

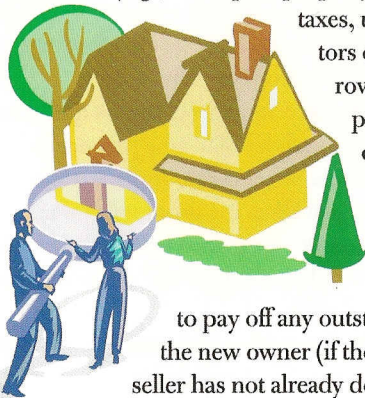
REO Properties To Avoid

Reconsider buying a foreclosed property if the home:

- Does not come up to neighborhood standards for size or amenities (e.g., at least 3 bedrooms, 2 baths where that is typical).
- Is in a declining neighborhood or region due to crime, air quality, traffic, schools, job losses, high concentration of vacant or foreclosed homes, etc.
- Has radon gas, asbestos, mold, oil or lead contamination.
- Can't be rented out (if need be) for enough to cover the mortgage (PITI) and fees.
- Is in an unstable location, such as an earthquake-prone or land-slide area.
- Has foundation cracks, uneven settling, roof or other structural or drainage problems.
- Has extensive pest or termite damage.
- Has serious building-code violations, especially illegal or un-permitted conversions or additions.

expensive — that's a costly mistake. Lenders and others who sell a property "as is" may not be obligated to disclose problems and defects. Only a licensed home inspector can identify hidden problems from electrical wiring or plumbing to radon or pest infestation to serious structural or system problems. Be sure to do a walk-through before making an offer.

Mistake 4. No clear title. A "lien" is a legal claim against a home (e.g., for unpaid property or income taxes, unpaid contractors or loans borrowed against the property). Liens can stay intact until the money is paid, which means you may have to pay off any outstanding liens as the new owner (if the institutional seller has not already done so).



Be forewarned: Having a professional title search done is *critical* to know where you stand. You may want to add a clear-title contingency to your offer to the seller. Without a clear title, you may not be able to get owner's title insurance to protect you against unforeseen claims. Consider upgraded owner's insurance (ALTA-R policy) to protect against last minute or unrecorded liens.

Also, ask us about any "redemption period" in our area that can allow the previous owner to reclaim the property by paying the money they owed ("cured default").

Mistake 5. Not enough cash. Be prepared to pay for closing costs and fees or any repairs and unforeseen expenses, especially if you're buying an "as is" property with FHA financing that may require buyer-paid repairs to pass FHA inspection. An REO may not be a bargain if you can't afford to make it livable.

Mistake 6. Not enough patience. To be a smart REO buyer, you must do your research, know about other higher or lower bids (if possible), property taxes, utility bills, liens. Take time for due diligence.

Mistake 7. Not asking questions. Ask for copies of all relevant permits, repair receipts, surveys and inspection reports (if any). Inquire about past-due condominium assessments or homeowners association dues that might create a lien. Be clear about any brokerage commission to be paid and who pays it (seller or buyer). Then follow up with calls, on-site visits, more research, and together we will guide your purchase to closing.

REOs Can Be A Great Deal

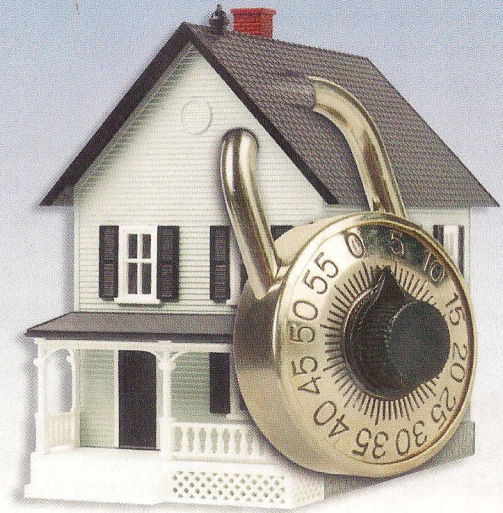
If you have been priced out of homeownership the last several years, buying a foreclosed home may be your chance to get a home of your own. We can help. As experienced neighborhood specialists we make it our business to represent buyers of foreclosed properties. Contact us to learn how we do it. There's no cost for this information — and absolutely no obligation to you!



