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MONDAY, MARCH 8, 2004

ELECTRONIC INVESTOR

By KATHY YAKAL

Swinging for a Home Run

How to shop for foreclosed properties on the Web

Edited by Randall W. Forsyth

WHILE THE TOPIC OF U.S. JOB GROWTH (or lack thereof) is on presidential aspirants' lips these days, some other economic indicators show an improving economy. For example, census bureau data released last month showed an impressive jump in the nation's home-ownership rate, which hit a record 68.6% in 2003's fourth quarter.

Less encouraging are reports by newspapers and local organizations across the country citing higher foreclosure rates in some areas. Meanwhile, the third-quarter National Delinquency Survey (the most recent) released by the Mortgage Bankers Association reported mixed news: While that quarter saw a drop in the conventional loan delinquency rate, the percentage of foreclosures increased.

For investors hoping to buy inexpensive properties, foreclosures can provide opportunities.

But researching foreclosed properties isn't as simple as checking charts and balance statements before buying stock. And if you don't know what you're doing, you can end up with a money pit instead of a money maker.

There's no central Website for available foreclosed properties. You may have to work the phones and do some legwork to find what's available. Newspapers run notices of local auctions; you may also have to contact local state and county offices for information. Mortgage lenders can be good sources, too -- big names like Fannie Mae (www.fanniemae.com) and Freddie Mac (www.freddiemac.com), as well as your local lenders. And banks and credit unions can provide details about properties on which they've foreclosed.

The Web can be of some help, though the quality of sites focusing on foreclosures is spotty. Many are badly designed, overpriced or lacking in services they tout. Some don't offer free trials, and some list their subscription fees only in fine print.

There are exceptions. The federal government offers a terrific, free resource for finding foreclosed and surplus real estate (www.firstgov.gov); listings are available by state and by agency. And Absolute Foreclosures (www.absoluteforeclosures.com) is one of the classier operations. It's also one of the more reasonably priced of the paid sites -- \$34.95 a year after a 7-day free trial. Its database on foreclosed homes, auctions and related matters comes from sources like Fannie Mae and Freddie Mac, HUD, the Veterans Administration and banks, and is updated daily. You can do a basic search by geographical area or add additional filters.

Some auctions of foreclosed properties are held online, like a recent one hosted by the Department of Housing and Urban Development (www.hud.gov). Up to 4,000 homes were available for bids on the site Feb. 27 and Feb. 28. HUD has used the Internet to sell foreclosed homes

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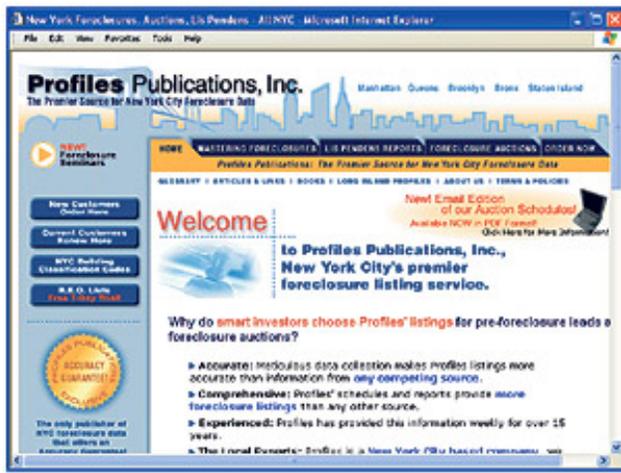
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Profiles Publications offers advice on finding tax, mortgage and other records on foreclosed properties.

to serve as an intermediary (HUD's site has a searchable list).

This auction aside, HUD homes are available on an ongoing basis, and the HUD site contains a list of the M&M contractors, with links to current home listings.

We liked HudBox (www.hudbox.com) not so much for its property searches -- which weren't exceptional and started its pricing at \$8.95 for three days -- but for its educational content. It's geared to newbie home buyers, but the guide to buying foreclosures would be helpful to investors who are just starting out.

Meanwhile, don't forget old-fangled techniques: New York City, for example, still holds public auctions to let people bid on vacant lots and commercial and residential properties; the next auction is this summer. You'll be able to download a brochure and get more information (including property listings) when available. These auctions are under the auspices of the Department of Citywide Administrative Services, at www.nyc.gov/html/dcass/.

