

Advanced Buying Techniques (Part 3)

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This is the third in a series of three columns about advanced buying techniques that many real estate investors use to buy property.

Thus far we have covered Sandwich Lease Options, Subject To deals, and Short Sales. Today let's look at Pre-Foreclosures, Foreclosures, and REOs.

Pre-Foreclosure deals

What is a Pre-Foreclosure deal? This is a property that has been advertised to be sold at the monthly foreclosure auction but is bought *before* the auction.

How does an investor buy a property that is in Pre-Foreclosure? While there are many options, the most common method is to do a Subject To deal. An investor may also choose to try a Short Sale. Both of these techniques were discussed in last week's column.

Our thoughts? By far, we buy most of our properties Pre-Foreclosure. Why don't we just wait and bid at the auction? For several reasons: First, if we wait for the auction, more than likely we will be bidding against other investors. This often means we end up paying more for a property. Second, a Pre-Foreclosure deal allows the homeowner to make some money from the sale instead of losing everything. Third, by buying Pre-Foreclosure, we have many financing options available to us. At the auction, all properties bought must be immediately paid for in full and for cash - that's not much of an option for most new investors.

Foreclosure deals

What is a Foreclosure deal? It is a property that is bought at the foreclosure auction. Foreclosure auctions are held in Georgia in front of each county's courthouse on the first Tuesday of each month between the hours of 10 a.m. and 4 p.m.

How does an investor buy a property at the foreclosure auction? First, a word of warning. Before you bid on a property - any property - at the auction, make sure you have done your Due Diligence and know what you are buying.

At a foreclosure auction, the person with the highest bid buys the property. One thing to remember, the winning bidder must have the total funds on hand. In other words, the winning bidder cannot run to the bank and borrow the money or apply for a loan. It is a "cash on the barrel head" deal.

Our thoughts? When we first began investing in real estate, we quickly learned that buying foreclosure properties at the auction required a lot of cash. This is why we concentrated on buying Pre-Foreclosures. We rarely miss a foreclosure auction and have found some great deals. Still, for the reasons stated above, we continue to concentrate on the Pre-Foreclosure market.

REO deals

What is an REO deal? REO is an acronym for Real Estate Owned. If a property is *not* bought at a foreclosure auction, the mortgage is wiped away, and the property becomes the mortgage company's property. Thus the name REO.

How does an investor buy an REO property? Here is the problem. A mortgage company is in the money loaning business, not the property management business. In other words, the mortgage company has a property that it doesn't want. How do they solve their problem? By selling the REO property as quickly as possible.

Finding the person at a mortgage company who handles REO properties is tough. When you call a mortgage company and ask for the REO department, most people won't have a clue what you are talking about. Getting through to the person who handles REOs takes a lot of persistence.

Is it worth the work? Absolutely! It's common for an REO property to sell for 50 cents on the dollar. This can lead to some huge real estate investing profits.

We hope this series has helped you better understand some of the advanced buying techniques experienced Investors use.