

How to Bid at a Foreclosure Auction

In our last column titled *Working Georgia Foreclosures*, we discussed restrooms (don't ask) and how the foreclosure process works in Georgia. If you missed that column, you will find it on our website. Go to www.REIoutpost.com, click on "Articles", and then click on "Foreclosures in Georgia".

Most folks have never been to a foreclosure auction. With so many people interested in real estate investing, this always surprises us.

Let's take a little of the mystery out of the foreclosure auction process by looking at how an auction works.

As we discussed last week, the rules for foreclosure actions are the same in every county in Georgia. However, the auction atmosphere can be very different from one county auction to the next.

For example, each month Kim and I usually attend the Bartow County foreclosure auction. The Bartow auction is very different from the Fulton County auction. In Bartow, most of the investors are friends who know each other. In Fulton, the phrase "flesh eating piranhas" comes to mind.

Before we get to the auction, here are a few steps we take to be prepared to bid on a property. (1) We have driven by and made detailed notes about each property that is due to be auctioned. (2) We have identified our target properties. (3) We have a maximum bid price for each property. (4) We have gone by the bank and picked up our cashier's checks. (5) Kim brings homemade brownies that she baked at 5:30 that morning.

Normally, we arrive at the Bartow County courthouse at 9:45 a.m. Remember, foreclosure auctions are held on the first Tuesday of each month between the hours of 10 a.m. and 4 p.m. We spend a few minutes catching up with friends. I pass out brownies inside the courthouse. Kim passes out brownies to everyone at the auction.

The auction begins at 10 a.m. Either Cheryl Leigh, who represents MaCalla Raymer, or Wes Frye, who represents Morris Schneider (along with several other foreclosing attorneys), walks out of the courthouse to begin crying the foreclosures.

A few announcements are made. This is the time the crier lays down the ground rules.

Then it begins. In low, rapid speech the crier begins, "Notice of sale under power, Georgia, Bartow County, Underandbyvirtueofthepowerofsalecontainedinasecuritydeed... This is not a typo. This is exactly what it sounds like when a foreclosure is cried. You can distinguish the new folks at the auction. They have the funny puzzled looks on their faces.

What is the crier saying? She is reading the exact legal ad – word for word – that ran in the paper. Georgia law requires this. The law does not require that the crier be understandable.

After two minutes, the crier says, "...suchattorneyatlaw, I'm authorized to start the bidding at...", and the crier will say a number. This number is known as the "opening bid".

Example: Let's say the crier's opening bid is \$96,500. Next the crier will say, "Do I have any other bids?" An investor calls out, "\$96,501." Another investor says, "\$97,000." And on it goes.

At some point one investor will be the high bidder. To continue with this example, the crier will say, "I have a bid of \$105,650. Are there any other bids? Going once, going twice, going three times, sold to Bob the Buyer."

Next, Bob the Buyer must give the crier \$105,650 in cash or certified funds. There's no, "Let me run to the bank," or "I need to apply for a mortgage." You must have cash in the pocket.

Bob the Buyer hands the crier a cashier's check(s) for at least \$105,650. A few documents are signed, and just like that, Bob the Buyer now owns the property.

Hope this helps you to see how the foreclosure process works in Georgia. If you make it to the Bartow County auction, be sure to say hey and try one of Kim's delicious brownies.

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