

FORECLOSURE FAQ'S

1. What is a foreclosed home?

If a Tampa home owner with a lender financed mortgage on their property fails to make payments on that loan, then the lender/ bank will file a lawsuit to take the property back for non payment of the loan. This action is called foreclosure.

2. How long does the foreclosure process take?

Generally, Tampa banks, mortgage companies or lenders do not file a lawsuit until the home owner, the mortgagor, is three to four months behind in payments. Until that time, and even after the lawsuit is filed, the lender is doing their best to get the defaulted home owner to catch up on their payments or agree to some kind of new terms (such as putting the past due payments on the back of the loan) to help get them back on track.

From the first filing, until the final judgment when the court orders the Tampa home to be auctioned on the courthouse steps, typically takes just a couple of months. However, it is not unusual for complications such as bankruptcy or a death of one of the defaulted homeowners to drag the foreclosure process out even longer. This is why it can sometimes be a year or more from the time you noticed a home abandoned until a real estate brokerage sign is posted on the property.

3. Where is the auction, can I go?

Once the foreclosure court issues a final judgment in favor of the bank or mortgage company, the home is to be auctioned on the courthouse steps to satisfy that judgment. All monies received at the auction are applied and paid to the first mortgage, then any remaining monies are paid to the second mortgage or any other parties with liens on the property. Finally, if there is still any money left it would go to the homeowner that has just been foreclosed. This auction is public and held on the courthouse steps by the clerk of the court. You can bid on the property.

What generally happens on residential property is the bank holding the first mortgage will lead the bidding. They have to bid to protect their investment; otherwise you or I could purchase the home for next to nothing. For example, Mortgage Company "A" is holding a \$100K mortgage they have just foreclosed. They will bid the \$80K to \$100K owed to recapture as much of their investment as possible. If no one bids against the mortgage company, many times they will bid as low as possible to avoid paying Florida Documentary Stamps on the Deed.

4. How long do I have to pay for the property if I buy at the Courthouse?

Courthouse bidders are required to place a non-refundable cash deposit of 10 percent of the purchase price immediately upon being the successful bidder for the property. These funds are paid to the Clerk of the Court. They have seven calendar days to pay the full balance of the property.

5. Can't I get a better deal purchasing at the Courthouse?

Sometimes, but not often. In today's market, there are generally in excess of 100 people bidding on foreclosed properties at the courthouse steps. Auction fever is common and veteran courthouse observers often shake their head in amusement at the prices being paid for some of the properties. Furthermore, properties purchased at the courthouse steps do not have title insurance. If there are any problems with the property title it becomes the

buyer's headache and expense to clear the title.

6. How does the mortgage company determine their sale price?

Once the mortgage company or bank receives title to the property they will begin marketing the property. Most often, the bank or mortgage company will also have the property appraised by a licensed appraiser. Nearly always, pricing is based on market value.

7. When the property is in poor condition does the bank know how bad this property is?

Yes, always. First, the appraiser provides the bank with pictures detailing any and all damage. Second, the bank will obtain estimates for restoring the home back into top shape. Sometimes needed are roof inspections, termite inspections, central heat and air conditioning inspections and estimates for repair, etc.

8. Does the Bank or Mortgage company repair properties?

Many do. In recent years, over half the properties we market for banks and mortgage company's are repaired and refurbished. Generally, repairs are cosmetic in nature, paint, carpet, regrouting of tile, replace a torn screen, a cracked window, or a mirror in which the silver backing is coming off, and reconditioning of appliances. If needed roofs are replaced or other major components might be replaced.

In the refurbishment process, the Seller will not put tile down where there was vinyl flooring. Nor will the bank convert a partially converted porch, but more than likely return it to a porch. When the bank repairs a property, they will utilize only appropriately licensed contractors.

9. How does the bank determine whether to repair a property?

Determination is based upon their market data and the actual cost of repairs. If the bank feels that they will recapture their repair costs, or significantly reduce their time on market they may choose to refurbish the home.

