

Empty homes, phantom owners



Enquirer photos by Gary Landers, Cara Owsley and Joseph Fuqua II

Camp Washington 3073 Massachusetts Ave. Owner: Go Invest Wisely LLC, Ogden, Utah. Purchased: Jan. 29 for \$4,000. Highest sale: \$75,000 in 2002. Currently: Subject to nuisance lawsuit.

Paul Rudemiller, president of the Camp Washington Community Board, shows the deterioration of a home the board has tried to have declared a nuisance.

Real-estate collapse attracts shadowy speculators

By Gregory Korte
gkorte@enquirer.com

Landlords, investors and speculators are buying hundreds of local houses at rock-bottom prices, often paying just 10 percent of the amount homeowners had mortgaged the same properties for a few years earlier.

These super-cheap properties, already battered by repeated cycles of speculation, subprime mortgages and foreclosure, represent the flotsam and jetsam of the housing collapse. And they present a growing problem for cities and suburbs trying to maintain high quality housing.

Many properties are uninhabitable, and their owners – often out-of-state, lim-

ited-liability companies – appear to be doing little to bring those properties up to code. In some cases, speculators are keeping the properties out of the hands of neighborhood development groups eager to buy and renovate them.

Even as home sales dropped to their lowest level in a decade last year, sales of houses costing less than \$10,000 climbed to their highest level in decades, according to an Enquirer review of local property sales.

Four-figure home sales, which have tripled since 2004, are now at their highest levels since county auditors began tracking such data.

“And what kind of housing do you think that is, for that price?” asked Edward Cunningham, Cincinnati’s director

of housing inspections.

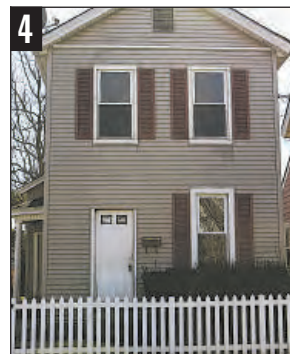
Many are condemned before they’re sold, as-is, with quitclaim deeds – meaning they come with no warranty of clean title – that could discourage future homeowners.

Inspectors are increasingly dealing with novice investors who have purchased the properties, sight unseen, on online auction sites such as eBay.

Who’s buying these properties?

The biggest players are out-of-state limited partnerships – often with aspirational names such as Go Invest Wisely LLC of Ogden, Utah; Indiana Luxury Homes Inc. of Bloomington, Ind.; or Destiny Ventures LLC of Tulsa, Okla.

See **HOMES**, Page **A10**



1. Northside

4217 Mad Anthony St. Owner: Stewardship Fund LP, Plano, Texas. Purchased: February 2008 for \$4,500. Highest sale: \$85,000 in 2002. Currently: Condemned.

2. Evanston

3456 Fernside Place. Owner: Wahoo Investments LLC, St. Croix, U.S. Virgin Islands. Purchased: June 2008 for \$3,170. Highest sale: \$50,000 in 1994. Currently: On eBay.com. Starting bid: \$250.

3. Walnut Hills

2802 Alms Place. Owner: Homesolutions Properties LLC, Northport, N.Y. Purchased: December 2008 for \$700. Highest sale: \$28,000 in April 2008. Currently: Vacant. Barricaded this month.

4. Hamilton

239 Minister St. Owner: Indiana Luxury Homes Inc., Marion, Ind. Purchased: Feb. 12 for \$4,500. Highest sale: \$35,000 in 1998. Currently: Building orders issued. Has changed hands three times since foreclosure.

Homes: Many less than \$10K

From Page A1

Usually, they're buying foreclosed properties in bulk from banks looking to dump their portfolios of nearly worthless houses. They're paying cash. And often, they're selling to each other, turning over a property several times in just months.

"It's a buy-and-sell, buy-and-sell shell game that keeps us constantly reissuing orders," Cunningham said.

