



A1A Realty

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12 THINGS YOU SHOULD KNOW WHEN BUYING BANK OWNED PROPERTIES

This is an introduction to buying Bank-Owned Properties. Most buyers do not understand the intricacies involved in buying bank owned or foreclosed properties. There are many things that must be understood before considering these investments. The following are a list of facts and items that you must know. They are the most common elements but are by no means all-inclusive. Prior to making an offer you should request a copy of the bank addendums and review them carefully.

1. **UTILITIES:** Usually are shut off. The bank wants the buyers to turn on utilities in buyers name prior to city and private home inspections and for appraisal.
2. **CITY INSPECTIONS:** The bank wants the buyer to pay for the city inspection and accept all repairs and conditions prior to closing.
3. **PRIVATE HOME INSPECTIONS:** The bank usually wants all potential buyers to pay for their own private home inspection prior to writing an offer, but may make exceptions.
4. **RE-WINTERIZATION:** If winterized, buyer must pay for de-winterizing and re-winterizing the property up front.
5. **CLOSING COSTS:** Banks are hesitant to pay much in the way of buyers costs, perhaps 3% at the most. VA or HUD will not pay. If the property is HUD or VA owned they will not provide title insurance or pay transfer taxes.
6. **EARNEST MONEY DEPOSIT:** The deposit monies are usually required to be held by the listing office or title company. Because the buyer's agent does not hold them it is very difficult to get back in case of a dispute. They usually want \$1,000 in certified funds. Based on a Pre-Approval from buyer's lender, the bank will try to keep the earnest money even if the buyer's mortgage is denied.
7. **CLOSING DATE:** Banks want a firm closing date within 30-45 days or less. If buyer cannot close by that date, even if no fault of their own, the bank will charge a per diem fee, usually \$100 per day.
8. **CLEAR TITLE:** Banks will only give you a Special Warranty Deed and not a Warranty Deed. They may not want pay for title insurance. If an issue arises after closing you are in a difficult position.
9. **"AS-IS" CONDITION:** The bank is exempt from disclosing defects in the property and limited in Lead Based Paint disclosures. These homes are usually in rough condition and have been vandalized. Expect extensive repairs.
10. **CERTIFICATE OF OCCUPANCY:** The buyer must obtain their own Certificate of Occupancy in order to occupy property in cities that require inspections. Some cities require that a Bond or Escrow be placed with the city prior to issuing a temporary certificate of occupancy. This bond, from \$500 to \$3,500, may be forfeited to the city if the property is not brought up to code within 6 months of issuance. Some cities will not even allow utilities to be turned on without a deposit.
11. **NEGOTIATION:** It may take several weeks of waiting and negotiating before a bank accepts an offer from you. Offers are usually countered and accepted verbally. The bank considers a verbal offer to be binding on you but not on them. Some bank addendums even have an escape clause for them essentially giving them the right to back out at any time and for any reason right up to closing. Banks do not usually accept really low offers. Instead, they will gradually reduce the asking price until someone takes it.
12. **EXTRA FEES:** Some bank addendums require you to pay the banks real estate agent a fee or bonus of several hundred dollars.

In general, buying a bank owned property is a high-risk venture. A buyer needs about \$5,000 to \$20,000, in liquid funds, over and above the normal closing costs to even consider buying a bank owned property.

John Gonzalez
Broker/Owner
Century 21 A1A Realty
(734) 283-8800