Foreclosures: The Buying Opportunity of Our Lifetime!
by Bruce Norris

In the past three years an amazing transformation has taken place. From a peak median price of nearly $600,000, California now stands at around 50% of that level. The price damage has not been equal in that the lower priced properties thus far have been the most dramatically affected.

This is a list of the properties purchased by my company. The lenders received 28.8% of what they were owed. I've never seen lenders take losses like this in my lifetime!

Address	Purchase Price	Lender Amount Owed	% Paid
1. 25262 Valleywood	$117,800	$267,750	44%
2. 2942 Harrison St.	$142,917	$390,000	37%
3. 24205 Jimson	$ 96,000	$234,000	41%
4. 24911 Gold Star	$106,000	$262,900	40%
5. 23880 Mark Twain	$102,375	$258,750	40%
6. 24330 Dabney	$145,000	$430,000	37%
7. 14212 Brandt	$120,000	$390,500	31%
8. 22671 Berkshire	$119,000	$324,000	36%
9. 25824 Margarita	$107,625	$297,000	37%
10. 25230 Old Farm	$110,000	$325,000	34%
11. 14691 Wilma Sue	$ 90,000	$264,000	34%
12. 24410 Carman	$107,625	$365,000	29%
13. 13650 Littler	$107,625	$375,000	29%
14. 23661 Ironwood	$113,000	$365,000	31%
15. 16398 De Loring	$102,375	$320,000	32%
16. 6662 La Jolla	$ 95,000	$400,000	24%
17. 13323 Deerpark	$ 90,000	$320,000	28%
18. 22985 Aquaduct	$ 95,000	$361,000	26%
19. 24433 Bostwick	$ 84,000	$335,000	25%
20. 12676 Carla Jean	$ 85,000	$350,000	24%
21. 75409 Beantree	$ 81,375	$339,000	24%
22. 14350 Agave	$ 84,000	$355,000	24%
23. 13229 Moreno	$ 75,000	$341,000	22%
24. 15262 B. Shadow	$ 96,000	$359,000	27%
25. 15325 Can. Stn.	$100,000	$372,000	27%
26. 25040 Gentian	$ 75,000	$306,000	25%
27. 3491 Hildago	$ 96,000	$385,000	25%
28. 24436 Glencrest	$ 75,000	$360,000	21%
29. 25350 Margaret	$ 53,000	$350,000	15%
30. 23857 Nanwood	$ 50,000	$340,000	15%
31. Totals	$2,921,717	$10,141,900	

To prevent this type of damage from continuing, the lenders have been given permission to avoid foreclosing at all costs. Lenders have begun to bend over backwards in an attempt to not end up with yet another property.

In 2008, the lenders foreclosed on so many properties, the market was flooded with vacant, unrepaired properties. The price fell through the floor, affecting every homeowner on the market. Take a look at the list of properties again. Can you imagine living across the street from the property we purchased on Nanwood and owing $340,000?

This is quite often the position many owners and lenders find themselves. Any property purchased in 2004 and after has an excellent chance of being upside down. In the past, this was basically an owner problem. The lender had the power to foreclose. The losses the lenders incurred were bearable and the market gradually improved. This time, it's different.

What's at stake this time is the solvency of most lenders. When a homeowner began missing payments in 2009, lenders certainly did not act with aggression; quite the opposite. The lenders, under the oversight of the FDIC and input from Congressional action, began to backpedal and attempt to work things out with the delinquent borrower.

There have been many versions of loan modification programs since this real estate downturn went into high gear in 2008. The latest version just emerged in late March. In addition to lowering interest rates down to 2%, extending loans upwards to 40 years, and forbearing interest on part of the principle, there is a new twist; permanent principal reduction!

The latest version of the loan modification process asks the lenders to reduce the balance of what is owed on the house permanently for people who owe more than their house is worth and are ***current*** on their mortgage payment. This is a very scary and potentially extremely expensive program. If a mortgage payment exceeds 31% of a homeowner's gross income and the homeowner is experiencing something that qualifies as "financial hardship," that homeowner may be able to receive principle reduction under these new guidelines.

This program excludes many homeowners currently experiencing financial difficulty and is unavailable for any home loan that exceeds $729,750. At the peak of the market, California's median price was about $600,000. This program excludes much of the real estate owned in California's most expensive areas.

The program also excludes non-owner occupied properties or second homes. At the peak of the market, nearly 50% of all sales were either to speculators or for second homes. None of these properties are included in the program.

Despite valiant efforts on the part of government, a high number of foreclosures will still occur. The next two years represents the buying opportunity of our lifetimes. If you have ever wanted to own cash flow rental properties, this is your chance. The lenders will be forced to either make deals while the current owner is still in the property (short sales), discount the opening bid at the trustee sale, or foreclose on a record number of houses and keep prices very reasonable.

The price level we are at combined with the current interest rates and the extreme circumstances the lenders finds themselves have the makings of a prolonged opportunity to buy California real estate at below replacement value.

With some education, many California investors are buying properties at healthy discounts. My own company now deals with about 30-40 houses a month as either a buyer or lender for real estate purchased at wholesale prices. We’ve never been this busy and I don’t see any end in sight.

Bruce Norris is an active investor, hard-money lender and real estate educator. A talk show host in his hometown of Riverside, Calif., Norris is a frequently quoted in financial publications and a speaker at investor club meetings throughout California. His latest study, The California Crash, was released in January 2006 and provides the statistics that substantiate his predictions. More information about Bruce Norris, his research and his investment seminars are available at www.thenorrisgroup.com.