Neighborhoods squeezed

And as banks continue to foreclose, there are potentially hundreds more properties still in the pipeline.

Two months ago, the city of Cincinnati filed suit against two banks that are now among the largest property owners in Greater Cincinnati: Deutsche Bank and Wells Fargo. The city has accused the two mega-banks of failing to maintain hundreds of properties obtained through foreclosure.

In the lawsuit, the city highlighted four of the worst properties. And because foreclosed properties are often sold and sold again before the city can hold the owners accountable, the city sought an unusual remedy. It called for a restraining order to prevent the banks from selling the properties before they had been repaired.

But before any judge could hear that motion, the banks had sold all four properties. One sold twice. Another sold in apparent violation of a federal court order that it stay with the bank. The legal tactic was an attempt to "freeze time" just long enough to serve the owner with nuisance papers and get them into court, said Paula Boggs-Meuthing, an assistant city solicitor.

"The owner has to be aware of the problems," she said. "It takes time."

But time is not on neighborhoods' side.

Meanwhile, vacant properties can decay quickly. Scavengers strip houses of their copper pipes, appliances and anything else of value. Pipes freeze, windows break, weeds grow.

One property included in the city's lawsuit – 3073 Massachusetts Ave. in Camp Washington – is a stark example of the difficulties faced by neighborhoods overrun by foreclosures and speculators.

The Camp Washington Community Board, a nonprofit neighborhood development group, tried to have the 118-year-old house declared a nuisance in 2007. Wells Fargo Bank stepped in and foreclosed on the house, saying the previous owner still owed \$66,933 on a \$60,000 mortgage.

Camp Washington bought the property from the bank for \$7,000 – or so it thought.

But the bank tore up the contract, Camp Washington says, and sold the property for \$3,000 to Blue Spruce Entities LLC, a South Dakota company.

Camp Washington sued Blue Spruce, once again trying to have the property declared a nuisance. Blue Spruce never answered the lawsuit, instead selling the property to Go Invest Wisely LLC of Utah.

"You have a signed deal, and then all this shenanigans is going down," Camp Washington Community Board President Paul Rude-miller said.

Blue Spruce, its lawyers and its real estate agents did not return calls seeking comment.

Often working in tandem, Blue Spruce Entities and Go Invest Wisely have bought at least 19 properties in Hamilton and Butler counties since August, never paying more than \$7,000, according to county auditor's records.

Go Invest Wisely's Web site identifies it as an "elite investment club" offering "cash-flow opportunities" to investors through a system of buying foreclosed properties and leasing them under rent-to-own arrangements. Company president Brad Hess did not return phone calls and e-mails.

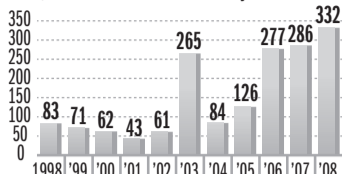
At least Go Invest Wisely has a Web site.

"So many of these, they have different (limited-liability companies)," said Dr. William Karwish, director of Hamilton's Health Department, which is responsible for building inspections there. "One person may have a half a dozen LLCs, with different post office boxes in different counties to kind of thwart the enforcement action."

Even when the owner is clear,

Discount homes

Sales of single-family homes under \$10,000 in Hamilton County.



Source: Hamilton County Auditor's records
The Enquirer

properties get shuffled around.

One property with clean-up orders on it – 239 Minster St. in Hamilton – was foreclosed last year and ended up with the U.S. Department of Veterans Affairs, which had backed the mortgage on the property.

In November, the government sold it to Indiana Luxury Homes Inc. for \$5,500. That company sold it to Tim Majors of Marion, Ind., last month for \$8,500. A month later, Majors sold it back to Indiana Luxury Homes for \$4,500.

Neither party returned calls and letters seeking comment.

Home-grown investors

Not everyone taking advantage of the down market is an out-of-town speculator.

