Kurtis Interviewed by ***Investor's Business Daily***

They're Down, But Not All Out: Some Flippers Are Hanging On

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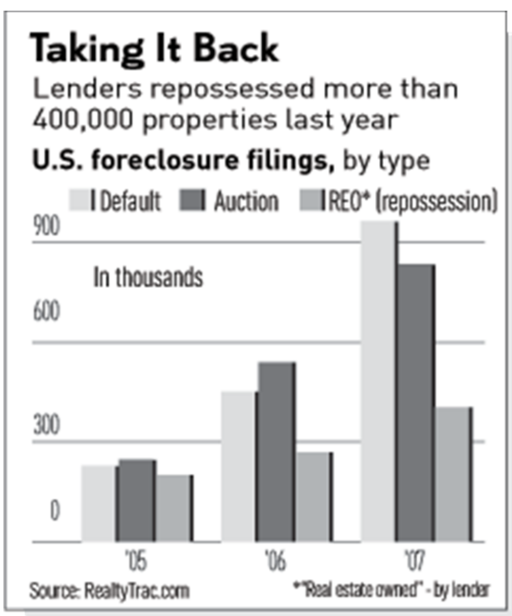
FOR INVESTOR'S BUSINESS DAILY

Posted 1/31/2008

Chaos in the housing market has spoiled the fun for some of real estate's biggest cheerleaders: flippers. In a rising market, they could buy, work their makeover magic and sell for a tidy profit — over and over.

As prices fell, many stepped or were forced to the sidelines, and failed flippers are blamed for causing some of the current crisis. But others have stayed, insisting that there is a winnable off-season game still to be played: Selling's tougher, but more is available to buy now at the teeming foreclosure bazaar.

Flippers have always rehabbed repossessed homes for profit. But you may wonder: How viable is it now?



New data appear weekly on rising foreclosures across the country. Full-year figures out Tuesday from RealtyTrac show that in 2007 more than 1 in 100 U.S. households, nearly 1.3 million, were in a stage of foreclosure. That's up 79% in a year.

Last year, 834,661 homes headed into the auction process as lenders repossessed 404,849 homes. That's the supply side of the equation.

In Northern California, Coldwell Banker broker James Madison works out of Santa Rosa with banks or their agents to move foreclosed properties. His business has increased nearly 10-fold in a year.

"I have 300 REO (real-estate owned, which typically means bank-owned) properties right now — 157 listings, 30 in escrow and the rest in eviction or valuation or being cleaned up so we can put them on the market," he said. "A year ago, I had a total of 35 to 40 properties of all those different types."

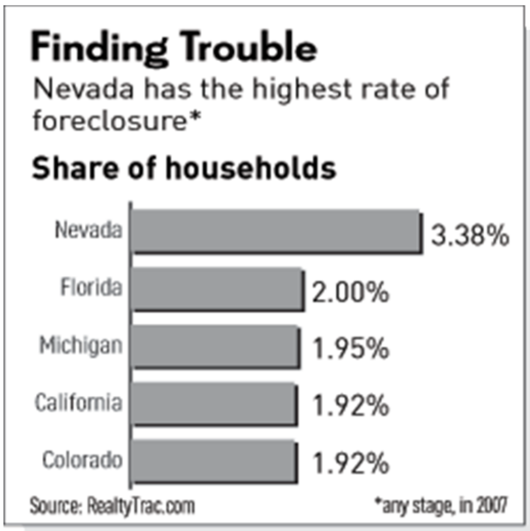
Madison hasn't seen a lot of flipping in his area, but he has seen banks cutting prices to move properties. He says foreclosure volume is still rising in Sonoma County.

"Thirteen notices of default (are) being filed every day," he said. "We started 2007 with 3.5 a day."

Promise Not To Flip?

Banks would rather sell repossessed properties to owner-occupants than flippers, says David Webb, co-owner of Hudson and Marshall of Dallas, one of the country's largest auctioneers of bank-owned properties.

