

Thinking of springing for a foreclosed home? Check for these 5 problems first

Foreclosed homes can harbor unpleasant surprises — including wild boars. Here are the most common problems that might mean a foreclosed home is a money pit in the long run.



Give people enough incentive, and they might take a risk on a home, says Brion Grant, president of the American Society of Home Inspectors (ASHI). His organization just released a study that sought to find out just how interested people might be in snatching up one of the rapidly growing number of foreclosed homes on the market, and found that two-thirds of Americans said they would consider buying a foreclosed home, even though only 2% had ever done so. Cheap houses abound, Grant said, as banks seek to unload the backlog of foreclosed houses.

Sun Belt states like California, Arizona and Nevada top the foreclosure lists, but even in Wisconsin, Madison real-estate agent Jennifer Lutzke said the number of foreclosures she's trying to sell has tripled in the past couple of years. To unload all these unwanted homes, she said, some banks have begun to change their deals. Many formerly allowed prospective buyers to pull an offer off the table if a home inspection found a major defect. Now, a few are switching to as-is deals, no longer allowing offers to be rescinded. "They want [the houses] off their books," she said.

Most of the time it's investors, not individual homebuyers, who make riskier deals such as buying foreclosures as-is in cash deals, Grant said, or even in rare cases purchasing a home sight-unseen. ASHI asked homeowners whether they'd forego a home inspection in exchange for a discount, and when the discount got up to half-off, he said, about half of respondents said they'd consider waiving the inspection.

Grant said that kind of situation was hypothetical — banks aren't offering those kinds of deals now — but foregoing an inspection would be a bad move anytime, and would be especially risky when dealing with foreclosures. Many are great homes in need of a little bit of help, Grant said, but a few are utter disasters.

Here are some of the problems that home inspectors and real-estate agents have found in foreclosed homes.

Buyer beware.

1. Mold

These organisms love water, so they love humid places like Florida, says Lee County property inspector and field services supervisor John Heaphy. Lee County, home to Fort Myers, has been one of the three counties in the United States hardest hit by foreclosures during the housing market collapse. When he goes to inspect those homes, Heaphy said, mold is the No. 1 enemy he finds. "We see walls black from ceiling to floor with mold."

Foreclosed or not, mold affects homes in muggy Florida or even arid Arizona, Grant said, though it is less common or severe in the desert. And not all mold cases are as drastic as the whole-wall growths in Florida. Sometimes, Grant said, the problem is hidden behind a wall or has just begun; that's why inspectors are so preoccupied with looking for leaks, the source of most mold infiltrations. Once mold takes hold on drywall, Heaphy said, there's usually no hope to slow it down; the new buyer would have to replace all the infested drywall.

2. Vandalism and break-ins

One of the reasons mold is such a problem in Florida foreclosures, Heaphy said, is that vandals steal air conditioning units so they can sell the copper tubing for scrap. With no air conditioning to keep down the humidity (and a gaping hole letting in humid air), mold flourishes. Air conditioning window units aren't the only target. Lee County property inspector Ken Wilkinson said thieves would grab dishwashers and other large appliances before banks and real-estate agents got smart and pulled those expensive items out of unoccupied homes. Piping and electrical wire are also popular targets, according to real-estate agent Jeff Staub, who works in foreclosure-ridden Riverside, Calif.

Abandoned homes are ripe for random acts of vandalism as well. But, Heaphy said, some of the worst damage comes from the former homeowners, who deface their house when they know they're going to lose it. Grant has seen the same thing: Some people trash the house, or even punch holes in the walls. Staub said he once entered a home in which someone had taken a baseball bat to the walls. But what may have shocked him more, he said, was the time he entered a house where the old owners had left their home perfectly clean, even vacuuming the floors on their way out. "You never know what you're going to see when you walk through that door," he said.

3. Parting gifts

Besides damaging the house in frustration, Grant said, some foreclosed homeowners try to take whatever they can with them. He said he and other inspectors have gone into houses where the former owners grabbed anything they could get loose: light fixtures, ceiling fans, even kitchen cabinets and entire toilets. Staub said he found a foreclosure where the former owners had ripped out all the carpeting.

And while some foreclosed homeowners loot their own home, Riverside, Calif., real-estate agent Mike Novak-Smith said they often leave things behind, usually lots of trash and junk. So if you're looking for a foreclosed home, anticipate that extra costs for appliance replacement or trash removal might cut into the savings from buying an inexpensive property.

4. Wild animals

Nature abhors a vacuum, and often wild animals will find an abandoned house and make it their home. Heaphy said that all kinds of Florida wildlife like to take over in the absence of a homeowner — when the grass gets hip-high at an abandoned house, it's a haven for snakes. And he and his agents have stumbled into other animals, including panthers and wild boars. Typically, Heaphy said, those big mammals are more scared of us than we of them, but that's not always the case. "If you find a mother boar with piglets, you don't want to get in her way," he said.

Grant said he'd seen hundreds of bats in an attic before, and a beehive so well developed that honey was dripping off and coming out of the bottom of a wall. Inspectors in Arizona sometimes run into skunks living in ventilation systems. You can get rid of larger mammals, Heaphy said, at least once you get over the shock of finding a panther in the living room. But some infestations, such as the fire ants he sees often in Florida, are harder to exterminate.

5. Neglected maintenance

"Most maintenance stops when the payments are no longer being made," Novak-Smith said. Grant said people who know they're losing their house typically don't care whether they keep a fresh coat of paint on the walls or if tiny roof leaks are sealed. Mechanical systems frequently suffer in a foreclosed home because they need a fair amount of care, he said, noting that foreclosures frequently have heating systems at the end of their lives, often prematurely so because the homeowner neglected routine maintenance, such as cleaning the filters or bleeding the radiators. The ventilation systems are often forgotten, too, he said, which can lead to mold problems. Homebuyers looking at foreclosures need to be aware they could be inheriting a much larger and costlier repair job than they first expect, he said.

Advice for buyers

Depending on the area, the seller might have already made some of the major repairs to a foreclosure. Novak-Smith said some sellers replace stolen or vandalized items because it would be too hard for a buyer to finance the home otherwise.

Still, he said, "there is a pool of buyers who look for houses that need extensive repairs. Most of these buyers know what they are doing and pay according to condition." The key is to know as much as possible — how much repair the house actually needs, and how much you can reasonably expect to put into it — before buying anything.

That's why everyone we talked to agreed on one definitive piece of advice for prospective foreclosure buyers: Hire a home inspector. With this litany of possible pitfalls, Lutzke said, you'd be crazy not to have an expert tell you exactly what shape the house is in. Staub tries to get any buyer he works with to schedule a home inspection; for the .01% who have resisted in the past, he said, he eventually just broke down and paid for it himself. "Absolutely, get a home inspector," he said. "It's worth the investment."

Whether the same can be said for that bargain house remains to be seen.

By Andrew Moseman, Popular Mechanics