

Traditional *versus* REO Transactions

Defaulted properties are a sad fact of the real estate market. Mortgage foreclosures are a multiple-step process, presenting various buying opportunities. When a foreclosure sale is not successful, the lender assumes ownership and the property is now called real estate owned, or simply REO. If you are interested in purchasing an REO property, it's important to understand several distinctions between REOs and traditional transactions, outlined below:

<i>Traditional Transaction</i>	<i>REO Transaction</i>
Seller - is a homeowner or investor who wants the right price, favorable terms and timely closing.	Seller - is a lender, represented by an asset management company, that wants a quick sale at or above a bottom-line price.
Listing Agent - chosen by the seller.	Listing Agent - assigned by the asset manager.
Occupancy - the seller vacates the property on or before closing.	Occupancy - the property may be vacant, abandoned, or in foreclosure limbo; eviction of former owner/tenants may be needed.
Property Condition - sale-ready condition, possibly including upgrades to enhance its value; cash or credit at closing for repairs.	Property Condition - varies greatly. May be at risk for vandalism and damage; possible price reduction to offset repairs.
Contingencies - are negotiable and may include a property inspection, the sale of current home, mortgage approval, or final walk through.	Contingencies - property is offered as-is, where-is. An inspection and final walk through are allowed.
Offers - the buyer offers a sales contract, along with earnest money. The seller can accept, reject or counteroffer.	Offers - the buyer's sales contract must include proof of funds or pre-approval. The seller can accept, reject, counter, ask for highest and best offer, or make the offer subject to upper management approval.
Negotiations - include price, terms, closing date and contingencies. Goal is to create a win-win for the buyer and seller.	Negotiations - only includes price and closing date. Buyer is looking for a bargain; seller wants a bottom-line price and loss mitigation.
Disclosures - government-mandated disclosures along with a seller's disclosure.	Disclosures - government-mandated disclosures. No seller's disclosure, unless defects were found in prior inspections.
Closing - is negotiable; seller may agree to extend. Buyer can specify title company.	Closing - firm closing date, with per diem charged for late closing. Seller specifies title company.

Each of these factors has important implications for buyers. Before proceeding, ask your Accredited Buyer's Representative to help you understand your options and decide whether an REO purchase is right for you.