"Our goal is to sell to owner-occupants — our marketing efforts are directed to people who will pay more for the property, which are the owner-occupants," Webb said.



Some banking organizations are even taking that idea a step further, says Atlanta ERA broker Becky Loar, who sells foreclosures in Georgia. To buy a home owned by **Fannie Mae** (FNM) in her area, Loar says buyers must sign a statement that says they won't resell the house within 180 days.

"They're trying to stop the flip," she said.

Many in the flipping ranks have either dramatically curbed their activities or stopped altogether.

"I've slowed down on the flips," said John Donaldson, a contractor and flipper in Corona, Calif. "My volume has cut down over a third from what it was, and I'll probably cut it down more than that."

Donaldson says housing prices are falling so fast in Southern California right now that they're eroding any profits a flipper might make.

"I've bought homes with a 20% profit margin and in four months that's gone," he said.

But husband-and-wife team Kurtis and Cindy Squyres are full-time flippers in the Coachella Valley — the broader Palm Springs area of Southern California — and they're still turning properties. Kurtis is also educating others about the business with his blog, http://www.FarBelowMarket.com. And he plans to teach seminars.

Kurtis Squyres says banks that turned their noses up at his offers a few months ago are now coming to him with properties to sell. But, he says, flipping in this market is for experts.

"Learning to flip now is like trying to learn how to ski on a black diamond run," he said. "A few years back it was like learning to ski on a bunny slope. The market was moving upward and there were a lot of buyers."

Squyres is no construction expert. His wife manages the rehabs and he takes care of the buying and selling.

"I don't know the difference between a power drill and a hair dryer," he said.

What he does know is how to buy cheap, get the rehab completed according to a formula, and then do the right marketing to move a property in as short a time as possible.

The Squyres stick to buying single-family homes in nice working-class neighborhoods (no luxury homes, no condos) that need cosmetic updates. They remodel kitchens and baths and improve the homes' curb appeal with paint, new doors, landscaping, etc., using a regular crew of contractors they know and trust.

Then they spin the home quickly with ads, fliers, open houses, auctions and staging. And they sweeten the deals with sexy giveaways like flat-screen TVs, spas and other items. Squyres offers extra perks to real estate agents who bring in buyers — higher commissions and bonuses like airline tickets to Hawaii.

Climate For Caution

In today's market, flippers must make sure they acquire a property at a very heavily discounted price, stick to a tight budget for the rehab costs and turn the property quickly. A mistake in any one of those three areas will erode profit, potentially all of the profit.

Flippers also have to be prepared for some extra work these days. Squyres wrote in his blog last fall that he was seeing a shortage of clean, affordable homes because the vast majority of foreclosures flooding the market were trashed and banks couldn't even afford to mow the yards.

Squyres finances flips with cash or private investment money.

"You can't use conventional loans; it takes too long," he said.

Flippers who hold properties longer sometimes do use conventional financing, and there are other financing options still available to those who want to rehab properties and sell them. Gelt Financial of Huntingdon Valley, Pa., and Choice Finance of Rockville, Md., both offer them.

Raising Makeover Money

Gelt Financial will loan on the home's after-repairs value, or ARV, sometimes with no money down. They'll loan up to 65% of the ARV, but interest rates are high — 8% to 18% for loans like this, says Ari Miller, a Gelt vice president.

Miller says borrowers don't have to be licensed contractors — Gelt has made loans to all types of flippers, from schoolteachers to police officers. However, Miller says he's seen a slowdown of the amount of flipping going on now.

Squyres and his wife are now only doing one or two properties at a time, as opposed to four or five in the past. But that requires writing 20 or more offers a week and selling a rehabbed property every three to four weeks. Some properties he just acquires and then flips to other flippers, who do the rehabs and then sell.

Who are they targeting? First-time homebuyers are their "sweet spot," said Squyres, adding that with falling home prices and recent interest rate cuts, "all the families that have been priced out of the market for the past couple of years can afford a house now. They just don't know it yet."