

Alternative Buying Options

Is a distressed property right for you?

Distressed sales are a sad fact of the real estate market. While no one wants to see a homeowner lose their home, these properties also present unique opportunities for buyers. To determine whether you are a candidate for such a purchase, it's important to learn all you can about distressed properties—and to work with a qualified buyer's representative who can guide you through each step of these complex, non-traditional transactions.

Foreclosure is a process, with buying opportunities at each stage:

STAGE 1. PRE-FORECLOSURE —a period of time that begins with the Initial mortgage default and ends when the distressed property is sold.

STAGE 2. FORECLOSURE SALE —when the property is auctioned to the highest bidder, someone who also meets the terms of the sale.

STAGE 3. REO (REAL ESTATE OWNED) —if a foreclosure sale is not successful, property ownership is transferred to the lender.

WHAT IS A SHORT SALE? This is a situation in which a seller owes more on their loan than a sale of the property will produce, and they are unable or unwilling to make up the difference at closing. The seller may or may not be in pre-foreclosure. Banks may consider a short sale to a new buyer to reduce their losses.

QUESTIONS TO ASK YOURSELF: Your buyer's representative can give you specific guidance based on your situation and the type of distressed property you want to purchase. But for starters, consider these questions:

Are you flexible on timing?

Can you make a quick decision and/or accommodate months of possible delays?

Is your purchase limited by any contingencies, such as needing to sell your current home first?

Have you already secured financing?

Do you have resources to repair and rehab the property, if needed?

If you are buying the property for investment purposes, what is your action plan?

Do you intend to rent or resell? Or perhaps inhabit the property until market conditions improve?

NEXT STEPS Your buyer's representative can assist you further in answering these and other questions which will help you determine whether this path to homeownership is right for you.