If you want to do your discount property-buying in the New York City area online, go to the Profiles Publications site (www.nyforeclosures.com). The company has made auction information available for 15 years. Weekly reports contain data for the following three weeks. It covers not just the time and place, but also gives additional details like block and lot numbers. Unlike a lot of its competitors, it doesn't simply resell third-party information. Instead, its staff compiles auction data from original sources.

One-week foreclosure auction schedules for one of New York's five boroughs start at \$19.95. Those seeking information on more than one borough or for longer periods get price breaks. The company also offers *Lis Pendens* documents (the first official notices of a mortgage default). A good -- and free -- tutorial guides newcomers through the basics.

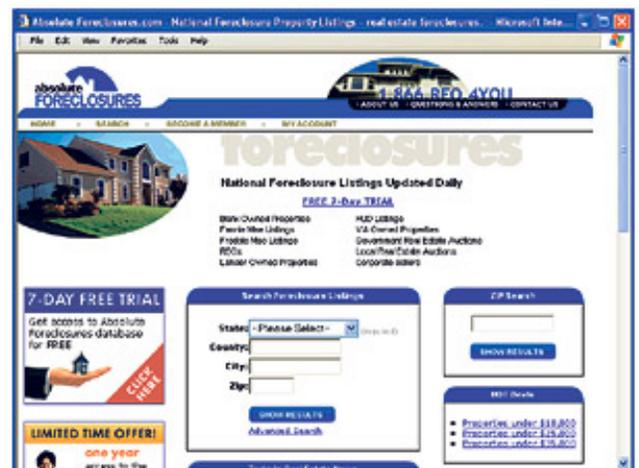
Even though some material is available online, anyone interested in this little corner of the investing world might still have to do some homework the low-tech way.

Profiles Publications, for example, tells potential buyers of foreclosed properties to contact the City Register's office in the appropriate borough to track down ownership records, mortgage details and property-tax records. Foreclosures, whether by a lender for nonpayment of a mortgage or other debt, or by a government agency for tax delinquency, are matters of public record. But usually, no single entity has all of the details.

Other Websites can help you shop for foreclosed homes or commercial sites nationally. GovernmentAuctions.org (www.governmentauctions.org), which *isn't*

before, but this time it advertised the auction in major newspapers and pulled the homes from the market prior to the online sale, so prospective buyers could examine them.

The "HUD homes" tab links to those properties whose owners have defaulted, and which had a mortgage insured by the Federal Housing Administration. The lender deeds the home back to the Secretary of HUD, and receives an insurance claim payment. HUD then uses a network of management and marketing contractors to list the homes. In this auction, properties were posted online with minimal details, along with the appraised value and highest current bid. Only registered broker/agents were allowed to bid online, but investors could use one of these folks



Absolute Foreclosures runs one of the classiest -- and

affiliated with the federal government, offers **least expensive -- services focused on this little corner of the investment world.** access to a database on auctions of seized, surplus and abandoned items (including real estate) for \$39.95 a year. ForeclosureFreeSearch (www.foreclosurefreesearch.com) isn't exactly that; it charges \$5.95 a week after a seven-day free trial.

Bargain Network (www.bargain.com) charges \$4.95 a week after a seven-day trial for access to information on foreclosed homes from sources like HUD and the VA. Foreclosure.com (www.foreclosure.com) lets you search within a county, and lists addresses on foreclosed properties. To get more details, you must pay \$5.95 a week after, yes, a seven-day trial.

We recommend that you avoid any foreclosure site that either doesn't offer a free trial or that charges a substantial fee. Some of these venues have generated a lot of complaints on the Web.

WE HAD A RATHER UNPLEASANT SURPRISE a couple of weeks ago when we tried to log on to the Citibank site (www.citi.com) -- normally one of the most reliable and accessible online-banking destinations.

The site wouldn't let us enter critical account areas or get access to ancillary services, like the help system or even the link that lets you report problems. This occurred on both Wednesday and Friday, Feb. 25 and 27.

The system slowly revived during the course of that Friday. A Citibank spokesman told us that the outages weren't a result of hackers or viruses, and that the system hadn't been compromised in any way. Instead, he said, it had been crippled by technical difficulties that forced Citibank's staff to take it down and then reboot it.

Such outages are scary, especially when they involve something that holds the keys to your finances.

Advice to Citibank: If it happens again, please quickly slap a note on the site, letting your customers know what is happening.

E-mail comments to editors@barrons.com

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