© Gooder Group, Fairfax, VA 2008. All Rights Reserved. Any reproduction prohibited without explicit written permission, including printing, photocopy, fax, e-mail or text on the Internet. Images © Ingram, © Stockbyte, © Liquid Library. Product Code 500-748

REO

What Every Buyer Needs To Know To Purchase A Foreclosed Property



TEER ONE PROPERTIES, INC.

3992 Brockton Avenue, Riverside, CA 92501

Office: (951) 784-1342

Fax: (951) 784-6712

Cell: (951) 313-5168

www.miketeeer.com



How To Find An REO Bargain — And Avoid 7 Costly Mistakes



Foreclosed properties — what we call “real estate owned” (REO) — are an excellent way to get a great deal on a home today. Although buyers can also find bargain prices on pre-foreclosure sales or homes sold at foreclosure auctions, most buyers find it easier and less risky to purchase REOs from the lending institutions and government authorities that repossess the homes. (**Note:** REOs also can refer to properties purchased by corporations from their transferring employees. This report focuses on REOs resulting from foreclosure proceedings.)

Why Buy An REO?

REO homes are most attractive to buyers looking for bargains. They know lenders and government organizations don't really want to own homes and would rather move their “non-performing assets” off the books as quickly as possible.

Still, being responsible to stockholders or taxpayers means institutional owners will try to recover as much of their investment in a foreclosed home as possible — unpaid loan amount, transaction costs, property taxes, maintenance costs, etc. Negotiating is key to getting a true bargain price on an REO!

REO foreclosurers offer some distinct advantages to buyers.

- **Opportunity for professional inspection.** Being able to thoroughly inspect an REO can help ensure

against unexpected problems and expensive repairs. Inspections are often not an option at earlier stages of foreclosure, when properties are frequently sold “as is.”

- **Easier financing.** The lender or government agency may offer an attractive financing package, perhaps including a lower interest rate or smaller down payment requirement than might be available on the open market. Chances are also better that outside lenders will consider financing an REO, since their appraisers get a chance to look at these properties. REO buyers can also negotiate for a financing contingency in their contract with the seller.

- **No eviction problems.** By the time institutional owners put their properties on the market as REOs,

former owners or tenants typically have already moved out. Again, this may not be the case with pre-foreclosure and auction sales.

- **Better condition.** Homes in default and sold at auction may not be in great shape, either due to neglect by their cash-strapped former owners or damage caused by disgruntled residents or vandals. Lenders and government organizations selling REOs, however, sometimes make repairs, returning properties to livable condition — or discount the prices to sell more quickly.

- **Listings with brokers.** Most REOs are listed for sale with a real estate broker/REALTOR® who is bound by law and ethics to represent the property truthfully. (In some states, however, lenders are exempt from some disclosure rules. Ask us.)

Costly Mistakes To Avoid

Understanding some of the costliest mistakes to avoid goes a long way to finding a great REO bargain in today's market.

Mistake 1. All REOs are bargains. Understand that the institution selling the property (lender, government, corporation, etc.) wants to clear its inventory. The home's condition is not their concern. Be prepared to do your homework — and rely on a professional real estate specialist to avoid any land mines.

Mistake 2. Overbidding. REO buyers must know area home values, condition of nearby properties, neighborhood trends, street noise, airplane traffic, and zoning issues that affect the property's value. Sometimes foreclosures are priced below market value to attract multiple bids and “drive up” the sales price. We'll help you bid right.

Mistake 3. No inspection necessary. Some REO buyers think a professional home inspection is too

The Process Of Foreclosure

The term “foreclosure” can be confusing; it really refers to a three-stage process:

1. Pre-foreclosure — initial stage when homeowner misses payments (becoming “delinquent”), then defaults on mortgage, and lender begins foreclosure proceedings (Notice of Default).

2. Auction (often referred to as a “trustee's sale” or “step sale”) — the stage at which the property is put up for auction by lender; proceeds repay lender (and homeowner, if any money is left over).

3. Post-foreclosure — when properties that didn't sell at auction are repossessed, becoming REO by a lender or government agency, such as the Federal Housing Authority (FHA) or Veterans Affairs (VA).