

5 tips that will help when buying a foreclosure

By: G. M. Filisko

Get prequalified for a loan and set aside funds, and you'll be ready to purchase a foreclosed home.

When lenders take over a home through foreclosure, they want to sell it as quickly as possible. Since lenders aren't in the real estate business, they turn to real estate brokers for help marketing their properties. Buying a foreclosed home through the multiple listing service can be a bargain, but it can also be a problem-filled process. Here are five tips to help you buy smart.

1. Choose a foreclosure sale expert. Lenders rarely sell their own foreclosures directly to consumers. They list them with real estate brokers. You can work with a real estate agent who sells foreclosed homes for lenders, or have a buyer's agent find foreclosure properties for you. To locate a foreclosure sales specialist, call local brokers and ask if they are the listing agent for any banks.

Either way, ask the real estate professional which lenders' homes they've sold, how many buyers they've represented in a foreclosed property purchase, how many of those sales they closed last year, and who they legally represent.

If the agent represents the lender, don't reveal

anything to her that you don't want the lender to know, like whether you're willing to spend more than you offer for a house.

2. Be ready for complications. In some states, the former owner of a foreclosed home can challenge the foreclosure in court, even after you've closed the sale. Ask your agent to recommend a real estate attorney who has negotiated with lenders selling foreclosed homes and has defended legal challenges to foreclosures.

Have your attorney explain your state's foreclosure process and your risks in purchasing a foreclosed home. Set aside as much as \$5,000 to cover potential legal fees.

3. Work with your agent to set a price. Ask your real estate agent to show you closed sales of comparable homes, which you can use to set your price. Start with an amount well under market value because the lender may be in a hurry to get rid of the home.

4. Get your financing in order. Many mortgage market players, such as Fannie Mae, require buyers to submit financing preapproval letters with a purchase offer. They'll also reject all contingencies. Since most foreclosed homes are vacant, closings can be quick. Make sure you have the cash you'll need to close your purchase.

5. Expect an as-is sale. Most homeowners stopped maintaining their home long before they could no longer make mortgage payments. Be sure to have enough money left after the sale to make at least minor, and sometimes substantive, repairs.

Although lenders may do minor cosmetic repairs to make foreclosed homes more marketable, they won't give you credits for repair costs (or make

additional repairs) because they've already factored the property's condition into their asking price.

Lenders will also require that you purchase the home "as is," which means in its current condition. Protect yourself by ordering a home inspection to uncover the true condition of the property, getting a pest inspection, and purchasing a home warranty.

Be sure you also do all the environmental testing that's common to your region to find hazards such as radon, mold, lead-based paint, or underground storage tanks.

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OTHER WEB RESOURCES

How to buy a foreclosure from Fannie Mae(http://www.fanniemae.com/homepath/homebuyers/buying_fanniemaeowned.jhtml)

What to consider when buying a foreclosure as your first home(<http://www.nolo.com/legal-encyclopedia/article-29589.html>)

G.M. Filisko is an attorney and award-winning writer who purchased a foreclosed condominium and found herself in the middle of a months-long dispute between the former homeowner and the bank over whether the foreclosure was conducted properly. Six months after paying the full purchase price, she was finally able to enter the property. A frequent contributor to many national publications including Bankrate.com, REALTOR® Magazine, and the American Bar Association Journal, she specializes in real estate, business, personal finance, and legal topics.

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