# Smart Equity Investments

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**Going once, going twice, sold—to the man with the black hat and white mustache. O.K., not really. But it seems these days, with all the home foreclosures around us, that everyone's life has become like the popular board game Monopoly, and we are all looking for our "Get out of Jail Free" card.**


Foreclosed homes are not just part of the landscape but now part of our lives. For example, pick a neighborhood in Phoenix, drive down the street, and you'll find multiple foreclosed and vacant homes. Visit various courthouses and witness people bidding for these vacant houses literally on the courthouse steps.

Nevertheless, this is the end of the housing meltdown right? Well, according to Matthew Boone, we are just getting started. Boone owns an investment company called Smart Equity Investments (www.smartequityinvestments.com) that specializes in purchasing foreclosed homes, renovating them, and selling them for a profit. Boone is a licensed attorney in the state of Arizona and a former mortgage banker. Boone says that though it is being touted that the housing market is improving, he feels that the worst is yet to come. At this point, many of us understand that due to the banks qualifying people for risky loans, sometimes referred to as "sub-prime" loans, and the massive defaults on these sub-prime loans, is why we are seeing so many people unable to continue to pay their mortgages resulting in thousands of foreclosures. Coupled with a down economy, it only makes sense that the most vulnerable borrower would be the first to default on what has been described as the almost criminal lending behavior of the banks.

What many people do not know is that the sub-prime lending practice was only the beginning. Between 2005 and 2007, shortly after the sub-prime lending practice was at its peak, banks started offering Alt A and Option Arm loans. Alt A was basically a way of offering loans with little or no income verification and Option Arm loans, also referred to as Negative Amortization loans, offered starting "teaser" rates as low as one percent. Billions, if not trillions of dollars were loaned by banks in the form of these Alt A and Option Arm loans.

Specifically, with the Option Arm loan, the educated consumer and the banks bet on the fact that because homes had not showed any significant decline in value since the great depression and though homeowners were literally paying in the negative on their mortgage payments, that with the increasing rise in property valuations that all would be well when these loans adjusted to their set interest rate. Banks figured that they would have a higher valued commodity and homeowners figured that if the adjustment from a one percent interest rate to eight, nine, 10 or more percent that they could simply use the increased value of their home to refinance into something more affordable when the time came. Unfortunately, the time is now, and with property values lower than they have been in years, homeowners find themselves with zero equity to refinance and have to simply swallow the adjusted interest rate which could mean a monthly mortgage payment that goes from $1,200 to $2,200.

Because most of the mortgages were written with a 5-year adjustment starting in 2005, many do not realize that the wave of foreclosures is only just beginning. It has been estimated that 50-70 percent of Option Arm mortgages will fail. Much of this is indicative to the fact that many have already failed with their opening "teaser" rates of one percent. "Things will get worse," Boone says, and we probably won't see any slowdown in foreclosures until after 2013 based on all the current adjusting Alt A and Option 5 year arms.

What does this mean for Boone and Smart Equity Investments? Very happy investors. Boone and his affiliates have been providing an unbelievable return on investment to their group of investors. They buy foreclosed homes, renovate them, and sell them for a profit. Boone and his affiliates employ renovation crews, auction bidders, and other experts to ensure the proper due diligence goes into every purchase to keep a perfect profitable track record for him and his affiliates. "It's not easy," Boone says. "So many people try to do what we are doing and fail. There are so many hours of due diligence that goes into every purchase and one slip up can cost you and your investors a great deal of money." That being said, it is a way to be profitable and successful in a time where everyone seems to be feeling the squeeze of the economy, housing market, and a country that is experiencing an economic trial that has not been experienced in years.