

Henrico-Based Prospect Homes to Return Properties to Lenders

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Prospect Homes of Richmond Inc. will give 95 lots, houses and partially built houses back to three lenders.

The builder, one of the largest in the Richmond area, filed for bankruptcy protection in June. At the time of the original filing, the Henrico County-based builder owned more than 250 properties.

The builder said it proposes to abandon all properties secured by loans with Birmingham, Ala.-based Regions Bank, Wachovia Bank (now part of San Francisco-based Wells Fargo & Co.) and Franklin Federal Savings Bank in Glen Allen, according to a Dec. 31 filing with the U.S. Bankruptcy Court in Richmond.

Prospect Homes has been unable to obtain financing to complete the properties or sell them, according to the filing.

In all instances, the loans exceed the values on the properties, often by twice the amount.

Giving the properties back to the lenders is a way to speed the foreclosure process, said Roy M. Terry Jr. of the DuretteBradshaw law firm in Richmond, which is representing the builder.

"Prospect moved to abandon in order to lessen expenses to the bankruptcy estate," Terry said.

Terry said he had no comment at this time on whether Prospect would emerge from this bankruptcy or be liquidated. "We are in the process of making decisions about this."

Prospect Homes owes about \$4 million to Wachovia Corp., \$4.4 million to Regions Bank and \$1.2 million to Franklin Federal Savings Bank on the properties.

The debt does not include accrued unpaid interest, fees and expenses.

Aimee Worsley, spokeswoman for Wells Fargo, said that once the properties are foreclosed, the bank will assess the best option to recover the money. Properties could be sold in bulk or individually, she said.

The properties are in the FoxCreek, Greenbriar Woods, Harpers Mill and Summer Lake subdivisions in Chesterfield County; Avington and Hillcrest Farms in Henrico; LakeRidge Green and CedarLea Park in Hanover County; Creekview in Farmville; and Spring Creek in Louisa.

Prospect Homes reported revenues of \$2.5 million in the third quarter ending in October and a loss of \$817,369, according to bankruptcy filings. It owes money to 11 banks in all, including about \$70,000 to Richmond-based First Market Bank and \$40,000 to Village Bank in Midlothian.

Joseph R. Audi, president of Prospect Homes, could not be reached for comment. However, he noted in the original filings that the residential homebuilding industry took a nose dive in 2007.

The company's cash reserves fell, demand for new houses dropped, and judgments and liens hindered its ability to sell properties, he said. The filing listed assets of \$50 million to \$100 million and debts in the same range.

Prospect Homes has built single-family houses and town houses, ranging from \$150,000 to more than \$500,000, in 16 communities.