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Foreclosures get fab fix-ups

By Gillian Drummond

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Smoking deals on foreclosures and short sales abounded on the 3,172 bank-owned properties in Pima County as of Monday, according to RealtyTrac.

But what's really ahead of you when you buy a foreclosed home?

For Gary and Lucy Simpson, it was simply a matter of arithmetic.

The couple, who moved to Tucson three years ago from South Carolina, had rented two homes in Midtown Tucson and, needing more space and a pool, were looking to move again.

That was last autumn, during the free-fall of Tucson's house prices. The Simpsons realized it would be cheaper to buy another house than rent one.

They found a steal just a few miles east of where they lived: a foreclosed four-bedroom ranch house with guest studio, workshop, sauna and swimming pool, listed at \$136,325. They paid \$135,000.

But the Simpsons, like many buyers of foreclosed homes at bargain-basement prices, had to swallow a bittersweet pill. The décor was shabby, the appliances ripped out, the swimming pool had turned to "20,000 tons of snot," and the general condition of the place was "uneven," said Gary. There was a state-of-the-art security system, for example, and yet unfinished floor tile.

Not only that, after the washing machine flooded the laundry room, he found that someone had blocked a connecting pipe with wood and lengths of chain — something he's still trying to remedy.

"The risk you run with foreclosures is that it's not unknown for there to be a certain amount of booby-trapping going on," said Gary, who estimates they've spent close to \$7,000 on new appliances, paint and tile, as well as thrift-shop bargains.

"It's trial and error because we've never fixed up a house," said Lucy. But she's not complaining. She's been experimenting with new paint finishes, repainting the concrete floor herself and trying her hand at installing slate tile in the master bathroom.

"I'll probably go over it all again," she shrugs with a laugh. "I think you have to have an open mind."

Not only should foreclosure buyers not be put off by cosmetic glitches, "You have to be willing to put in a little bit of hard work," said Brenda Waddell, an agent with Old Adobe Realty.

Ignorance is high with the public, said Long Realty agent Winnie Lee.

Ideas to steal

Floor-to-counter match — Kenzie Meisenburg used leftover ceramic tile from her kitchen and living room redo for a new kitchen counter. The mosaic tile that forms the backsplash is repeated on the floor, both as a dividing line between dining room and kitchen and as an eye-catching detail at the front door.

Sea me now — Meisenburg transformed a plain new bathroom mirror into a sea-themed focal point with materials from Jo-Ann Fabric and Craft Stores.

Forethoughts:

- Use a real estate agent experienced in dealing with foreclosures.
- Have the home thoroughly inspected. Homeowners who've fallen behind with bills will have fallen behind with routine maintenance.
- Be prepared for sabotage. Whether by former homeowners or vandals taking advantage of a vacant property, damage to foreclosures is rife.
- Banks sell foreclosures cheaply to get them off their books — sometimes up to 30 percent less than they're worth. But if the property is in good condition in a good area, be prepared for multiple bids.
- Check with your lender to see if you qualify for the \$8,000 tax credit aimed at first-time home buyers.

"I kept hearing on the streets that people wanted to buy foreclosed homes, but they don't know what that means. Nine times out of 10 it's 'I want the price but I want move-in-ready at that price.' "

So she began holding free workshops every Thursday for people interested in foreclosures and short sales. More often than not, her attendees are frightened off buying, she said — and that's largely her aim. "It's buyers beware. I want people to know what they're walking into."

Kenzie Meisenburg is not the sort to run from any challenge, including the worst recession to hit the country in decades.

Not only has she survived a layoff and large pay cut in the past year, she's turned the housing slump to her advantage, starting her ascent of the property ladder that — because of skyrocketing prices — had eluded her.

A year ago, Meisenburg, 28, was working for a company that provided wiring for in-home security and home-entertainment systems.

With the downturn in construction, she knew her days in that job were numbered. But she also felt it was the right time to buy.

She calculated a mortgage payment low enough for her to afford waiting tables if need be (Meisenburg got another job in digital-TV sales), and instructed her Realtor, Waddell, to find a foreclosure.

Meisenburg moved into a three-bedroom ranch home on the East Side last July. The list price was \$108,000, so low that there were multiple offers on the property. So Waddell advised her client to go higher — to a winning bid of \$122,000.

It took her two months to fix it up, the changes mostly cosmetic: repainted kitchen cabinets, new cabinet hardware, new tile on the floors.

"I didn't go out and buy the most expensive fixtures. I bought the cheapest ones that looked the best," said Meisenburg.

The hardest work came before escrow, said Waddell, and was part of the condition of Meisenburg's Federal Housing Administration loan. Waddell, a family friend, helped Meisenburg repaint the back porch and replace its posts, costing around \$500.

"That's how I spent Mother's Day last year," Waddell said with a chuckle, pointing out that foreclosures are a leap of faith for real estate agents, too.

Realtors say the foreclosure market in Tucson is two-pronged: There are those homes that have been trashed, either by vandals or embittered homeowners about to lose their asset, and those in good shape in good neighborhoods. The latter, said Jeff Wilhems, a mortgage specialist with American Home Mortgage, "fly off the market" and receive multiple bids.

The bottom line: There are bargains to be had, but there's always a catch, said Winnie Lee. "If it's too good to be true, it's too good to be true."

With hard work, they can be a great deal

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What a new home might cost you

We calculated house payments on a \$150,000 purchase and an FHA-insured loan.

These have low down payments and competitive rates because the federal government insures the loan. The downside — there's a borrowing limit of \$316,250. FHA financing is available from most major banks.

- Purchase price: \$150,000
- Down payment of 3.5 percent: \$5,250.
- Estimated closing costs: \$3,570.
- Loan amount: \$147,283.
- Monthly mortgage payment at 5.25 percent fixed for 30 years: \$813.30.
- Other estimated monthly costs (tax, property insurance): \$227.

SOURCE: Tony Poe, mortgage banker, Long Mortgage

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