

Cash for Ugly Houses: What the Ubiquitous Roadside Signs Mean

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The signs are on utility poles everywhere saying they'll buy your house, even if it's ugly.

These cash-for-your-house companies promise a fast sale or a way to unload a less-than-desirable property.

“The houses are distressed and needing revamping or revitalizing,” says Kate Story, known as Real Estate Kate. She works with a Tampa, Florida, company that buys and sells so-called ugly houses. “It’s usually a distressed condition too for the people who are selling them.”

Who Buys Ugly Houses?

The people who are advertising to buy houses for cash are usually real estate investors who plan to buy the house cheaply, fix it up, and sell it for a profit.

“Those of us who market with such tags as ‘We buy ugly houses’, ‘cash for houses’, etc., are really looking to get in direct contact with homeowners and do business directly with them, versus the traditional method of the seller going through a real estate agent and having to pay for commissions, dealing with looky-loo buyers, delayed closings, etc.,” says Las Vegas-based real estate investor and experienced house flipper Luke Weber.

There are many companies that use similar slogans and tactics to buy homes. The largest and most well-known is the “We Buy Ugly Houses” outfit. They are part of a large franchise company based in Dallas called HomeVestors of America. Their website says they have been around since 1996 and have bought more than 100,000 homes.

Usually the price these investors offer is significantly lower than a house’s value. The sales close quickly because bank loans are not involved and investors pay in cash.

“Even though we say we are paying in cash, it’s not like we are showing up on their doorstep with a duffle bag full of 100s. It’s amazing how many owners actually expect that,” Weber says, adding the payments are usually in the form of a wire transfer.

Who Sells a House This Way?

When someone is looking to sell a house, there are a few options. They can:

- Sell it themselves, also called for sale by owner
- Hire a real estate agent, the traditional route

- Sell it to a cash buyer

Each method has benefits and drawbacks. When a homeowner sells a house the traditional way, there usually are improvements, showings, inspections and other things that might cause a delay. Cash sales are different.

“It’s not a stressful situation. We make it easy on the sellers. It’s on the seller’s terms, the seller’s timeframe, everything of that nature,” Story says, adding the seller doesn’t even have to remove their belongings. Trash companies can come in and take everything away.

Weber says people looking for cash buyers often fit into one of three categories.

- **The seller just wants cash:** Because of financial trouble, impending foreclosure or something else, a seller can’t wait for a typical sale that often involves upgrades, real estate agents and financing. Sometimes a seller just has no use for a house. It may have come from an inheritance or was part of a divorce.
- **The property is in poor condition:** They can’t sell with traditional financing because most banks won’t lend money to someone wanting to buy a property that is not in livable condition. The house also would not pass inspection.
- **Simplify and save:** Either the seller just doesn’t like real estate agents or wants to sell directly to an individual and not pay any commissions. There are also few decisions to make when selling a home to a cash buyer: The only decision is whether to accept an offer or not.

Traditional listings usually take about 90 to 180 days from the time the seller decides to sell until closing. Cash closings are much faster.

“If it’s cash and we have the title ready, I have sold houses in a few days,” Story says, adding most of her closings happen within a week or two.

How Does a Cash Home Sale Work?

In many ways, a cash home sale is much the same as a traditional home sale. It involves someone seeing the house, making an offer and closing the deal. They just happen faster.

The buyer will usually take a look at the house either in person or virtually to see what condition it is in and what needs to be done. They’ll also evaluate the neighborhood and look at market conditions.

“We walk through and have a rough idea of what it will cost to fix up the house and give them a reasonable offer,” Story says.

The amount of the offer depends on many things:

- The condition of the house.
- The cost of necessary repairs and renovations and the time they will take.
- The post-renovation value of the house.
- Carrying costs including insurance, utilities, taxes and loan payments.
- Real estate commissions, staging, etc., necessary to sell the house.

Story says most legitimate cash buyers will offer the homeowner some earnest money to show they are serious. The seller then decides if they will accept the price or not. The cash price is usually less than a seller would get if using a real estate agent, but there is also significant savings for the seller.

Weber gives an example that if a similar house nearby sold for \$200,000, a cash buyer should expect closer to a net equivalent of about \$184,000.

“[The sale is] without commissions, and then there is a benefit of money now vs. money later,” he said. “Plus we typically buy a property as-is, meaning that we aren’t going to ask the seller to do a bunch of costly repairs.

He argues that a lower cash offer can almost net out at close to the same as the higher offer selling another way. “You are saving money on holding costs, commissions, repairs, utilities, insurance, real estate taxes, title fees, and closing costs, etc. A good cash buyer will be able to break this down for the sellers.”

Advice For Homeowners

Buying ugly homes is big business and fills a need for many homeowners.

“It definitely is a great way for a seller to sell a house, or at least explore their options,” Weber says. “Now to be honest, there are a lot of people who market this way and offer very low prices, but there are plenty of cash buyers offering very fair prices.”

So how do you avoid those shady buyers?

Story advises that homeowners should be aware of any cash buyer who wants to have an inspection period or says they do not need to look at your house before making an offer. “They’re probably going to come back and lowball you after they actually go look at it,” she warns. “It’s not as legitimate in my opinion as somebody walking through the house and telling you ‘I can offer you this much, I don’t need an inspection period.’”

Weber has some additional advice.

- **Show me the money:** If someone offers a low earnest money deposit, do they really have the money to buy the house?
- **Ask for professionals:** Real buyers use title companies and/or closing attorneys, not cashiers checks or cash.
- **Relationships matter:** It’s not always about price, sometimes it really is selling to the person you like most.
- **Don’t be bullied:** It’s your house so you can decide what you want to do. You don’t have to make an immediate decision. You can think about it overnight.

Weber says in these situations, it’s also OK to be a bit critical “What’s the buyer driving? It’s okay to judge someone by their car,” he says. “Go under contract with the person you think is most likely going to close.”