10. Can I still buy the home AS IS?

Up until the bank orders the repairs, you can still make an as is offer. Once the repair process begins then it is too late as materials and labor have been contracted. The key here is the value of your offer. For example, if the bank plans on selling the home for \$100,000 with repair costs of \$7500, they will not sell it to you for \$75,000, but they might sell it at \$85,000 to \$90,000. In other words, they might discount the price of the home some for a quick AS IS sale, but they will not give the home away.

11. Doesn't the Bank or Mortgage company want to get this home off their books, after all, they are not in the real estate business?

Absolutely. However, as a rule of thumb, for every \$3000 they reduce the price, they can keep the home another 30 days. In essence, they know that once the property is repaired, they are likely to get their price within 60 days.

12. Some properties are not repaired, why?

Not all banks and mortgage companies repair their foreclosed homes. Some prefer to sell them AS-IS. Sometimes, even a bank that repairs properties will choose not to repair a particular property due to other factors.

13. Are properties sold on a bid basis like an auction?

If the home is to be sold on a sealed bid or auction type basis, the information sheet on this web site or the MLS listing will indicate it is to be sold in this manner.

Generally, its like buying any other home in the neighborhood. You will write an offer with Michael Valdes or your own Realtor using the appropriate contract form and any addendums if necessary, and we will submit it to the Seller. They will negotiate only with you unless we have more than one offer on the property, what we call a multiple offer situation.

14. What if there is more than one offer on a property?

In 2004-05, multiple offers on a property are a common occurrence. When this occurs, all offerers will be requested to submit their highest and best or final offer by a certain date and time. The bank seller will take best offer and accept it, give a counter offer, or reject all offers.

If you have submitted an offer on a property along with other buyers, once you are notified of the multiple offers, submit your best offer for the property. Your best offer is the value in which at one penny more you do not want the house...but at one penny less you would have been mad at yourself for not having offered more. Frequently we hear, "I would have paid more if the Seller would have given me a counter offer." In a multiple offer situation, you may not get that counter offer because another buyer is offering more for the home.

More than likely, in a multiple offer situation, the home will sell above the Seller's asking price. In recent months, due to strong market activity, some properties have as many as seven or eight offers within 12 hours of listing, and the property will sell at \$1000 to \$10,000 over Seller's asking price. In one instance, we had a home that was bid to \$40,000 over asking price.

15. Are there any Seller Defect Disclosures for the property?

None. The Seller has never lived in the property and therefore can not disclose what it does not know. There is no former occupant we can contact to obtain information about the home. Generally, unlike a corporate relocation home, the bank Seller does not obtain an inspection of the home. In those instances where the bank Seller has performed an inspection of one or all components of the home, we will provide you copies of the bank's inspection for informational purposes only.

For example, if we have been required to obtain a termite or wood destroying organism inspection we will provide you with a copy once an offer has been received and before a final contract is negotiated. If we have inspections of the roof, air conditioning, or other components of the home, we will provide those once an offer has been received but before a final contract is negotiated. These inspection reports should not take the place of you the buyer retaining your own inspector.

16. Is the Seller Negotiable?

This really depends on the bank that is selling the home. In the past year, we are finding that most banks do not have to negotiate or accept an offer lower than their asking price because there are buyers ready to give them their asking price. There are situations where a home may not be receiving market attention (i.e. it is on market more than 60 days and not sold) and then the Seller is likely to be negotiable.

In the end, it is really no different than buying John and Jane Doe's house. If you want to make an offer the day they put their home on the market they are not likely to be negotiable.

If you find their home after it has been on market a few months you are likely to find them negotiable.

17. Will the Seller pay closing costs? Can I ask for repairs to the property?

Corporate sellers are generally bottom line oriented. In other words, they are looking at the net sale to the company. For example, if you are offering \$100,000 on a property and requesting \$3000 in closing costs, then to the Seller it is a \$97,000 offer.

Most Bank Sellers only like to perform those repairs necessary for your loan to be approved. An amount must be negotiated into the contract at the time of offer. If no repair provisions are negotiated at the time of offer, and your lender requires repairs to the property, then the sale price will have to be increased to cover the cost of those repairs. You will not be allowed to go into the home to do repairs prior to closing. Only the Seller's licensed contractors will be allowed to perform repairs to the property.

