

## Foreclosures & Short Sales

In a **Foreclosure**, a bank or lender has repossessed the property due to the owner's failure to comply with the terms of the mortgage. In a **Short Sale**, the list price of the real estate sale is "short" of the balance owed on the loan, so the bank or lender must agree to the proposed sale price.

### Quick Buyers Checklist

- Get Pre-Approved
- Work with Carvajal Group to find Foreclosure and Short Sale properties that meet your requirements.
- Schedule Showings
- Find Your Ideal Home
- Work with your agent to clear all the complications noted in this article.
- Review Seller's Disclosure, Survey and Paperwork
- Submit Offer with Option Money and Earnest Money Checks
- Schedule and Review Inspection
- Arrange for Homeowner's Insurance
- Review Settlement Statement
- Recheck Financing
- Attend the Closing with Certified Funds and Driver's License(s)
- Collect Keys
- Hire Handyman/Complete Remodeling
- Change the Locks
- Move in and enjoy your new home!

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If you're considering investing in a foreclosure or short sale property – and make no mistake, there are some great "deals" out there – it's important to use a REALTOR® who has extensive experience in this area because there are several complications to navigate through. Here are the four key complications your agent will need to help you with:



### Complication #1: As-Is Condition

While many homes for sale are listed in "As-Is" condition, the reality is that sellers will often make concessions in order to close on an attractive offer. Banks and lenders aren't as likely to comply and you'll have to make sure your great deal remains so after any necessary repairs. Adding to this, foreclosed and short sale homes have often been abandoned, many without working utilities, so you're literally in the dark in terms of what's working or not. You may even have to foot the bill to turn the utilities back on in order to complete an inspection, which is typically required for privately funded mortgages and mandatory for government-funded program like FHA loans.

### Complication #2: Red Tape

While the lender of a foreclosed property has priced the property to sell quickly, there is often additional red tape when dealing with a "department" as opposed to an owner. This is especially true for short sales, because foreclosures tend to be higher on their priority list. Short sale offers have been known to sit on a lender's desk without a response for more than six months. And government loans have special guidelines that will add yet another layer of red tape.

### Complication #3: Negotiations

Dealing with a pre-foreclosure often involves negotiating with a distressed homeowner. This process can be difficult and frustrating for both the seller and the buyer. Foreclosures are a little more straightforward in the negotiation process, but you're still negotiating with a bank or mortgage company that is looking to squeeze every cent into the profit column. In short sale transactions, sometimes the owner or realtor has not set a realistic price, so offers at or even over the asking price are often rejected. Lenders can be in a situation where they have little incentive to accept an offer. Why? Because the property may be underwritten so that the bank has more incentive to collect the insurance from a foreclosure than take the loss.

### Complication #4: Multiple Liens

Generally the foreclosure of a primary lien wipes out all other liens on a property. But your agent will need to obtain the foreclosure title report to make sure this is the case. With short sale properties, there is more work to be done. Calls will need to be made to each lender on the title, and then you'll have to wait for a response or counter-offer from each lender. And remember, liens can come from other areas besides mortgages, such as the IRS or private attorneys. Every lien must be negotiated and removed before the closing.

Even with these risks, many foreclosure and short sale properties are great buys. If you have the patience and fortitude, call the [Carvajal Group](http://CarvajalGroup.com) and we'll be happy to help you find the right property for your home or investment.