



# **REO** Home Buyer's Handbook

*What you need  
to know about  
buying a home.*

***Written By...***

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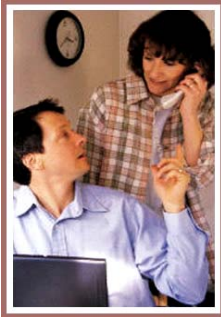
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# Home Buyer's Handbook

The "Foreclosure Crisis" is now nearing a new phase. State and Federal foreclosure moratoriums are lifting and more foreclosed properties are hitting the market. Interest rates are at record lows with investor financing coming back into play. In order for you to take advantage of the great pricing and financing opportunities, you must use your time and resources wisely.



## **Buying REOs**



The term REO comes from "Real Estate Owned". Regulatory requirements make these properties very expensive for the banks to own and they must sell quickly to remove them from their books.

Banks work only with real estate professionals who can sell these properties quickly and with confidence the sales will be completed once in escrow.

This book was written to help you as a buyer maximize your successful REO purchase with 5 simple steps and an assortment of tips.

## **5 Steps to Buying an REO Property**

### **STEP 1: Find A REO Buyers Agent**

One of the biggest mistakes a buyer can make is not working with a Realtor® who specializes in foreclosure property. This is a free resource who will help you through the process, understand the steps and negotiate on your behalf when you find the right property.

These agents are paid by the seller (in this case, the selling bank who owns the property). You must find someone who specializes in REO properties because the sales process and negotiation is very different than a typical retail sale.



We've seen people submit offers on 10 – 20 properties without success simply because they weren't working with an REO expert.

**Sign a Buyers Agreement.** This shows the buyer's agent you are serious about making a purchase and they will devote more time and energy to find you that home. You will have greater access to view properties, find out seller motivation and know there is an expert in your corner every step of the way.

## STEP 2: **Get Pre-Approved**



This is an especially important step given the current credit market. Your REO buyer's agent will have a list of approved lenders who specialize in REO purchases. Timelines and special financing conditions factor heavily into the strength of your offer and ability to have the winning bid.

Some REO lenders offer special incentives for purchasing specific properties which can mean reduced closing cost and lower interest rates. This can save you thousands of dollars on your purchase.

Note: FHA financing has special requirements and not all properties qualify. Working with a lender who specializes in foreclosures will save you a lot of time and effort.



Loan guidelines are still changing weekly. A change in rate or term can make a big difference in your ability to make a purchase. Keep Current!

## STEP 3: **Find a Property**

There are a number of foreclosure search sites on the internet that will charge you to search for foreclosed properties in your area. In short, these are a complete waste of time and money. Here's your best bet for finding the right property for you.

1. **Use a REO Buyer's Agent** who has access to foreclosure listings (and hidden listings) in your area. There are a great deal of shadow inventory and pocket listings that will be sold before you ever see it. Having an agent on your side will give you access to these.
2. **Where to Search Online?** You've probably heard of the MLS (Multiple Listing Service). Did you know there is more than one? In fact Los Angeles and Orange Counties have several. Visit [www.WeSellCali.com](http://www.WeSellCali.com) for the most complete online search for foreclosed properties.
3. **Drive around** in the neighborhood you are most interested in. Take a note pad and your camera phone to record the address and property details. Never call the listing agent on the sign in the yard. They will treat you like just another lead. Instead have your REO Buyer's Agent get you the inside story. You will get more information, increase your chances of a winning offer and save valuable time.



If you find a property you are interested in, write down the address. Our team can get you the insider details before we make an offer.

## **STEP 4: Make an Offer**



Before making an offer your REO Buyers Agent will call the Listing agent and ask for special instructions. As we said before, these are not the same as a retail property purchase.

We will ask the right questions:

- ✚ Are there other offers? What is the strongest?
- ✚ Has the bank agreed to complete any work?
- ✚ Is there a special "AS IS" addendum?
- ✚ How long does the bank take to accept offers?
- ✚ Any special financing options and concessions?

Your REO Buyers Agent will work to find out what it will take to win this property. It is unlikely there will be counter offers from the bank. So, you will want to make a **best and final offer** up front. Expect to find problems and account for them into what you can afford. However, do not low ball or expect the bank to pay for expensive work. They're looking to stop losing money on the property. A complete and informed offer package is your best chance at winning.

The highest offer does not always win. Let us help you write a strong offer that will increase your chances of winning that purchase! Aside from the skills of your Buyers Agent, winning is based on the following points in your offer:



1. Down Payment Amount
2. Purchase Price
3. Type of Financing

## **STEP 5: Close on the Property**

Banks sell these properties at a discount only when they are sure it will close. Many times the highest offer is rejected if there are any signs the buyer may back out. There are a number of things that need to be done once you are in escrow:

- Be sure to give your mortgage broker any updated documentation they need to complete the financing.



- Order a thorough inspection with a licensed residential inspector. Regardless whether this is a rental property or one you plan to move into. This property is sold "AS IS", so expect the worst, hope for the best and get a professional to tell you for sure.

**BONUS Video, type in the URL address exactly as below:**

<http://wesellcali.com/Buying-Los-Angeles-Foreclosures>