

## Complete Guide To Buying Foreclosures

Buying foreclosure properties is a quite a bit different than buying a home the traditional way. Educating yourself on the process can be the difference between getting the deal of a lifetime or ending up with a money pit. This step by step guide will take you through the foreclosure buying process for either your primary residence or as an investment property.

### **The Foreclosure Process**

Before we get down to the "nitty gritty" of how to successfully buy a foreclosure property, let's go over the terminology to make sure we're all on the same page. Foreclosure is the method used where the mortgage holder or lien holder takes possession of a property mostly for non-payment on the mortgage.

Foreclosure proceedings usually begin after the homeowner has missed 2 or 3 mortgage payments and after several warning notices have been mailed to the homeowner. If the homeowner fails to bring the loan current or makes other arrangements with the lender, the home will be sold at public auction at the court house steps.

There are three possible ways to buy a distressed property: When it's in Pre-foreclosure [short sale], At public auction or as an REO [real estate owned] property. If you plan on buying foreclosures successfully, you need to know all three.

### **Buying A Pre-Foreclosure**

When a homeowner is in the foreclosure process, he may elect to [do a short sale before the property goes to auction](#). A short sale is when the foreclosing bank accepts a discounted amount on the home in order to get it sold thus avoiding having to take the home through the foreclosure process which can be very costly for banks. You can get massive discounts by buying a short sale property but it can take several months so you must be patient.

Short sale properties can easily be found by [enlisting the help of an Orlando realtor](#).

### **Bidding At the Courthouse**

If the homeowner is unable to bring the loan current or make arrangements for a short sale, the property will then be scheduled for public auction at the county courthouse and sold to the highest bidder. Depending in what state or county you're in, you must first deposit a check with the clerk, usually a few thousand dollars. The clerk will then start by saying [or yelling] the address and start to take opening bids. Savvy investors have already been to the property at this point and have a good

idea on how high they are willing to go. If the bank's reserve isn't met [the lowest amount that they're willing to take], then the lender will take the title back to the title to the property.

When buying a foreclosure at the courthouse auction, keep these things in mind:

- 1. Buyers beware!** If you plan buying a foreclosure through the public auction, there's no guarantee that the home is free of any additional liens or encumbrances. This means that the property you just bought and thought you got a great deal on could have hidden liens such as contractor lien for work he did and was never compensated for. It's important to get a title search done prior to the auction so that you know what you're facing.
- 2. Property Condition.** 90% of the time, the property is still occupied by the homeowner which means you probably won't be able to see the inside. [It's worth knocking on the door to see if the homeowner will let you in] The property may need some repairs and unfortunately you just won't know until you receive the key. In some cases, disgruntled homeowners will vandalize the home before leaving.
- 3. Cash Buyers Only.** If you plan on buying at the courthouse, you'll need to have ALL the funds ready the same day. This means that conventional loans are just not an option. There are what's known as "hard money" lenders who fund these kinds of deals, just make sure that step 1 and 2 are covered before proceeding with the purchase.

### **Buying An REO [real estate owned] Property**

If a property doesn't sell at the public auction, the bank takes it back and will then get it ready for sale with the help of a local realtor of their choosing so they can get the property sold. This property is what's known as an REO or [real estate owned]

There are a few different ways to find an REO property to buy. Following are the most common ways to go about purchasing an REO property.

- 1. Hire An Agent-** By enlisting the help of an [experienced Orlando realtor](#), you'll have access to every single REO property that's listed on the MLS or [Multiple Listing Service] . The MLS is a data base put together by real estate agents of all the properties that are for sale in the area. The MLS is where real estate brokers work together to share all the information they have freely with each other.

If you're not ready to speak with an agent and prefer to look through the MLS on your own, the feel free to use our [Free Advanced Property Search Tool](#) and you'll be searching the MLS just like a pro from the comfort of your own home. Once you've located a few that you like, you will have to contact a real estate agent to go see them.

- 2. Contact the Bank REO Departments-** Most banks will typically have an REO department or at least someone that's in charge of those properties. Although most lenders won't want to deal with an individual buyer, you may try contacting the REO department of a bank for a list of properties before they hit the MLS.

- 3. The HUD Store-** The US Department of Housing and Urban Development will also foreclose on properties for the same reasons as a traditional lender would. Look up the HUD Store to obtain a list of these foreclosure properties.

### **Submitting Your Offer**

Once you've found a property that meets your criteria, the next step is to submit an offer. You'll want to enlist the help of a real estate agent at this point. Depending on if it's a seller or buyers market, you should adjust your offer accordingly [again, consult your realtor on this]. Your realtor will then submit the offer and the bank will either:

- Counter the offer [you then have the option of increasing the offer amount]
- Accept the offer [hooray for you!]
- Deny the offer [sorry, better luck next time!]

### **After Your Offer Is Accepted**

Your offer has been accepted and it's time to celebrate...don't crack open the champagne just yet. Take advantage of your inspection period that should be outlined in the sales contract. Hire a licensed home inspector to inspect the home for any hidden damages that may exist. This is also the time to get your financing in place and ready for the closing. A title company will be in charge of accepting and disbursing any funds involved in the transaction as well as preparing all the necessary documents to be signed by both parties.

After both parties have signed the paperwork and the deed has been recorded with the county, it's officially yours!

If you still have questions on how to buy a foreclosure property, be sure to visit us at <http://orlandorealtyconsultants.com/> or call 407-902-7750