

Bank REO Properties

Many times homeowners get in over their heads when it comes to purchasing a new home. If they have taken out a loan from the bank and are unable to make their payments there home will be turned over to the bank. From there the bank will place the property on the market for auction or sell. These types of properties immediately become Bank REO Properties and are generally a steal to catch.

You've heard countless stories about buying bank owned property and how easy it is to make a fortune buying foreclosures. It's as easy as contacting your local bank and taking the property off of hands for pennies on the dollar. At reinvesting.com we hope to provide you some practical knowledge about how to buying lender owned properties. We hope you find that our site will leave you better prepared to get the right deal at the right price. We'll also help you avoid a number of pitfalls that are inherent in purchasing foreclosed properties.

An REO (meaning real estate owned) is a property that goes back to the original lender after the foreclosure process has run its course. Given that the market is currently flood with foreclosures, most foreclosure auctions result in the lender being the sole bidder on a particular property. In far too many cases, there was not enough equity in the property to satisfy the loan after sale. In a foreclosure sale, the lender will generally bid an amount that includes the loan balance, accrued interest, attorney's fees and foreclosure costs. Any other liens that are attached and junior to the foreclosed loan are extinguished by the sale. Very few foreclosure auctions result in a successful sale on the courthouse steps. After the process is complete, the property "reverts" to the lender. It becomes an REO, or "real estate owned" property.

The lender now holds title to the property and the original loan that they foreclosed on no longer exists. Many properties that are taken back are in sad shape. An reo property might not be such a great bargain. Spend the time and do your homework before making an offer. Consider the costs of clean up and renovation, including time to complete them. Although the price might be attractive, you are not buying a property that shows "pride of ownership"; you are buying a foreclosed home that some unfortunate soul was evicted from.

Lenders are in the business of lending money, not owning and managing real estate. Their priority in an reo situation is to get the property off of their books at the highest price in the shortest period of time. If you make an offer to purchase a property, especially a lowball bid, a lender will generally present a counter offer, which will approximate what they think the property is worth. It may be at a higher price than you expect, but they have to demonstrate to investors, shareholders and auditors that they attempted to get the highest price possible. Your priority is to get a great deal on the property, so you should plan to counter the counter offer. The process may take some time as it may have to be reviewed and approved by several individuals and companies.

A lender holding an reo property will want to sell a property in "as is" condition. The lender will allow you to perform any inspections that you want (at your expense), but don't expect them to agree to do many repairs. Your offer should include an inspection contingency period that allows you to terminate the sale if the inspections reveal unanticipated damages that the bank will not correct.

Any and property defects will most likely be handled as a credit on the purchase price, and your financing plans should take that into account. Most lenders will not provide financing on their own but you should consider making it part of your offer, as a property with extensive damage may be difficult to finance.

We have provided several important tips in making the appropriate offer to the lender. For instance, include a pre-qualification or better yet, a pre-approval letter and buyer biography. Make your offer easy to accept.

At reinvesting.com, we hope that you'll find our resources and articles helpful in obtaining the real estate investments that you are seeking. Remember that an REO property can be a tremendous investment opportunity or a whole lot of trouble. We hope the site helps you in successfully obtaining the right property at the right price.

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