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would you buy this **house?**

FIRMS FOCUS BUSINESS ON QUICK SALES OF UGLY HOMES

# Trading in ugly

For desperate or motivated homeowners, franchises offer quick, as-is sales

BY JEANNE MOONEY  
THE VIRGINIAN-PILOT

**P**atti Robertson trades in the market of the unloved and unkempt. A neglected home for sale is a possible prize for her portfolio. The stench of pet urine inside is the smell of profit, she said.

Robertson and her husband, Troy, recently bought into a national franchise that touts the slogan: "We Buy Ugly Houses."

The Virginia Beach couple didn't disappoint on their first purchase. The three-bedroom, one-bath home in Hampton isn't just ugly, Patti Robertson said, "it's an abused house."

Dust and grime lay thick on a dining room ceiling fan. A kitchen cabinet hung askew. When Troy Robertson opened a closet door, a bug skittered across it. When he shut it, his wife shrieked, "There's a roach!" It lay dead on the carpeted floor. Down the hall, ants marched to and from a stain she suspected was once pet vomit or feces.

The Robertsons initially had hoped to find an investor who would bring this 55-year-old house up to pretty. But after three weeks of marketing and no takers, the couple changed tack and began what Patti Robertson said would be a \$45,000 rehab. Now they hope to sell the home, after improvements, for about \$190,000, ideally to a first-time home buyer. They paid \$127,000 for it.

As the number of homes for sale in South Hampton Roads grows, and the time it takes to sell them also increases, national firms that help consumers sell their homes



Above: Troy Robertson inspects a room in a neglected Hampton home that he and his wife, Patti, purchased from their local HomeVestors franchise, a national firm that touts the slogan "We Buy Ugly Houses."



LEFT AND BELOW: Inside and out, the home is in dire need of repair, which the Robertsons plan to do before reselling the property.

ON THE COVER: Troy Robertson stands in front of the house, which the couple say will cost \$45,000 to rehab. Photo by Mort Fryman/The Virginian-Pilot



quickly and as-is are increasing their presence in South Hampton Roads.

The HomeVestors office Patti and Troy Robertson recently opened on Military Highway in Norfolk is the second franchise of its kind locally. HomeVestors wants to see five more open.

And **1-800-CashOffer** made inroads recently when it licensed Gary Browning of Virginia Beach as a professional homebuyer under its brand.

Both firms offer an option to consumers who are motivated to sell and don't want to spend time or money improving and marketing their homes. They may come from an ugly home or an ugly situation, Patti Robertson said. Someone who is two months behind on a note payment, or who inherited a home three states away, or who lost a job can preserve their credit, cut their liabilities and get out of their house, executives with HomeVestors and **1-800-CashOffer** said recently.

In return, the consumer sells the home at a discount, a sum that may be 30 to 35 percent below market value.

"We're not foreclosure folks," Robertson said. "We're not going to be down on the courthouse steps trying to buy houses."

The homeowner Robertson seeks has enough equity in their home to sell it at discount, she said. Someone with little or no equity in their home would be less inclined to sell below market value because they would owe money on their loan at closing, she said.

The Hampton home sat unoccupied for two months, Robertson said. It needs repair and upkeep and stands counterpoint to the well-kept homes around it in Greenfield Village. The seller could not be reached for comment by phone or e-mail this week.

"She didn't have time, money or the effort to fix it up," Robertson said of the seller.

Cliff Wells, chairman of the Hampton Roads Realtors Association's board of directors, said firms that offer homeowners a quick, repair-free buyout at below-market prices, are "trying to make a buck on someone's hard time."

"I would advise the consumer, before you sign anything, call a Realtor," Wells said. A real estate agent can help a

homeowner sell their property quickly and for a higher sum than what an investor may pay, he said.

"Why give someone else your equity?" Wells asked.

Owners in 34 states sold 7,100 homes to HomeVestors franchisees in 2006, said John Hayes, president of the company. Many of the homes were in middle-class neighborhoods and were at least 25 years old.

**1-800-CashOffer** has reached into at least 10 states since its start this year, said Deverix Horn, vice president of the company. The fast-growing firm appeals to experienced investors who want to grow their businesses and raise their visibility, he said. The firm has an online kin, **FastHomeOffer.com**, which connects sellers with investors who can close quickly.

While licensees or franchisees with both firms try to capitalize on the conditions of the buyers' market, they also seem to defy the conventional wisdom that now is not a profitable time for buying and reselling investment properties.

"That's nonsense," Hayes said of the belief that investors are staying on the sidelines because the market has cooled. He can bring investors running to a property "if I can buy it right," he said.

It starts with acquiring a home at less than median value, he said. "There are an endless number of those houses in Virginia Beach, America and North America," Hayes said. And investors who work primary jobs outside the real estate industry are willing to pay people such as the Robertsons to find properties for them, he said.

But birddogging requires capital. HomeVestors requires that franchisees have \$200,000 in liquidity. Franchisees pay a one-time fee of \$49,000, \$775 per transaction, \$200 for marketing for every property bought, and at least \$5,000 per month in advertising. The more franchisees spend for advertising, the greater the number of consumer calls they receive.

**1-800-CashOffer** charges its licensees flat fees. It ranges from \$1,000 a month for advertising and \$495 a month for licensing to \$10,000 a month for ads plus \$2,995 a month for licensing. The firm also charges a one-time setup fee of

\$995 to \$1,995.

Horn and Hayes defended their firms as reputable, reliable and having standards that set them apart from investors who put advertisements, also known as "bandit signs," on utility poles. That's often a violation of local ordinance, both said.

And, Horn and Hayes said, where some investors will delay an offer or closing date, their franchisees or licensees deliver.

**"That's a brand promise," Horn said. "You're going to get a cash offer within 24 hours."**

"If they sign a contract to buy your home, they are required by us to close on that property so they can't leave you stranded," Hayes said of franchisees. "We will close on your property when we tell you we're going to close on your property."

"We're not taking advantage of Mrs. Jones or the American consumer," Hayes said.

**"We have a brand to protect," Horn said.**

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