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## **HOUSING: Banks selling properties in bulk for cheap**

By ZACH FOX - Staff Writer

Lenders have become so overwhelmed by the foreclosure crisis that they are starting to unload properties in bulk to investor groups at steep discounts.

Investors then flip the properties for a profit without necessarily improving the home.

For example, a unit of Citigroup, the troubled financial giant, sold a foreclosure in Temecula to an Arizona investment firm for \$139,000 when comparable homes in the area were selling for \$240,000 to \$260,000.

The firm listed the home for \$249,000, received multiple offers and the property has entered escrow, said Amber Schlieder, the real estate agent who handled the listing.

CR Capital was the firm that flipped the Temecula foreclosure property, an investment group based in Tucson, Ariz. Calls to CR Capital were not immediately returned.

The group typically purchases 200 to 350 foreclosures at a time from banks for \$50 million to \$100 million, said Schlieder, a Riverside real estate agent. Schlieder said her business has turned entirely to representing such foreclosure resales for bulk investors.

A Citigroup spokesman said bulk sales were not standard practice for the lender, but are considered on properties that have been listed on the open market and failed to sell.

Citigroup is in desperate need of cash. The bank holding company has received three separate government bailouts, totaling \$50 billion. Its stock price closed at \$3.08 Wednesday, down from more than \$50 per share in 2007.

Indeed, the Temecula foreclosure was first listed for sale by Citigroup in May 2007 for \$420,000, according to Multi-Regional Multiple Listing Service, a real estate posting site used by real estate agents.

The property was listed on the site for 19 months before selling to the investors in a bulk sale in December 2008. The lowest price it was listed for was \$314,000.

"It should have been listed for less," said Craig Finlayson, a real estate agent in the area who listed the property for Citigroup. "But it would have sold for more than 139 (thousand); 139 was a giveaway price."

Investors are able to find such deals because lenders are looking for large infusions of capital and are willing to sell distressed properties at deep discounts if they can do so in bulk, said Chip Larson, president of **Home Equity Partners**, a Carlsbad company founded a few months ago with plans to capitalize on the trend.

Larson said the company is also able to buy pools of bad mortgages at steep discounts from hedge funds struggling with clients pulling money out of the funds.

Home Equity Partners then renegotiates the loans with the defaulting borrowers for a lower payment in an effort to prevent foreclosure and get the cash flowing again.

He said more opportunities have shown up in the last month, a development he attributes to an industrywide realization that government bailout plans will not include the acquisition of bad loans.

Another investor eyeing bulk sales is Bruce Norris, president of The Norris Group, a Riverside investment firm.

Norris said he has not yet found great value in bulk sales but expects bigger discounts on bank-owned properties in the near future. Instead, his company snatches foreclosures once they are listed.

So far, his company has purchased about 50 foreclosures after making about 1,400 offers. He says banks are routinely selling properties for 75 percent less than the mortgage note.

And Norris said there is a huge number of foreclosures not even listed on the market yet, meaning those discounts will get bigger and banks will rush to unload properties as quickly as possible.

"Capitulation is here already," he said. "What's coming, there's a new name. It's something we still have to dream up. It's complete terror."

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