

Mortgage Matters

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Buying a Foreclosed Property

If you are considering buying a foreclosed property, it is good to familiarize yourself with the process. There are typically three times during this process when it is possible to buy the property: pre-foreclosure, at auction and after the foreclosure.

What is foreclosure?

A foreclosure is the process where a bank or financial institution takes ownership of a property due to a variety of reasons, but most commonly because of lack of payments on a loan.

Buying pre-foreclosure

It is possible to buy a home before the foreclosure is finalized and the homeowner has vacated the property. The bank is not involved in the sale yet and allows investors to make the homeowners an offer on the home. The benefit is that the buyer can inspect the home and get relevant details before purchasing. The seller also gets a chance to sell the home quickly and without it affecting their credit rating as much. If the sellers do accept your proposal, be prepared to close quickly. You must complete the sale before the lender puts the home up for auction.

Buying at Auction

Once the legal process is complete, the foreclosed property is sold at a public auction to the highest bidder. This process is completed in-person or online, and you are required to register if you want to bid. If you win the bid, you generally have to pay in full immediately after the auction. The bidding generally opens with an automatic starting price of the amount owed on the property.

To buy a foreclosure at auction, there are some things to keep in mind:

1. **Do your research** — When you buy a foreclosure at auction, you do not receive any guarantee that the property is free of liens or encumbrances. This means you could potentially buy a property that has claims against the property, such as a tax debt. Do a title search on the property you are interested in to make sure you can afford any additional costs. Title searches can be done at the county courthouse, or a title company can run a title for you for a fee.
2. **Condition** — Since the property belongs to the homeowners up to the point of foreclosure, you are not likely to get a chance to see inside the property. Look closely at any available pictures and drive by the property to inspect the exterior before the auction.

Buying post-foreclosure

Post foreclosures or real estate owned properties are those that did not sell at auction. To try and cover their loss and fees, banks will sell the properties through real estate agencies. The properties are generally sold "as is" and may need repairs. This makes the home inspection essential since you will pay for any repairs. It is also smart to get an appraisal to ensure the bank price is fair.

Buying a foreclosure requires a little more research and knowledge of the process, but armed with that knowledge you can often get a great deal on your next home.

I am here to help, even if you are not an RCB Bank customer. Feel free to call me at 405.608.5291 or email me at kwohl@bankrcb.net.

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