

Investing in Foreclosure Real Estate

Searching for Foreclosures

Foreclosure means that the lender repossessed the property due to owners who failed or could not pay their mortgage for a variety of different reasons. In Seattle, the foreclosure rate is very small, and being so small it is a very niche market.

The research relating to foreclosed properties can be immense, and your real estate agent will be able to assist with the research for liens, undisclosed information, including court judgments, so that work can be done to clear the items and if nothing else, just knowing as much about the property as possible.

- ➔ Non-judicial foreclosures are related to defaults on mortgages or deeds of trust. The lender is unable to get a deficiency judgment from a court potentially raising concerns for title insurance companies that could cause the inability to issue a policy.
- ➔ Judicial foreclosures are court-supervised sales that cover the cost of the remaining mortgage and any unpaid balance.

Buying Foreclosures

Many avenues exist to find properties in foreclosure. Watch the newspaper legal notice section and postings on the property or in the location where a trustee sale will occur. Trustee sale bids start at the amount of the outstanding loan amount. These properties are sold as-is. This is risky because there is limited knowledge about the condition of the home, and interior inspections are not possible before the sale.

Remember, this is a niche market, and that means there are many experienced real estate buyers in the market. Your Full Service Agent™ specializing in foreclosed properties will be of value to you, helping you navigate the foreclosure real estate market.

There are some areas to be aware of when looking at foreclosed properties:

- ➔ HUD down payments vary based on several criteria including if the property is eligible for FHA insurance. They do require earnest money.
- ➔ VA foreclosed properties may be purchased below market value with a small down payment due to their loan guarantees.
- ➔ You will be required to pay cash – there is no financing available for this type of real estate purchase. Second best to cash is a line of credit from your bank.