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Dave Windsor's 'Alaska Real Estate'

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Rehab Properties Can Be A Good Deal

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After the 2019 earthquake there were dozens of damaged properties sold that were beyond the scope of owners who did not have insurance or their deductible was too high. Buyers came forward with cash and either obtained a nice home for themselves after some sweat equity or they fixed them up and 'flipped' them for a profit.

Two years later there are still rehab opportunities for other reasons. I represent, for example, two Out-of-State financial institutions that pick up portfolios (up to 500 at a time) of foreclosed properties across America and then put them up for sale.

Such REO (Real Estate Owned) companies, including also Fannie Mae, FHA and VA, are acquiring homes where unfortunate owners could no longer make their payments. REO companies put these properties on the market and will sometimes do limited repairs but, as I again discovered in Southport this week, often the damage is extensive and they are sold "as-is".

Desperate owners of homes with loans in default sometimes 'trash' the property, removing anything of value prior to departure. The wheels of foreclosure turn slowly

at times and it may mean that the home is vacant for one, two or even three years.

In addition, desperate owners leave the city or State and unpaid utility companies eventually shut down electric, gas and water/sewer. Winter temperatures burst water pipes and serious damage occurs plus, on occasions, mold develops.

The stout of heart, with some cash they can find and with the handyman/contractor mindset, see an opportunity. Naturally, REO companies want to negotiate but, in the end, the Alaskan buyer holds the best cards for a deal with Out-of-State financial institutions who, emotion-free, must liquidate.

Yes, there are still good deals to be found. There is an FHA 203k Rehab Loan program available from lenders who will provide the money for acquisition plus repairs up to \$35,000, but this program is extremely complicated and discouraged by most lenders in favor of our own Alaska Housing (AHFC) Rehab Loan which allows up to \$75,000 for repairs in certain circumstances, although even this program has strict rules not always easy to follow.

Find the money elsewhere. Pay cash and acquire a rehab property

(always subject to inspection) and it could turn out to be a really nice investment opportunity.

