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Buying properties after foreclosure

Andy Heller figured out pretty quickly that if he was going to buy pre-foreclosure houses to resell for a profit, working with families in a downward spiral could be difficult at best. The way he puts it, he didn't have the "emotional fortitude" to carry it off.

That turned out to be a good thing. He and his business partner, Scott Frank, discovered an alternate way of investing in real estate: buying after foreclosure and offering the property through a lease/purchase program.

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"We've realized that there's a very unfair misconception that to make money in real

estate, you have to take advantage of people," says Heller, who wrote "Buy Even Lower: The Regular People's Guide to Real Estate Riches" (Kaplan Publishing, \$18.95) with Frank. "Scott and I are generally nice guys. And we believe that one of the big reasons we've made the money that we have is that we are fair."

Granted, setting up a lease/purchase strategy is a little more complex — and maybe more long-term — than simply buying a house, fixing it up and putting it back on the market. But the way Heller sees it, there are many more potential sources of profit.

Here's how it works: They purchase a home that's just been through foreclosure and offer it to someone who needs time to repair credit issues before actually being able to buy. The asking price for the home remains the same for several years, and in the meantime, the candidate moves in and pays rent, a portion of which goes toward a down payment. There's also a lock-in fee. At the end of the period, the renter has the option to buy the home with the money that's been held for the down payment if they're able. If they choose not to buy — or their credit still won't allow them to — the house receives new carpet, paint, etc, and goes back on the market for a new lease/purchase opportunity. And chances are, the home has gone up in value. Profit sources, then, include rent, appreciation, tax write-offs from being a landlord, the ability to pay down the loan with the lease/purchaser's money, and the fee for the agreement. Further details are available at www.buylowrentsmart.com.

— FIONA SOLTES, FOR THE TENNESSEAN

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