In the past two years, Infinity Ventures LLC has purchased 54 properties, mostly on the West Side of Cincinnati, for an average price of \$27,280. Nine sales came in under \$10,000.

"The properties are rock bottom," said Infinity owner Joseph Tepe. "I just bought a house on Sunset (Avenue) for five grand. That's ridiculous."

But he said he's not a speculator.

"We want the community to grow and prosper," he said. "I grew up here, I went to Elder (High School)."

Local investors "really don't like these speculators coming in," he said. "There are two things you need in real estate: an entrance strategy and an exit strategy. That's what people lack is the exit strategy. When you buy a (property) is a happy day, and when you sell it a happy day. But you have to maintain it in between."

Price Hill Civic Club President Peter G. Witte called Tepe "a relatively decent guy who is absolutely taking advantage of the market."

"If we had more Joe Tepes buying property, we'd probably be better off. He's somebody who's looking for Price Hill to be better."

During the past decade, Price Hill has been a petri dish for everything that ails the housing market: predatory lending, criminal property-flipping, foreclosures and an influx of subsidized housing. But the nature of the current market is something foreign even to Price Hill.

On some West Side streets – places such as Wells Street in East Price Hill, McHenry Avenue in East Westwood and Lewellyn Avenue in Sedamsville – more than a half dozen homes have sold for less than \$10,000 in the last year.

"It's a bizarro world out there right now," Witte said. "You'll see transfers, but you don't see activity on the property. You don't see much even in terms of the fake interior improvements they used to do. And the online auction stuff has only bolstered this."

Starting bid: \$250

As of Friday, five Cincinnati houses were listed for sale on eBay. All were priced at \$10,000 or less. Four listings were by Majors, the Marion, Ind., man who has been buying properties in Cincinnati and Hamilton.

And then there's one house in Evanston that went on eBay this month with a starting bid of \$250.

Here's what the winning bidder on eBay would get: a deed for 3456 Fernside Place, a delinquent tax bill for \$1,621 and a building-code citation. And the deed is a quitclaim deed.

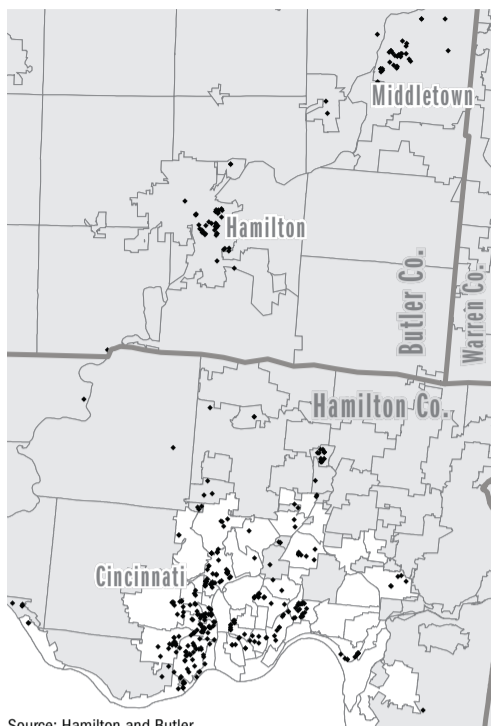
The owner, Wahoo Investments LLC, is a partnership based in the U.S. Virgin Islands that isn't registered with the Ohio Secretary of State's Office. It bought the property from a subsidiary of a subprime lender that went bust last year.

As of Sunday, the price was up to \$1,225 after 11 bids. (An almost identical Wahoo-owned house in Cleveland was going for \$810.)

Wahoo's phone has been disconnected, and attempts to reach the company by e-mail and letter were unsuccessful.

Where cheap homes were sold

Houses that sold for less than \$10,000 in 2008.



Source: Hamilton and Butler county auditors records
The Enquirer/Gregory Korte, Randy Mazzola

'You'll see transfers, but you don't see activity on the property.'

Peter G. Witte, Price Hill Civic Club president