

James Hess: Houses he sells at auction typically require \$6,000 in repairs and redecorating.

Going once... Auctions clinch home sales

By Carolyn Smith
special writer

A Livonia businessman has sold 380 homes in the last six months. Matching efforts could have posed quite an endurance test to several real estate agents.

But James Hess, president of Bankers Real Estate Outlet, did his work in a new-fashioned way: He sold all the homes at auctions.

Products of foreclosures, they are considered "real bargains" on the auction block, Hess said. The bank, savings and loan institution or mortgage company saves about \$1,000 per month in holding costs, plus the expense of repairs and other contingencies by selling the houses at auction. "That means a big savings to the buyer as well," Hess said.

The typical second- or third-owner home will require about \$6,000 for repairs including new carpeting, paint, modest decorating and remodeling. "We tell the bank not to repair, just mow the lawn. Let the purchaser do it. That alone is a tremendous saving to the seller and the buyer."

Hess has been in the auction business for 15 years, netting more than 2,500 home sales. He opened the Livonia office about 1 1/2 years ago. "I wanted to start managing house auctions better than I'd seen them done here and elsewhere in the country," he said.

Although Hess holds most auctions in the metropolitan Detroit area, selling an average of 70 each time, he also manages auctions out of state. He lists the homes much like a real estate agent — with newspaper and direct mail advertisements. He holds one- or two-day open houses, depending on the weather and time of year. A prospective buyer may bring any real estate specialist or inspector to the home. There are no price lists.

At the auction, bidders view slides of the homes. There are no minimum bids, and the highest bidders win property rights. The average sale is for \$17,000. Bidders must post \$2,500 in earnest money which is used to supplement the down payment on a successful bid.

Hess cautions every buyer: "If you back out, we'll take your money and keep it." And he tells

sellers before each auction: "Without fail, there are four or five properties on which you're going to have to take a loss, make it up on others." More often than not, he added, the buyer and the seller are pretty happy.

Bankers Real Estate Outlet also arranges for home financing. Buyers intending to live in the home must post a 5 percent down payment; others must post 10 percent. A closing date is arranged at auction, and closing is usually within 40 days.

MAJOR ADVANTAGES of buying a home at an auction include price savings and an ability to control spending, Hess said. "If your budget won't allow you to spend more than \$30,000, you won't be bidding \$50,000."

There are four different types of buyers:

- The speculator, who repairs and resells the home.

- The investor, who rents it for specific returns on the investment.

- The casual investor, who usually lives in the same neighborhood where the home is located. Often, the person buys the home for a relative or rents it for additional income. Forty percent of all home auction sales are made to casual investors.

- The owner-occupant, who wants to save money on a home purchase. "We try to market the homes to this type of buyer, but he or she represents only 25 percent of our sales," Hess said.

"I take a certain segment of the population out of the real estate market on the sound assumption that everybody likes to save money," Hess said. But he thinks there are certain people who should not buy homes at auction.

"If they don't have a grasp of a value — or what it costs to get repairs done — they shouldn't bid. And if they're not ambitious or skilled in home repairs, they should seek other ways to purchase a home."

Although most homes Hess sells are in the city of Detroit, he said every scheduled auction includes homes in the suburbs. Within the Observer & Eclectic circulation area, he has sold them in Plymouth, Livonia, Garden City, Westland, Farm-

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Real estate rebel heads own camp

By Carolyn Smith
special writer

J.R. Paine worked three years for two major real estate companies before deciding what she and her colleagues were doing was "a ripoff" to people whose homes they sold.

So Paine, a self-described maverick who prefers using initials to her first name, Joyce, founded Home Marketing Specialists in Southfield. Only a few months old, it is an association of 10 real estate specialists including attorneys, brokers and marketing, advertising and financial experts who have "200 years of real estate experience among us."

The company's fee for selling any home is a flat \$1,400 "or less if the selling price is under \$50,000," Paine said.

Paine also wrote and had published this year a 77-page paperback guide, the "Smart Homebuyer's Sale by Owner Kit," which she markets from her office for \$19.95 plus sales tax.

The book details steps to take to sell a home — from pricing and advertising to financing arrangements, tax laws and the closing. It offers tips on "action ads" and holding open houses. It spells out essentials ele-

ments of a valid contract and remedies if a buyer breaches it.

SO WHY DID Paine leave the traditional real estate fold? She begins slowly.

"For 95 percent of the people, a home is the largest single financial investment. Let's say a home was purchased five years ago at \$65,000. The owner put in an average \$10,000 in improvements over those five years, boosting the value to \$75,000. The home sells for \$100,000, leaving a total capital gain of \$25,000."

"But," she says, raising a finger. The pace quickens, her tone a bit more strident. "But out of that \$25,000 comes a \$6,000 commission to the Realtor (based on a 6 percent fee), and the seller is left with only \$19,000."

Paine recalls her days as an agent: "I saw unhappiness on the faces of my clients, which made me feel miserable. I and some of the other Realtors felt our system was unjust. No one, myself included, had put in that kind of time and effort to warrant that kind of money... We've got a helpless public. It's time a wrong be righted."

