



10 Tips for Investing in Distressed or Foreclosed Properties

By Steven Kubon (kwsteve.com) Atlanta, GA REO Specialist

1. Search on the world wide web for distressed or foreclosed properties as a starting point. Use a professional REALTOR to identify great foreclosure deals for you. You may be successful at searching the web on your own, but keep in mind **most of the information is outdated**, some may be incorrect, and some of the available properties are not even listed. A REALTOR subscribes to updated MLS listings and can offer you the **most current information available**.
2. If you search yourself for distressed properties and purchase from the selling agent, you are paying a commission to someone with a vested interest. Obtain objectivity in the sale by working with your own REALTOR. **You won't pay any more**. Technically, everyone works for the seller, since they pay the commission.
3. With distressed or foreclosed properties, time is of the essence. Purchasers must close on the date specified by the agency, and cannot close after this without penalties of \$25-\$100 per day.
4. It takes 1-3 weeks to qualify a loan. If you are approved for a loan, make sure you are qualified by your lender as soon as possible. If you are paying by cash, make certain funds are available. If finances are in order, the REALTOR will then submit an offer. When the offer is accepted by both seller and buyer, the REALTOR will submit the ratified contract to the lender and closing agent. These steps will begin the process of a successful real estate transaction.
5. When purchasing a distressed property, always obtain 2-3 bids from different contractors to estimate costs of repairs, if you do not plan on doing the work yourself.
6. If you are going to sell the property after rehabilitating it, ask your REALTOR to research similar properties in the neighborhood to ascertain market price.
7. Keep copious records for tax deductions. Any expenses related to the purchase, repair, or maintenance of the property may qualify. Meticulous records are key to a profitable real estate venture.
8. The title you receive after purchasing a distressed or foreclosed property is a special warranty deed rather than a general warranty deed. Some buyers are alarmed by this, but there is no need to worry. The purchase of title insurance protects the buyer. Each lender purchases insurance to protect the loan as well. Titling insurance should be obtained by the property purchaser. It is always offered by the closing agent. Consider using an attorney instead of a

Keller Williams Realty Connections • 710 Newnan Crossing Bypass • Newnan, GA 30263
Cell: 678.665.0365 • Fax: 678.854.1592 • Email: steve@kwsteve.com • URL: www.kwsteve.com
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titling company as your closing agent. An attorney is only \$50-75 more than a titling company. A real estate attorney can remedy any situation that may arise. Therefore, they are more efficient representatives on time sensitive foreclosure properties.

9. Foreclosure properties require special addendums and special contracts by the individual bank and HUD office (where applicable).

10. Foreclosure properties are potentially the most profitable, but require the most attention to detail. A REALTOR experienced in foreclosure deals is highly desirable because the paperwork must be in order to submit a proper bid, and timeliness is critical.

