

Foreclosures

Most everyone thinks foreclosures are the best bargains around. It isn't necessarily so. A property that's being taken back by the bank may be a bargain, selling at an average price, or even above the cost of nearby, similar properties. You need to compare foreclosed properties to nearby homes for sale to get a sense of what it's actually worth.



There are three kinds of sales that are called foreclosures.

In a **short sale**, the owner can't pay the mortgage and the lender has filed a Notice of Default (the first step towards foreclosing on the house). When you buy a short sale, the bank has to agree on the purchase price, which can take a long time. There's no way to know what the bank will accept or if you'll hear back in time. Typically it should be near the appraised value - the price of other nearby homes. But it may actually be higher, because the bank is trying to get their money back. Plus there are additional risks to short sales. You could pay to have the home inspected, but the bank takes too long to respond and it gets foreclosed anyway. Perhaps it isn't well maintained, or stripped of plumbing or otherwise damaged. There could be other liens that the buyer may have to pay.

When a bank completes the foreclosure process, the property is sold on the **courthouse steps**. You can get a list of when these properties will be sold from City Hall. While you might get a bargain buying a home this way, there are many risks. You don't get to inspect the house. You need to come to the courthouse with a certified check. And you risk paying more than the house is worth.

If nobody buys the property, or if the bank doesn't accept any of the offers, the bank gets the property for the amount of the loan. They are now called **bank**

owned or real estate owned (REO). The bank may now become more realistic about pricing. They may price it near the prices of comparable homes that are for sale. Yet nearby homes that aren't bank owned may still be a better deal, with less hassle and risk.



Real bargains are out there. Some properties need cosmetic repairs, or are in less-desirable locations, and aren't appealing to most buyers. Some sellers need the money quickly because they are leaving the area, getting divorced, or in financial trouble. Sellers whose homes have been on the market for 90 days or more may be more willing to negotiate on price. Far more homes are a bargain in this market, but that won't last. Don't try to time the market - you may find yourself buying as prices are rising and you're competing with lots of other buyers.

None of this is legal advice, nor am I actively working as a real estate agent.