

# David Kerr & Rob Jones, Realtors®

## About Foreclosures

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Foreclosure. REO. Bank-owned. Whatever you call it, is an REO a good deal for you?

When a bank owns a property, it means that the former owner (the personal who took out the mortgage with the bank) lost the house to the bank because the loan was not being paid. Banks have whole departments dedicated to getting these houses sold. But understand that in most cases, these departments are over-worked, and are not staffed with Realtors® who have expertise in local market conditions or California real estate practice. This can make the whole process frustrating for everyone.

**Know what to expect.** Banks do try to price the homes to generate interest and offers. But banks whose offices are out of state may price homes too low or too high, creating challenges for buyers. Once you make an offer, the bank may take from 1 day to 2 weeks to respond to the offer. If the bank likes your offer they may still counter you on terms – shortening contingency periods, or increasing the price, or removing contractual protections that the Residential Purchase Agreement has in place for buyers.

**Ready, Set, Run.** By the time the bank ratifies the contract, several days may have passed, effectively shortening your contingencies even more. There is no negotiation here – so be sure your Realtor® is working with a good and responsive listing agent. And be ready to move quickly to meet your dates.

**Disclosures.** The bank and its personnel have never lived on the property you are buying, so the disclosures normally provided by the sellers, that designed to give you more information about the home and area, will be of little use, and are typically signed blank. You simply won't know as much about an REO property as you could know about a regular resale.

**As Is, Where Is.** Don't think you'll be able to ask the bank to fix or replace or credit for deficiencies with the property. Even things that are normally required of the seller by local ordinance often become the responsibility of the buyer due to the bank's unique position as interim owner.

**It's not personal.** The bank contracts can feel pretty negative the first time you encounter them. The language tends to be harsh, the terms feel punitive, and there is seldom room to negotiate. And communication from the bank administrators can likewise feel pretty negative. Remember, it's all business for the bank, and the bank is simply trying to recoup some money for a property it never intended to own. The home you want is one file in a large stack. Don't take the bank behavior personally – you'll have a happier transaction if you can keep that perspective.