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Local investors help revise federal foreclosure scam bill

BY JENNIFER LARNINO

Central Florida real estate investors must watch federal legislation more now than ever if they're investing in the home foreclosure arena.

On April 21, U.S. Sen. Herb Kohl, D-Wis., unveiled the federal Foreclosure Rescue Scam bill in response to a rise in con artists charging homeowners thousands of dollars in "foreclosure consulting" fees without actually doing anything to help.

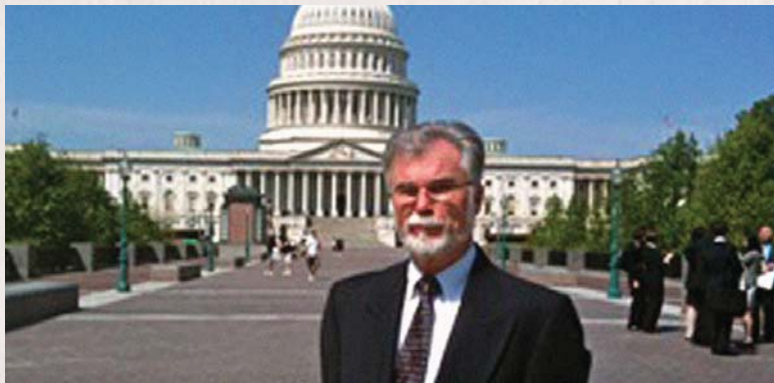
However, members of Central Florida Realty Investors (CFRI), an association that promotes ethical real estate investing, took issue with the bill's wording.

That's because it lumps helpful private investment strategies, such as creative financing and foreclosure seminar advertisement, under the illegal practices of "foreclosure consultants."

To be sure, "on its face, the bill is not a bad thing -- it has good intent," says Augie Bylott, a managing member of Homeowner Resource LLC in Champions Gate and a Central Florida Realty Investors spokesman.

Consider: The bill aims to prevent "foreclosure consultants" from collecting up-front fees. It also bans often-abused leaseback transactions, where a homeowner sells his home and then leases back the property. In addition, the bill also calls for clarification of the wording of foreclosure documents and requires third-parties in all transactions to record their presence.

But private investors' concerns with the vague wording of the bill prompted a day-long discussion in Washington, D.C., on April 30. Fifty investors, including Bylott, met with representatives, aides and lobbyists, and managed to draw up a more specific bill. "We wanted to be part of the process," says Bylott.



Augie Bylott, along with fifty other investors, met with representatives, aides, and lobbyists in Washington D.C.

In the revised bill, to be presented before Congress this month, licensed real estate professionals working with business and private investors are not categorized as illegal "foreclosure consultants."

Non-leaseback foreclosure sales -- which many private investors participate in -- are exempt, and an attorney can review and submit documents for the homeowner.

Quotable

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-Augie Bylott

The revised bill also will outlaw the charge of up-front foreclosure consultant fees, restrict some types of foreclosure rescue advertising and push to clarify wording in official

government foreclosure documents.

For Central Florida Realty Investors members, the revised bill is more private investor-friendly.

"The original bill almost prohibited us from even approaching someone in a foreclosure situation," says Adam Sleaf, the non-profit group's president.

Sleaf says the revised bill is less restrictive on common real estate practices and maintains the protective spirit with which it started. Now, investors can assist homeowners in distress if needed.

The initial version of the bill made investments in the foreclosure arena undesirable, which would have left neighborhoods plagued by abandoned houses and homeowners pushed out of their homes. The new bill will encourage more investors to get involved.

Bylott sees the revised bill revitalizing more than just the real estate market. For example, foreclosed properties will reappear on local, state and federal tax rolls when re-sold.

In addition, he says, private investors "could stabilize the balance sheets of lending institutions and reduce the load of foreclosure cases for banks."