

Online Real Estate Owned Investment Tools

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WARNING: Before You Buy A Foreclosure Property, Read This!

While most people envision that buying a foreclosure property will be the ultimate bargain, this is rarely the case. These days, most foreclosures sell for as little as 5% below market value, rather than the bargains that were to be had in years gone by. However, you may still be able to access savings on the deal in another way. If the lender who holds the defaulted mortgage holds the property, he may be willing to forego some of the closing costs and he may even be willing to offer you a reduction on the down payment or the interest rate.

The Foreclosure process can be quite daunting for those who know nothing about it. But for people who are willing to do a little research, this time and effort can translate into significant savings. You must be careful though; foreclosure laws can differ from state to state. In some states the lender must sue the borrower who has defaulted on his payments and he must get a court order for the sale of the property. This is called a 'judicial foreclosure'. But in California and Texas – among others- there is no judicial proceeding to worry about.

If you are inexperienced in the world of foreclosure/real estate, then bank owned properties offer the safest options. These properties have no tenants to evict, no taxes and no liens. The bank will already have had an appraisal done, and may not add the cost of it to your bill, while title insurance is typically included, so most of the risks inherent in buying early in the foreclosure process have been removed.

If you are more daring, you may want to look for a homeowner who is about to go into default. Since the homeowner doesn't want to lose all his equity, he will accept a portion of the difference between the equity and the market value. This is called a pre-foreclosure deal. The only trouble with this kind of deal is that it requires much patience and persistence on your behalf. It will be very difficult to get through to the homeowner because he is being hounded by creditors and doesn't want to be contacted. The telephone and electricity may well have been disconnected to retain privacy or due to payment default. He may even have a drug or alcohol problem.

If you attend an auction of a foreclosure property, be aware of what you may be getting into. You will be expected to put up all the money on the same day. You may not have had the chance to inspect the home and there may be a buying frenzy that will push the price up to an unreasonably high level. Auctions are not for the novice or the fainthearted.

