



Buying REO's
and foreclosures

Looking for REO property or a foreclosure?

Foreclosed upon and bank-owned property purchases require the assistance of an experienced professional.

What is an REO?

“REO” is Real Estate Owned. These are properties which have been through foreclosure that the bank or mortgage company now owns. This is different than real estate up for foreclosure auction.

When buying a property during a foreclosure sale, you must pay at least the loan balance plus any interest and other fees accumulated during the foreclosure process. The buyer must also be able to pay with cash in hand. And on top of all that, you’ll accept the property 100% as is. That may consist of existing liens and even current occupants.

A bank-owned property is a more attractive transaction. The REO property didn’t find a buyer during foreclosure and now the bank owns it. They will take care of removal of tax liens, evict occupants, and arrange for the issuance of a title insurance policy to the buyer at closing.

REOs may be exempt from standard disclosure requirements. For instance, in California, banks are exempt from giving a Transfer Disclosure Statement requiring sellers to disclose known defects. By hiring a professional, you can rest assured knowing all parties are fulfilling state disclosure requirements.



Am I guaranteed a *good deal* when purchasing an REO property?

It's commonly assumed that any REO must be a good deal and a chance for guaranteed profit. This simply isn't true. You have to be cautious about buying an REO if your intent is to make money. Even though the bank is typically anxious to sell it quickly, they are also motivated to get as much as they can for it.

When considering what to pay for a foreclosure, you need to look closely at comparable sales in the neighborhood and be sure to take into account the time and cost of any repairs or remodeling needed to prepare the house for resale. There are bargains with potential to make money, and many people do very well buying and selling foreclosures. Still, there are also many REOs that are not good buys and may not be money makers.

Time to make an offer?

Most mortgage companies have a department dedicated to REO you'll work with when buying an REO property. To get their properties advertised on the local MLS, the lender will frequently hire a listing agent.

Prior to making your offer, you'll want to contact either the listing agent or REO department at the bank and find out as much as you can about their knowledge concerning the condition of the property and what their process is for getting offers. Since banks commonly sell REO properties "as is", you may want to include an inspection contingency in your offer that gives you time to check for unseen damage and withdraw the offer if you find it. As with making any offer on real estate, your offer may be more attractive if you include documentation of your ability to pay.

After you've presented your offer, you can expect the bank to respond with a counter offer. Then it will be up to you to decide whether to accept their counter, or offer your own counter. Your transaction might be final in a single day, but that's usually not the case. Since offers and counter offers usually allow a day or more for the other party to respond (and considering a banker's hours) you could be looking at a week or longer. I have experience working around banker's schedules and will do everything possible to ensure there are no unnecessary delays.