

Decoding the Real Estate Market ***Buying A Foreclosure***

If you are contemplating purchasing a home at a Foreclosure Auction or an REO, here are some things to consider -

Foreclosure Auction on the Courthouse Steps or in a Title Company Office:

- You will need cash or a certified cashier's check upfront.
- You cannot bid over the amount of money you register before the sale.
- You will be buying the property without the benefit of inspections.
- Buyers will be responsible for unpaid back and current property taxes and other liens that run with the property. These can be verified through the Tax Collector's Office and Title Companies prior to the sale.
- In many cases, you will not have any access to the property prior to the sale.
- All persons and property remaining on the property will be yours alone to resolve.
- You will be limited to obtaining a *cash-out* loan if you decide to finance the property after purchasing it. The loan limits and interest rates are less favorable than those for purchase loans. This is because you already own the property, so, in essence, you are refinancing it.
- If there are tenants in the property, you must give them 90 day notice to move out or honor their lease if it has more than 90 days left. You are entitled to rent. You must return their deposit upon leaving, even though you never received that money.

At this time, most properties going to Foreclosure Auctions in Tehama County are not selling because more is owed on them than the current market value. These properties are reverting to the Lenders who are then listing them with real estate broker at a lower price. However, prior to the housing crash, there were many bidder participating in these sales and often the price of the property was driven up far beyond its market value. It is important that Buyers know the approximate market value of a property before bidding. Buyer must also consider the cost to make the property habitable and fix the unknowns they will discover after purchase, such as pest problems, mold, roof repairs, general cleaning/painting, etc.

REO - Real Estate Owned

An REO is a home which has been foreclosed upon by the Lender and goes back on the market, listed with a Real Estate Broker, after an unsuccessful Foreclosure Auction. The benefits of purchasing a foreclosed property as an REO rather than at the Foreclosure Auction are that the price is set to market value, you have the opportunity to thoroughly inspect it and you can obtain a purchase loan.

Be aware of these factors when buying an REO property:

- Institutional Sellers are released from the Transfer Disclosure Statement responsibility of reporting known defects. The Seller was never an occupant and cannot be held liable to know of defects.
- Although all Real Estate Agents involved in the transaction are still liable to Buyers to disclose any defects known to them, Agents rarely know of any defects other than those which are visually obvious.
- Home Inspections, Roof Certifications, Pest Inspections and Home Warranties are all items which should be carefully considered when purchasing REO homes since there are no disclosures from the Seller. If dampness or mold are suspected, enhanced Home Inspection techniques may be a worthwhile investment. No inspection can guarantee future conditions 100%, however, inspections can give the Buyer a good idea of what the property holds for them in way of repairs.
- Many properties are desirable and desirably priced. Be prepared to deal with multiple offers competing with yours. Have your loan approval or proof of funds to close available to submit with your offer for the best chance acceptance.

Be certain you are ready for the costs and responsibilities of homeownership or becoming a landlord. The best deal will become a bust if you are not prepared.

The next installment of **Decoding the Real Estate Market** will discuss Your Rights As A Tenant In a Foreclosure Property.