**Bank Repossessions**

Bank Repossessions (Foreclosures or Forfeited), Repos or REO (Real Estate Owned) properties are hot items now. We at CIP have had clients on both sides of this market.  
  
The idea of picking up a greatly discounted piece of property is very appealing. On the other hand selling an asset at a huge discount is not the bank\'s idea of how things should work. Each bank has a different approach in dealing with these properties. Some are interested in getting the properties off of their Books, for whatever money they can get. They are willing to invest some money to turn the utilities back on and clean the places up, re carpeting, painting and making sure there are no safety hazards. Others will put them on the market "AS IS". Unfortunately there are a lot more "As is" properties out there than the "Cleaned up to sell". I don\'t know the thinking that goes on in the bank or what the perceived advantage is to putting a piece of property on the market that is full of trash (inside and out), the place smells, most of the landscaping is dead and little critters are running around inside. All of these properties are sold without any warranties, guarantees or disclosures. What you see and don\'t see is what you get. This is the reality of the REO market. Are there good deals out there? Certainly, but you had better be aware of the pitfalls or have a knowledgeable person, on your side, and listen to their advice. Additionally you need to be qualified for a loan amount. Pre qualified is a little soft in this market. If you find a property that really looks good to you, it will probably look good to several other buyers also. You need to act quickly with a strong offer to stand any chance of closing the deal. The Good Ones don't stay on the market very long.  
  
**Short Sales**  
Short Sales are a lot more complicated. More entities involved, looking after their own interests, hence a long transaction period and greater chance for something to go wrong.  
With a Lender Foreclosure the Lender is the property owner and probably has a real estate broker representing him with the listing. The property has already been foreclosed and the former owners off of the premises. The purchase offer is standard and goes to the seller for acceptance or refusal. It is known within hours or a day or two if the deal is done. Short sales on the other hand are a lot more complex.   
A short sale starts out with a home owner falling behind in his payments. He has received some notices from the lender that he is in arrears on his payments, but hasn't received a foreclosure notice yet. The home owner knows he isn't going to be able to make the payments, but if he can convince his lender to take less than the loan amount owed, the home owner will be able to avoid a foreclosure on his credit history or perhaps delay the foreclosure.

At this point the homeowner needs to contact his/her lender to ascertain if there is any chance of a short sale. If the answer is no, the owner needs to find another place to live and start packing. If the lender is willing to consider this option they will want some specifics and request a short sale information package. Some lenders will charge you a fee for their package.

This is a good time to find a real estate broker to work with. Part of the package is a hardship letter written by the owner about why he/she is unable to keep up the payments and another part is what the property can be sold for, how you arrived at this figure and how much money the lender can expect to net. Making up this package correctly takes a lot of time on the brokers part with a high degree of risk that the lender will reject the short sale. Many brokers will stay away from short sales for this reason or they will take a listing and say it's a short sale without ever contacting the lender. Many times a very attractive price is placed on the property, one that the lender would never accept, to bring in offers. These offers are then presented to the lender, who holds the offer until a committee reviews them and comes back with an answer, sometimes 8 to 12 weeks later and usually at a price much higher than was advertised. If you are one of the bidders in this situation you have had your deposit tied up during this time and probably unable to make offers on other properties. Remember the lender is in complete control of this process and is looking for the way they will lose the least money. They have probably never seen the property and are only interested in the numbers. If the mortgage insurance will pay more than a short sale they will foreclose.

We at CIP try to steer our clients away from short sales. There are enough other good opportunities out there without the risk involved with a short sale.