She calls the 6 percent commission made by real estate agents "a

ripoff" and "an unfair tax." Why a tax? "Well, what else is it? A tax also can be levied without passing a law. This is taxation without representation."

Paine stressed it is illegal to set a standard rate of commission for real estate agents. "But in practice, everyone charges 6 percent. That's been the case for years."

Another complaint of Paine's is that real estate agents are not properly trained, saying that they take 30 hours of classes and "a simple test."

Paine's business and her book were met with mixed reactions, she said. There were some threats against her. There was some quiet praise from people in the business. But mostly, "there was this 'How could you do this to my bread and butter?' complaint."

JEROME DELANEY, vice president of the Western Wayne Oakland County Board of Realtors, said he hasn't heard of Paine or read her book. But he called her thinking part of "a long, ongoing debate" between the real estate industry and its adversaries.

An associate broker for Weir, Manuel, Snyder & Runke in Plymouth, Delaney denied Paine's claim that Realtors aren't working hard

enough to earn their money for clients.

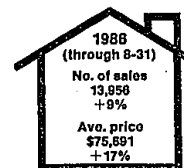
"The real service is getting the job done and the expertise involved... All businesses should be run like ours. We get paid for our performance."

Delaney produced an internal memo to office colleagues in which he suggests they point out several services available to those selling their homes themselves. Among them is a lengthy list of legal services Delaney claims can't be done by homeowners themselves.

"That's the tack they always take," Paine said. "They are trained to tell clients how stupid they are, to intimidate them."

Delaney takes issue with Paine's charge that most Realtors charge a 6-percent commission. "Some charge more or less than 6 percent, depending on the situation. There are so many types of business transactions, it's hard to say what the commission rate should be."

The Realtor's greatest advantage, Delaney said, is the ability to communicate with buyers and sellers as an objective third party. "If I were selling my own home, I don't think I'd be objective," he said. "That kind of communication is very important. And we happen to do it very well."



Housing sales vary

Residential sales data collected by the Western Wayne-Oakland County Board of Realtors shows a 9 percent gain in sales over 1985, with prices rising 17 percent over last year. The South Oakland board reported sales slipped by 4 percent, while prices increased 20 percent. The Traverse City area leads the state in increased sales, registering a gain of 39 percent. But prices there have fallen 3 percent since last year. Statewide totals, reported by the Michigan Association of Realtors, show an increase in sales volume of 14 percent, with the price of the average home rising 10 percent over 1985 figures.

Stocks analyst bullish on economy

By Todd Schmelder
staff writer

"Wall Street Week" panelist Frank Cappiello, disputing current pessimism among economists, told a seminar at Oakland Community College Saturday that the U.S. economy's glass is half full, not half empty.

"You're hearing a lot of recessionary talk now," Cappiello told approximately 175 people attending a Financial Independence Week seminar at the college's Orchard Ridge Campus in Farmington Hills.

"But there is a minority of us who believes this is nonsense."

Cappiello said his upbeat prediction for the next 12-18 months was based on the current "biocast boom" and a midwestern industrial-agricultural sector that has hit bottom and will soon rebound.

Cappiello, who delivered the keynote address at the daylong seminar, said that the New England states were the "hottest area of the country" in terms of economic growth. And the western U.S., with the exception of oil-dominated Texas, continues to hold its own.

But because the emphasis of America's economy is shifting away from heavy industry and toward

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— Frank Cappiello
Wall Street analyst

high-tech and services, the midwestern "recession" hasn't dragged the entire country down with it, Cappiello said.

"TEN OR 15 years ago, if we had these conditions the country would have been on the throes of a deep recession," Cappiello said. "But the service sector on the west coast and heavy consumer spending on both coasts are responsible for keeping the rest of the country afloat."

At the same time, the nationally known financial analyst said conditions in the energy, agriculture and manufacturing segments of the economy have "bottomed out."

He predicted a rebound in the price of oil from the current \$12-\$15 per barrel to the low-\$20 range by

the end of next year. Cappiello said the falling U.S. dollar is helping heavy industry in its fight with foreign competition because American-made products represent a better buy both here and in Europe.

Cappiello, who has served as both host and a panelist on PBS television's "Wall Street Week" and as a financial expert on ABC-TV's "Good Morning America," was chief investment officer of a New York insurance holding company for 12 years. He also served as research director for a major stock brokerage firm.

In addition to Cappiello's address, the seminar featured workshops on basic financial planning, retirement needs, evaluating investment options, tax planning and insurance.

JANICE SCHWEIZER, a certified financial planner with offices in Plymouth, said planners are not a tool only used by the wealthy.

In fact, Schweizer said it is middle-income people who should seek out a good financial planner because they are the ones who "can't afford to make mistakes with their money."

Schweizer said a planner will go through six steps with a client: collecting data, setting goals, analyzing data, providing a written plan, implementing the plan and periodic review and revision.

Another organizer of the seminar, Thomas Brubaker, presented participants with a list of 10 questions they should ask when hiring a financial planner.

The list included questions on professional background and experience, services offered and risks involved. The seminar was co-sponsored by the International Association for Financial Planning, the Institute of Certified Financial Planners, the College for Financial Planning, Oakland Community College, Wayne State University's College of Lifelong Learning and Observer & Eclectic Newspapers.

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