

Buying houses: Types of bargains to find

By Jeanette Fisher

Whether you are a first time home buyer or a real estate investor, to make a good profit in real estate, you must buy right. Check out all property types available to find the best transaction for your specific situation. Consider fixers, distressed sales, repossessions, multiple listings, for sale by owners, and vacant properties just wasting away.

Distressed Properties

Recognize the difference between a fixer and a distressed property. Distressed properties may be fixers or just unwanted houses. Divorce, job loss or transfer, death, financial difficulty, and other problems often force a sale for less than market value. Just because an owner's problem causes a distressed sale does not mean the house requires fixing.

Repossessions

Although the repossession market seemed dried up last summer, houses are beginning to appear on foreclosed lists again. Lender Rob Kramarz with Nationwide Mortgage (www.seetloan.com) says that this may be the beginning of another real estate investor boom.

Look for great bargain properties for sale by HUD, VA, Freddie Mac, Fannie Mae, and Bank-REOs (acronym for real estate owned). Real estate agents try to discourage you from repos and switch you to multiple listed homes. Do not listen to negative remarks about how hard it is to find a good deal property. Find another agent. Even in the hot market at the time of this writing, when the average house sells in less than three weeks, we found two properties for at least forty thousand dollars under market value.

Paying a listing service to mail you lists of repossessed properties is a waste of money. Actually, by the time you get these lists, the houses are already sold. Many web sites listing foreclosures thrive on the web for no charge to you.

Take a flashlight with you to view a repossessed property. With no electrical service and boards covering windows, viewing dark rooms is tough. A good real estate agent will have her own flashlight, but you want to see what you want and not what she wants you to see.

HUD

In our area, new HUD listings post online late Thursday night or Friday morning. New "Daily's," homes previously sold which fell out of escrow, post Saturday morning. Properties not sold during the bid time stay listed as daily's. Bids, due by the following Tuesday at midnight, must be submitted by a real estate agent who has completed HUD registration. Don't waste your time using a Realtor who is not familiar with selling HUD homes. Any mistake causes the bid to be rejected. Don't use an agent who says you must bid way over minimum bid. Find an agent specializing in HUD homes who wants to work with you on your terms. Many

bargain HUD homes do sell for far more than the minimum bid. Hold out for the one property which doesn't get way overbid. (I bid about \$40,000 under minimum on our second home owner-occupant mountain cabin.)

We submit many bids and win enough to make it pay us well. HUD only allows one repo purchase as an owner-occupant every two years from the date of closing.

Rely on your gut instinct and don't let your real estate agent unduly influence you. It is not a difficult process for your agent to make a computer bid. You need an agent willing to make a few bids to get a successful bid. This is like winning a lottery, with the odds in your favor.

Bids must have a lender's loan commitment statement. Lenders unfamiliar with HUD requirements also waste your time. Any mistake causes you to lose the purchase. Not all lenders understand HUD's bid, finance, and purchase process.

When placing a HUD bid, raise your offering bid to cover some of your closing costs. This means you get HUD to pay your closing costs and save out-of-pocket expenses. Also, the higher sales price impacts the market comparable sales in your favor for sale later. Your purchase price influences the values of the market area. Keeping prices higher for active sales during your renovation time protects your investment potential.

Don't get attached to one particular property. We placed a bid on a home I loved in Apple Valley and lost it by a few hundred dollars. The house came back on the list later, not at all uncommon for HUD repos. But, by this time, we had already purchased a better distressed property.

VA

Cleaner than HUD repos, homes owned by the Veterans Administration are also offered on a bidding system through real estate agents. The VA partially fixes up their repossessed homes. The VA sometimes offers vendee (seller) financing with few processing costs, low interest, and no prepayment penalty. You do not have to be a Veteran to buy these easy to qualify for homes.

As of this writing, the VA is changing the way these homes are offered for sale. This is another reason you need a real estate agent who stays on top of recently revised marketing procedures relating to government-owned properties.

Less known government agencies such as Fannie Mae, Freddie Mac, FDIC, SBA, the IRS, and GSA list repossessed properties on their individual web sites. These properties, rarer than HUD and VA, usually get cleaned and repaired before listing with real estate agencies with sale prices closer to market value.

REOs

Banks often offer their real estate owned (REO) homes at bargain prices. Depending on the bank's resale policy, conditions of the property, and available financing, REO opportunities vary widely. Several banks lend on their repos while other banks just want out. Great financing becomes possible through the banks who offer in-house terms. Ask for no points, minimal loan costs, and no prepayment penalties. Check with

your local lending institutions and find out how they market their repossessions. Many of these bankers will give you their web page listing available property. Befriend real estate agents who specialize in listing bank-owned repossessions so they will notify you of a new listing immediately.

Multiple Listings

It is hard to find a bargain in multiple listings, but not impossible. Check out listings which have been on the market for awhile. Look for vacant houses, as these cost the seller money every month. Make an offer for much less than asking price with a quick escrow. Many anxious sellers jump on an offer if they think they will be out of their problem in only ten days. This is another reason you need a lender and an escrow officer who perform fast.

I follow the multiple listings in our area on the Multiple Listing Service. One of my agents emails me new listings daily. You need an agent who calls you the minute a new distressed property listing becomes available. Under-priced listings mostly get snapped up by the real estate agents and their investors before they hit the market.

Just like making many bids, make many offers. You never know when a seller's problems reach a critical point causing abrupt action.

For Sale by Owners

Houses for sale by owner may not always be a great buy, but there is always at least one bargain out there. Many investors prefer buying directly from the owner. If you have ever tried to sell your home by yourself, you probably met some of these investors. Cruel, hard, and in some cases, fraudulent investors dream up all kinds of schemes to steal houses from distraught homeowners. Understand that the home seller most likely dealt with these callous investors before you and therefore may view you with suspicion. Earn their trust by working with them honestly and compassionately.

Seller's Motivation

Let honesty and kindness guide your actions with sellers. Finding out the seller's specific problem is the key to helping them and yourself. Uncover the seller's particular need and find a solution. Because it is embarrassing for some sellers to let you in on their troubles, extra sympathy and relaxed timing helps you unearth their underlying motivation. Listen carefully, stop talking, and pay attention to details which lead to understanding the real reason they need to sell.

The seller may need a quick escrow, need to rent back the home for a while, or want immediate cash. You could give the seller a loan of cash with a note secured by the property. Ask an attorney about your state laws regarding this type of purchase advance. We offered a seller a \$2,000 deposit outside of escrow, which went toward the down payment, to entice a money-hungry seller to commit to our low price.

Many sellers do not need all of their cash out. Owner financing is a great deal for you. Usually, you get a lower interest rate and you don't have to pay lender's points or prepayment penalties. Also, these loans typically won't show on your credit report so you won't have these payments counted against you. If you have

a good credit report, take a copy with you to show to the seller. This prevents more inquiries on your credit history and keeps your credit score from dropping.

Ready to Buy

Be prepared to make an offer immediately when you find a bargain. Make sure you are pre-approved with a great lender who can close quickly.

Distressed sellers and fixer houses offer you a great way to get into the real estate investing business.

© Copyright 2005, Jeanette J. Fisher. All rights reserved.

Professor Jeanette Fisher, author of Doghouse to Dollhouse for Dollars, Joy of the Home and other books teaches Real Estate Investing and Design Psychology. For more articles, tips, reports, new and sales flyer templates, see <http://www.doghousetodollhousefordollars.com/pages/5/index.htm>