan. 8, 2007 | 7.012%   | -0.512% |
| 7.00           | 3-year ARM       | Jan. 8, 2007 | 7.516%   | -0.516% |
| 8.00           | 1-year ARM       | Jan. 8, 2007 | 8.520%   | -0.520% |

Figures represent the weekly averages of rates offered by the banks. Quotes are from Carolina Bankers for residential mortgage loans with a one percent down payment for one-to-four units.

Source: Mortgage Information Services Inc.

Investing  
in troubled  
properties  
can be  
win-win



STORY BY CORRESPONDENT NANCY E. OATES

Unhappiness rises with the number of foreclosures. Someone loses a home and the opportunity to become a homeowner ever again; a bank loses its money. Yet investors who can help out both parties by buying the property before foreclosure are sometimes met with suspicion.



Tiffany Elder

FREE INFORMATION SESSION

**SOS INITIATIVE** meeting will be held in the third-floor conference room, main branch of the Durham Public Library, 300 North Roxboro Street, in Durham on Jan. 26 from 4-5:30 p.m. The seminar is free and open to anyone who wants to learn more about options for a home in trouble. For more information, visit the Web site: [TiffanyElder.com](http://TiffanyElder.com), click on SOS Initiative.

Todd Cobin, who makes a living purchasing real estate before it goes into foreclosure, understands the skepticism. "There are investors out there who are considered sharks, look-

ing for someone down on their luck and taking advantage of them," Cobin said. "There are shady people in any business. But if you have ethics, you can help people out by preventing someone from going into foreclosure and having that on their credit record, and maybe avoiding bankruptcy. You can look for a win-win."

The number of foreclosures in the Triangle increased 14.7 percent in 2007 compared to the previous year, according to the N.C. Administrative Office of the Courts. That translates into foreclosure proceedings filed against 7,390 homeowners in Durham, Orange, Johnston and Wake counties last year. The numbers are expected to increase in 2008 as more ad-

justable rate mortgages reset to a higher interest rate, resulting in a monthly mortgage payment that snaps family budgets stretched too thin.

A lender begins foreclosure proceedings once a mortgage payment is more than 120 days late — four months past due. About two months after the homeowner receives notice that foreclosure proceedings have begun, the real estate is sold at auction at the county courthouse. The proceeds from the auction go first to repay the mortgage balance and fees connected with the foreclosure process. Any profit above that goes back to the homeowner. If the property is not purchased at

# Real Estate

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## INVESTMENT

CONTINUED FROM PAGE 1G

the foreclosure auction, the bank assumes the asset and contracts with a real estate agent to sell it, usually at or close to market value. The bank keeps all profits from the sale; the homeowner receives nothing but a blackened credit report.

Cobin looks for properties that are still in the late-payment phase. He negotiates with the bank about the possibility of a short sale — in which the bank accepts less money than the outstanding mortgage — and with the homeowner, who is expected to give up title to the house and the chance for any return on a foreclosure sale in exchange for avoiding a foreclosure to appear on his or her credit record.

Tiffany Elder, a Realtor with Realty Executives Triangle Southpointe, specializes in preforeclosure properties. Avoiding foreclosure should not be undervalued, she said.

"The homeowner won't have a foreclosure on their credit record, only a few late payments," Elder said. "The older the delinquencies are on your credit report, the less they weigh into your score." As long as the owner rebuilds credit after that, he or she will be eligible for another loan in the future.

Elder runs a free, informational seminar, the SOS Initiative, once a month at the Durham Public Library that explains the eight or nine options homeowners

have if they are in danger of falling behind in their mortgage payments.

Elder and Cobin worked together on a deal that allowed a woman in danger of losing her home to foreclosure after her adjustable rate mortgage reset to stay in the house. Cobin purchased the house for about \$20,000 less than its market value of the mid-\$160,000 range and rented it back to the woman for the price of her original mortgage payment. She can offer to buy it back once her finances improve, and she has the right of first refusal should Cobin de-

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**CHRIS COBIN, REAL ESTATE INVESTOR**

decide to sell the house. And she did not have to uproot her family by moving.

The downside for the investor is assuming the risk for a property that is an unknown until the investor completes the sale and has the key, Cobin said.

"Just because it's a foreclosure, doesn't mean it's a good deal," he said. "A homeowner on the way out may decide to take the refrigerator or vandalize the home. You have to get all the paperwork in order [which includes documentation that the homeowner is in financial trouble], and pay for the inspection, title search and attorney. Any money you put out

there, you lose if the deal doesn't go through."

Dee Blaylock, a loan officer with Newstar Mortgage in Durham, advises potential buyers of a foreclosed home to "do their homework." She encourages borrowers to meet with the closing attorney early in the process, and make sure the lawyer specializes in real estate closings.

"You need someone who does this all the time, with the changing industry we have," Blaylock said. "Call the attorney and ask how many real estate closings he or she has done. If they say, 'I do it every now and then,' move on."

Read and understand all the paperwork, Blaylock says, and select a lender with a solid reputation in the community.

"If the contract says the loan is only good for today, move on," she said. "Nothing is worse than getting to the closing table and finding out the lender is no longer in business."

Cobin relies on a team of people he can trust, from his real estate agent and lawyer to his home inspector, contractor and accountant. And the market always tempers his profits. Every market favors either the buyer or the seller, never both. If he gets a good deal purchasing a property in a buyer's market, he may have a hard time selling it, and will have to carry all the costs while he waits for a seller's market.

"Investing is not as easy as people perceive it," Cobin said. "People think, 'Get rich quick in real estate!' But if you hear 'get rich quick in anything, you should think twice about it.'"