

Tips for Buying Foreclosures

Home buyers who want a good deal in real estate invariably think first about pursuing foreclosures.

Why Do Sellers Go Into Foreclosure?

Sellers stop making payments for a host of reasons. Few choose to go into foreclosure voluntarily. It's often an unpredictable result from one of the following:

- Laid-off, fired or quit job
- Inability to continue working due to medical conditions
- Excessive debt and mounting bill obligations
- Squabbles with co-owner, divorce
- Job transfer to another state

Negotiating Directly with Sellers in Foreclosure

Investors who specialize in buying foreclosures often prefer to purchase these homes before the foreclosure proceedings are final.

Before approaching a seller in distress, consider:

1. Foreclosure proceedings vary from state to state. In states where mortgages are used, home owners can end up staying in the property for almost a year; whereas in states where trust deeds are used, trustee sales give a seller about four months before they need to vacate.
2. Almost every state provides for some period of redemption. This means the seller has an irrevocable right during a certain length of time to cure the default, including paying all foreclosure costs, back interest and missed principal payments, to regain control of the property. For more information, consult a real estate lawyer.
3. Many states also require that buyers give to sellers certain disclosures regarding equity purchases. Failure to provide those notices and to prepare offers on the required paperwork can result in fines, lawsuits or even revocation of sale.

Buying a Home at the Trustee's Sale

Check with your local county office to find out how sales in your area are handled, but common threads among most of them are:

- No loan contingency
- Sealed bids
- Proof of financial qualifications
- Sizeable earnest money deposits
- Purchase property "as is"

Sometimes buyers are not allowed to inspect the house before making an offer. The problem with buying a house sight unseen is you can't calculate how much it will cost to improve the structure or bring it up to habitable standards. Nor do you know if the occupant will retaliate and destroy the interior. On top of that, you may need to evict the tenant or owner from the premises after you receive title, and eviction processes can be costly.