18. How do I make an offer ?

Once you determine you wish to make an offer you contact Michael Valdes or your Realtor. At the time of offer you must provide a Mortgage pre-qualification letter or pre-approval letter, it must be on the correct contract. Once we have received the correct documents, your offer is submitted to the Seller in a format the Seller has instructed us to use. To the corporate Seller, there is not any personality to the offer. Quite frankly, they are just looking at the numbers.

19. Can I submit a Letter of Intent?

No. Letter's of Intent are not given any consideration what so ever. When we receive a Letter of Intent, the Seller is notified of the Letter as we are lawfully required to "Submit all Offers." However, that is as far as it goes, as currently all of the corporate Seller's we represent instruct us not to present any offers that are not properly written as detailed here.

20. How are negotiations handled?

Once you have determined you wish to make an offer on a bank owned home, you instruct Michael Valdes (or your own agent) to write the offer. The offer is then presented to the Bank Seller. The Bank Seller will give us a verbal acceptance, counter offer or rejection. In the case of an acceptance or counter offer, this is verbal from the Bank to Keller Williams Realty and is transmitted verbally to you.

All negotiations are conducted verbally until a final agreement is reached between you and the Bank seller. Once that agreement is reached either the original contract offer is amended or a new contract is prepared containing the agreed upon terms. You the Buyer will sign or initial the contract and then the copy with your original signature is sent via overnight mail to the Seller. It will take the Seller anywhere from three (3) to seven (7) days to sign and return the fully executed contract to us.

21. I am an investor purchaser, why am I being told my deposit is non-refundable?

In 2004, several of our corporate clients adopted a policy towards investor purchasers, in essence removing financing and inspection contingencies. This in essence makes the investor purchaser's deposit non-refundable. This is due to several reasons: 1. The market is so strong there are generally multiple offers. In accepting the best offer, they will be loosing several other buyers if the first buyer fails to close. 2. It is a case of one or two bad apples ruining it for every one. Specifically, some investors do not take the time to see the

property until their offer has been accepted. Then they want to use the inspection clause to cancel the contract. This is to eliminate offers in which the buyer has not seen the property prior to offer.

Finally, the Seller presumes that as a Real Estate investor you are more knowledgeable than say a person purchasing their first home they plan to use as their residence. As an investor, you have your financing in place, you are able to determine cost or repairs and based upon your visual inspection and can anticipate what repairs are not readily observable and plan accordingly.

22. When Do I finalize my loan application and begin my inspections?

Once all terms are verbally accepted by you and the Seller you must finalize your loan application and begin your inspections. Do not wait until the signed contract is returned from the Bank Seller. Also, if you are obtaining financing your mortgage company's appraisal must be completed during the inspection period defined in the contract.

23. Why is there a charge for a Late Closing?

In nearly every instance the corporate Seller will have a clause in their addendum that states if the sale does not close upon the agreed upon close date, buyer agrees to pay a per diem of \$100 to \$200 per day for each day the contract is extended. For example, if the contract close date is January 3, 2005, and you need until January 8 to close you will be charged \$500 to \$1000 in addition to the contract purchase price. The per diem charge generally includes weekends and Holiday's.

The reason for the late charge is that when the bank accepts your offer price it is based upon a specific close date. If you fail to meet the close date, it costs the corporate seller to hold the house. They are passing that cost to you.

24. Do Cash Buyers Obtain Better Deals?

Yes and No. The close date is more important than the means the buyer is paying for the home. For example, a cash buyer that needs thirty days from contract to closing is not as desirable as a financing buyer that can close within 14 days. Furthermore, many cash buyers are really obtaining financing. They are just making an offer without a financing contingency. Remember, we are required by the corporate seller to verify the means and the buyer's ability to pay for the home. Financing buyer's should instruct their mortgage broker to provide the strongest letter of pre-approval.

For any other questions or for help buying and selling Tampa Bay foreclosed homes, please contact Michael Valdes and the FlaPropertyFinder.com Team at (813) 661-2417.

