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Investors' dreams of riches hurt city

Out-of-state buyers' empty homes blight neighborhoods

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BY MARK FERENCHIK
THE COLUMBUS DISPATCH

A Seattle-area window washer wanted to make some money to cover the lull in his winter business, so he bought three rental houses in Columbus.

John Boggio put no money down and didn't come here to see the properties. For two of them, he paid more than 70 percent more than what they had sold for the previous month.

Now Boggio can't make the mortgage payments. Two of the houses are in foreclosure, he said.

"It's just a sinking ship. There's no way we can keep them."

It's another story of naivete and misplaced trust that continues to hurt neighborhoods nationwide. Columbus has three more homes in limbo among the 4,100 abandoned houses it is already dealing with.

"It's just so frustrating," said Donna J. Hicho, executive director of the Greater Linden Development Corp. "We're doing our best to try to change the neighborhood around."

Too many out-of-state buyers are trying to make a quick buck in a depressed neighborhood, she said.

As of this past summer, E. 21st Avenue in South Linden, where two of Boggio's houses are located, already was lined with 23 vacant houses, Hicho said. South Linden itself had 620.

And even if the 21st Avenue homes were vacant when Boggio bought them, the neighborhood will suffer more if he can't make them work, because the houses will sit in limbo, she said.

"The bottom line is that greed is driving this," Hicho said.

Boggio is 49. He and his 50-year-old wife, Diane, live in the Seattle suburb of Everett, Wash. Many of the windows he washes are picture windows.

"In Seattle, there are beautiful water views, spectacular homes. I have 100 of these

Hard sell

After and Diane Boggio of Everett, Wash., extended themselves on buying proceeds through and never and ended up buying three houses to sell off in Columbus last year, but without having time to see them. All three are now in limbo, and the Boggios are having trouble making the mortgage payments. What do Boggios want for the houses, and what they sold for previously.



 1245 E. 21st Ave. Nov. 24, 2007 Mid-State Homes purchase \$29,000 June 20, 2006 Boggio purchase \$4,000 Auditor's current value \$51,200	 1155 E. 21st Ave. June 23, 2007 Mid-State Homes purchase \$26,000 Aug. 24, 2005 Joseph Kasper purchase \$61,000 June 20, 2006 Boggio purchase \$62,000 Auditor's current value \$55,800	 949 Barnett Pl. Nov. 8, 2006 Mid-State Homes purchase \$35,000 June 7, 2006 Boggio purchase \$59,000 Auditor's current value \$51,100
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Source: Franklin County public offer

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customers. I'm making tons of money until winter," Mr. Boggio said.

So he gladly accepted tickets from a company now called RE Success Group of Draper, Utah, to attend a seminar in 2005 on making money by buying real estate.

"They get you all fired up about real estate," he said.

RE Success Group's Web site now advises: "Read About America's Record Foreclosure Crisis and How You Can Benefit!"

Boggio and his wife signed up for \$14,990 in training, including a six-day real-estate course, three more three-day courses that include a foreclosure boot camp, 12 one-hour training sessions over the phone and a software package, said Aaron Osmond, RE Success Group's chief executive.

"What they purchased is the 'platinum package,' " said Osmond, who said he has collected \$7,590 from the Boggios so far.

The Boggios discovered that they couldn't afford to buy homes at auction in the Seattle area, where the median price is \$425,000.

So their "coach," Inga Johnson, directed them to Ohio. The Boggios hooked up with Mid-State Homes and Summertyme Mortgage of Sunbury.

The Boggios bought two houses from Mid-State in 2006: one on the East Side at 949 Barnett Rd. for \$59,000 on June 7 and the other in South Linden, at 1245 E. 21st Ave., for \$54,000 on June 20.

Mid-State had bought both houses about a month before, paying \$35,000 for the Barnett Road house and \$29,000 for the E. 21st Avenue property.

The Boggios also bought a house at 1155 E. 21st Ave. for \$52,000 on June 20, 2006. The previous owner, Joseph Agauthia, bought it for \$51,000 on Aug. 26, 2005. Mid-State had paid \$26,000 for the house on June 23, 2005. Jason Williams, Mid-State's president, said Agauthia was an investor who bought the property from Mid-State.

Boggio said Mid-State assured him that South Linden was a developing area. He was aware of the property markup but was not familiar with the market.

The Boggios' Seattle-area house, for example, has increased in value by \$200,000 in 14 years. "That's my reality," he said.

Boggio said he finally came to Columbus in May to see the houses.

"Oh my God," was his reaction. One of the E. 21st Avenue houses is next to a boarded-up house tagged with graffiti.

Williams said his company buys and sells homes to investors after fixing them up. He said he can't remember whether the homes the Boggios bought were vacant when Mid-State bought them.

He said he's not familiar with Inga Johnson or the Utah company. But his company does

run ads listing distressed properties for sale.

Boggio needs to find renters, Williams said. "Wouldn't you work to get it rented, to get income?"

Mid-State found him his first renters, Boggio said, but one died, another was jobless and a third didn't pay the rent.

Jo-Ann Do, a 30-year-old graphic designer from northern California who went through the program, also bought three homes in Columbus -- in Linden, the Hilltop and Franklinton.

The Franklinton house, at 269 Brehl Ave., is vacant, and vandals have stripped it of copper, she said. "It might end up in foreclosure. I don't really care."

Do, a first-time investor, acknowledged that she didn't do her due diligence before buying the homes sight unseen.

Osmond said his group doesn't promote or endorse specific investments and that he was not aware of Mid-State Homes. But his group recommends where in the U.S. that students can successfully invest.

He acknowledged that investors are trying to capitalize on distressed properties. But he doesn't take responsibility for making a bad situation worse. He said his students can turn vacant properties around while banks sit on them.

Asked whether the Boggios spent too much on their training, Osmond said many of his customers have spent thousands on a college education and received nothing for it.

Columbus City Councilwoman Charleta B. Tavares said she fears that Boggio won't maintain his properties while he figures out what to do.

"He's not here. It doesn't hurt his reputation," said Tavares, who leads the council's health, housing and human-services committee.

Mayor Michael B. Coleman's Home Again program fixes up or tears down abandoned homes, but Coleman said it's not set up to bail out investors. The problem is that their bad investments become the city's problem, he said.

City Attorney Richard C. Pfeiffer Jr., who is lobbying state legislators to give cities the authority to foreclose on vacant houses even if they don't hold liens against them, wonders how involved government should get in such situations.

"At what point is an individual responsible for his own economic decision?" Pfeiffer asked.

Hicho said, "Everybody carries some responsibility."

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