

Dear Henrietta House-

I hear so much terminology out in the news with different types of homes for sale. Foreclosure homes, short sales, Bank Owned and so many more. What do they all mean and how can I get a "real deal" in any of these cases?

Signed-  
Dazed and Confused

Dear Dazed and Confused,

Buying bank owned property can be time consuming and it pays to do a lot of research into the property and the neighborhood, but the savings can be considerable. More and more home buyers are looking at buying distressed homes (homes in various stages of the foreclosure process) than ever before, in part, because there is so much more inventory. When considering buying bank owned property, it's helpful to decide whether you have the financing, time and the stomach for potential risk that some types of distressed properties may require. If your main goal is savings, though, there are several sales types to choose from:

**Pre-foreclosure:** When a borrower cannot repay the monthly mortgage payments, one option is to sell the property before the bank actually forecloses on the home. A pre-foreclosure may offer a savings from market prices because the seller is motivated to sell quickly.

When a bank does need to push forward with a **foreclosure**, the next step is an auction of the property. This is potentially the most risk laden purchase option for the novice buyer, because there is little to no chance to fully inspect the home or perform any research into whether the home carries any liens against it. Most pre-foreclosure auctions also require a cash payment. For these reasons, foreclosure auctions are usually reserved for seasoned real estate investors. (*Note: All Auctions are not as a result of the Foreclosure process.*)

**Short Sale:** If the market has softened and the home is worth less than what the borrower originally paid for it, he *may* negotiate with the bank to sell it at the current market rate with the bank taking the loss. This is another potential opportunity for a buyer to save substantially because the seller and the bank are often eager to sell before the home goes into the final phase of foreclosure.

**Bank Owned or REO Homes:** If a home fails to sell at auction, it becomes an REO or Real Estate Owned property and the bank fully takes possession of the property. This is another good opportunity for home buyers because the bank will usually be eager to sell the home and may price it below market value. In most cases, the bank will make any initial repairs and will pay any outstanding liens. However, it's important for any home buyer to have the property thoroughly inspected and have a title search performed to ensure that the great deal doesn't turn into a cash trap of unforeseen repairs and outstanding lien payments. It also pays to look at neighboring Home Values so you get an idea of local market trends and can evaluate whether the home really is a good deal.

Hope this helps you with your question and best of luck to you in finding your "real deal"!

Henrietta House



PS. It always is a good idea to contact a REALTOR® with experience and knowledge of this specialized type of purchase to help you with the details of completing the sale.

*Information deemed reliable and accurate and for education purposes only and is not considered legal advice.  
For more information go to [www.realtor.org](http://www.realtor.org).*