



Foreclosed Homes: Who To Buy From?

If you've decided to buy a foreclosed property, whether for your own residence or for profit, you'll need to know the right channels to go through. The most profitable seller to buy from is usually the homeowner. Your second choice should be with the owning bank or lender, and last option should generally be foreclosure auctions and real estate agents.

The homeowner is the best seller because she has an urgent need to sell the home to avoid foreclosure and the associated credit problems. As long as there are no existing liens or other claims remaining on the property, and the bank has not yet taken possession of the home, you should try to buy from the owner. This will likely net you the best sales price and therefore, the best profit. You can also feel good because you are helping the owner avoid permanent financial damage.

Once possession of the home has been transferred to the bank or lender, your best bet is to talk with the loan officer personally before the foreclosed home goes on the market. This obviously involves finding out when the property will change hands so that you can start negotiations before others do. If the banker is interested in selling the home to you, start with a low bid and re-bid higher if necessary until you reach an agreeable price. If you can buy the home in this stage of the process, you'll likely get a better price than when it goes to auction or on the market. Banks are just as eager as the homeowners to sell the property and gain back any losses on their investment. If they don't have immediate buyers, most lenders will have real estate agents list the foreclosed home or send it to an auction.

The third option, but not necessarily a bad one, is to buy the home through one of these public auctions. The key in this case is to set a price limit for yourself and stick to it. Buying the foreclosed home for more than you planned on will cut into your bottom line and take funds away from needed repairs. You can generally find foreclosure auctions ads in the local newspaper. Once you've located one, find out how much of a down payment is required to be able to place bids in the auction. Add that down payment amount, plus the cost of any known repairs, and any financing costs to the actual price of the home in order to calculate your total budget. Foreclosure properties are offered "as is" and if a home inspection is not possible, you may need to cushion your estimate to cover any unknown repairs.

If the bank or lender is the highest bidder at the auction, foreclosed properties will be repaired and remodeled at the expense of the lender and sent to real estate agents to list. Often these properties are offered at normal market prices without the "foreclosed" label. If the property has reached this stage, there is no longer the same amount of profit to be made on it. In fact, it's just like buying any other home on the market.

It helps to know the foreclosure process when attempting to buy a home below market costs. Getting in early on the game will help you make the most of your purchase!