

REO OR FORECLOSURE PROPERTIES

UNDERSTANDING PURCHASING REO OR FORECLOSURE PROPERTIES IN SOUTHERN CALIFORNIA

WHAT IS AN REO?

GM Mortgage & Realty has experience to share with foreclosures and bank owned properties in Southern California.

"REO" or Real Estate Owned are properties which have been foreclosed upon that the bank or mortgage company presently possesses. This is not the same as a property up for foreclosure auction.

If you buy a property during a foreclosure sale, you must pay at least the loan balance plus any interest and other fees accrued during the foreclosure process. You must also be ready to pay with cash in hand. To top everything off, you'll receive the property 100% as is. That might consist of prevailing liens and even current occupants that need to be kicked out.

A bank-owned property, on the other hand, is a much cleaner and attractive transaction. The REO property did not find a buyer during foreclosure auction. Now the lender owns it. The lender will see to the elimination of tax liens, evict occupants if needed and generally plan for the issuance of a title insurance policy to the buyer at closing.

Note that REOs may be exempt from normal disclosure requirements. For example, in California, it is optional for foreclosures to have a Property Disclosure Statement, a document that ordinarily requires sellers to tell you about any defects of which they are knowledgeable. By hiring GM Realty, you can rest assured knowing all parties are fulfilling California state disclosure requirements.

AM I ASSURED A GOOD DEAL WHEN PURCHASING A BANK OWNED PROPERTY IN SOUTHERN CALIFORNIA?

It is occasionally assumed that any foreclosure must be a good deal and a chance for guaranteed profit. This isn't necessarily true. You have to be prudent about buying a repossession if your intent is to make money off of it. While it's true that the bank is usually anxious to sell it quickly, they are also looking to get as much as they can for it.

REAL ESTATE OWNED (REO) IS NOT THE SAME AS A FORECLOSURE PROPERTY

GM Mortgage & Realty has experience to share with foreclosures and bank owned properties in Southern California. When considering what to pay for REO property, carefully analyze comparable sales in the neighborhood and be sure to take into account the time and cost of any repairs or remodeling needed to prepare the house for resale.

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BANK OWNED PROPERTY IS A MUCH CLEANER AND ATTRACTIVE TRANSACTION

There are bargains with potential to make money, and many people do very well flipping foreclosures. Still, there are also many REOs that are not good buys and may lose money.

READY TO MAKE AN OFFER?

Most banks have a department dedicated to REO that you'll work with in buying REO property from them. Typically the REO department will use a listing agent to get their REO properties listed on the local MLS.

Before making your offer, you'll want to contact either the listing agent or REO department at the bank and discover as much as you can about what they know concerning the condition of the property and what their process is for taking offers. Since banks almost always sell REO properties "as is",

It may be in your best interest to include an inspection contingency in your offer that gives you time to check for unseen damage and withdraw the offer if you find it. If, as a buyer, you can provide documentation demonstrating your ability to secure financing, such as a pre-approval letter from a lender, your offer will be more attractive and likely be accepted. (This is generally true for any real estate offer.)

After you've presented your offer, it's customary for the bank to respond with a counter offer. Then it will be your choice whether to accept their counter, or make another counter offer. Your deal could be final in one day, but that's rare. Since offers and counter offers usually allow a day or more for the other party to respond (and employees at a bank don't work nights or weekends) you could be looking at a week or longer.

**PLEASE REACH OUT TO GM
REALTY TODAY FOR ANY
QUESTIONS REGARDING
REO OR FORECLOSURE
REAL ESTATE.**

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