

We buy houses

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“Need to sell your house fast?” “We buy homes in [your town], PA for cash.” “We buy properties! Divorced? Bankrupt?” “We buy ugly houses.” Sound familiar? You have read these statements on signs on telephone poles, on the internet, and who knows where else. The outfits who post these are also the subject of a number of HotLine calls.

Before writing this article, I thought I’d test the waters and so I Goggle-searched *we buy houses Harrisburg pa*. The first four or five pages of results produced nearly identical pitches promising to help owners sell homes without “big commissions.” One suggested that “successful” agents list houses that will probably sell in three to six months or longer! One promised to sell your home in seven days or less; others promised to take your house even if it had “cracked windows” or a “damaged roof,” and even if it was filled with trash. Another promised a short plain-to-read contract. Many target those who are in foreclosure, behind in payments, have lost jobs and those who listed with an agent but did not have luck selling!

I was suspicious about what I read so I decided to call a few of these “buyers.” A number of my phone calls were automatically answered. I was then asked to dial-in the area code of the home I was interested in selling. After I did this I received automated replies stating that the companies didn’t sell homes in my area.

I also reached a number of live persons who were willing to answer my questions. I can’t be assured of this, but based on background noise it seemed that I was reaching persons on their cell phones. Universally, the individuals I talked to in my sampling were not very articulate and did not appreciate that I possessed a fair understanding of the residential real estate market. After listening to initial sales pitches, I asked questions that would have alerted most that I was not a novice. Some picked-up on this, others not. Of course I was jaundiced and anticipated that I would talk to representatives of companies that wanted to “steal my home” for purposes of adding to their own largess. I was surprised, however, by the number of the persons to whom I spoke. Some were outright candid, stating that their programs were primarily for persons in financial distress who had a pressing need to sell as quickly as possible. One or two acknowledged that I would probably do better by bidding my time in the conventional market with my property listed on the MLS. Most were not this candid.

I was also surprised by the number of companies that were willing to buy my property for cash rather than over time or by having me hold a mortgage or an installment sales contract. Of course, they wanted to see the property. Others were candid about seeking distressed properties where renovations subsequent to purchase would yield profits upon resale. I suppose some of these companies can provide reasonable advantages to a limited portion of the market where most licensees would not care to practice.

Of greater concern are the companies who do not purchase the properties outright, but who acquire an equitable interest by having sellers sign installment sales contracts. The down

payments may be minimal and the periodic payment provisions not particularly in a seller's favor. In the interim, with little invested in the property, the equitable purchaser markets the property in its present condition without the promise of repair. These "purchasers" are not likely to be real estate licensees and they argue that they can market the property without being licensed as they have an "ownership" interest in it.

Why would a purchaser put money down on a property and immediately seek to market it? Profit. For the purchaser to make money on resale, the purchaser has to acquire it at less than its market value. Further, since the ultimate sale and the seller's cash-out occurs only after the property has been "re-sold" by the original purchaser, the seller's need for immediate cash is hardly extinguished. Most of you understand these practices and there is little need to rant further. The questions that are now filtering into the HotLine on the subject are, however, worth relating. Our members are approached by these "equitable purchasers" who seek to list the properties in the MLS. Members want to know what the pros and cons are for taking these listings.

The pros are evident: if you successfully market a property and you will earn a commission. Whether you actually gain from the experience will depend on the condition of the property, the amount sought by the "re-seller" and all of the other factors you routinely assess when considering a listing.

The cons are real. First, to market the property and advertise its availability, you will need the permission of both the title owner and the equitable owner. Will it suffice to receive a copy of an installment sales contract between the title and equitable owners in which the title owner grants general authority to the equitable owner to advertise the property's availability? If permission is not granted directly to you, then I would be concerned that the Department of State might prosecute you for marketing the property without the express authority of the title owner.

Another problem for the parties that may ultimately pass through to the licensees is the matter of transfer tax. In my experience, re-sellers attempt to arrange the ultimate settlement to take place between the title owner and ultimate purchaser so that only one set of transfer taxes is collected. It is likely, however, that transfer taxes will also be due on the transaction that involved the title owner and the re-seller. While the parties to the transaction are directly in the line-of-sight of the Department of Revenue, the licensee's failure to properly advise on this matter may result in disciplinary action. Clearly then, you would want to advise the parties to seek legal counsel regarding payment of transfer taxes and thereby discharge your duty.

Perhaps the most important consideration of participating in a process that may prey on an uninformed title owner is the ethical one. I say "ethical" with a lower case "e" as I am not specifically referring to violations of the National Association of Realtors® *Code of Ethics*. Realtors® focus on making a living by providing competent and very helpful services to a public that is not intimately familiar with the rigors of selling a residence. Do those people who

advertise “we buy houses” have the same motivation? Not too often, I suspect. Unfortunately, greater profit is generated by preying on the unsuspecting, ignorant, and a class of homeowners who most needs our protection. Are you willing to be a cog in that process?