

FIVE THINGS BUYERS SHOULD BE AWARE OF IN PURCHASING A SHORT SALE

Short Sales, REO's, Bank owned properties, they all sound like a great way to purchase a property at a discounted sales price. There are great deals to be had in every market. Here are 5 items to keep in mind if you are considering buying a Short Sale, REO or Bank Owned Property.

» **Your financing must be in place and ready to go to loan documents.**

The short sale lender may take up to six weeks to approve a short sale request from the seller. Once approved however, the lender gives escrow an approval letter stating the date on which they must receive the payoff. This is NOT an approximate date. The buyer's lender MUST be able to deliver loan documents to the escrow company in sufficient time to allow for the funding process. Depending on the buyer's lender this process can take 72 hours (3 days), from the date of the return of the documents to the recording of the grant deed. To be on the safe side time wise and make the cut off time for payoff receipt, buyers should instruct their lender to have documents to escrow 5 working days prior to payoff receipt date.

» **Most lenders in a short sale situation will not pay costs or fees on behalf of the buyer in a short sale**

This is important to consider when deciding on the type of loan. For example, VA loans have non-allowable costs to the veteran. If the seller (short sale lender, or bank) will not pay these fees, the buyer may have to change loan programs. Additionally, this is an important point to consider if the seller is in default of mortgage payments. The seller may not have any available funds to pay for buyer's closing costs.

» **Insurance application must have been made**

In these types of properties, the property may be vacant or in less than pristine condition. The buyers should contact an insurance agent at the

beginning of the transaction period to ensure that the property is insurable. An early application allows the insurance agent time to get approval from underwriters on any issues that may arise. Many insurance companies require an inspection of the property and the inspector needs sufficient time to inspect the property and submit their report.

» **AS-IS means AS-IS**

Read all of the up front disclosures provided by the bank. If they are selling the property in "AS-IS" condition, the bank is stating that the buyer is buying the property in the current condition at the time of contract acceptance. Know what that condition is. Seek legal counsel before signing anything you are not familiar with. A qualified Real Estate agent can help direct you to resources that may be key in your decision making process.

» **Buyer Beware**

Follow your Real Estate Agent's guidance and have all inspections allowed by the contract. Read the inspections. Find answers to any questions you have before signing and approving the inspections. Make sure that you know what you are purchasing. Seek advice from an attorney. Remember that once the transaction closes the house is yours and so may be the problems. Understand what you are purchasing.



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