

REO

Three letters every buyer today needs to know

What is an REO?

REO stands for “real estate owned” property. If a foreclosed property is not purchased at auction, it is typically bought back by the lender. Although the lender is often a bank (the reason why REOs are frequently called “bank foreclosures”), credit unions, mortgage companies and other financial organizations can also lend money to purchase properties — and foreclose on them if they need to.

Since banks and other lenders aren't in the business of being landlords, they will often want to get REOs off their books as quickly as possible, creating some truly excellent opportunities for buyers.

Locating REOs

- Check newspapers for ads from lenders and real estate agents listing REO properties.
- While banks aren't required to release information on their REO properties, it is still a worthwhile venture to ask them periodically for whatever they can provide.
- Network with and frequently contact the person who handles REOs for lenders.

Who handles REOs?

Some lenders will have a real estate agent or broker handle the sale of their REO properties, while others have one or more people, or even an entire department, internally handle them.

Did you know?

A foreclosure and an REO are the same thing — but REO designates the end of the foreclosure process.

5 things you need to know about REOs

1. Unlike properties that are in pre-foreclosure or being sold at auction, lenders can profit from the sale of REOs. So, while deep discounts are often an advantage to purchasing REO properties, they should

not be expected.

2. Prospective buyers of REO properties typically do not have to worry about cloudy titles, back taxes or other surprises, since the lender will almost always take care of them before closing.

3. The condition of REO properties can range from horrific to impeccable, making it extremely important for prospective buyers to have them professionally inspected. **TIP:** Make sure your purchase agreement includes a clause that gives you a certain number of days to inspect the property.

4. REO properties are sold “as is,” meaning the lender who now owns the property will not agree to fix any damages or deficiencies. Most purchase agreements, however, give the buyer a certain number of days to inspect the property and the rite to cancel the sale (or negotiate a lower price) if something they discover is not acceptable.

5. Lenders typically accept less money down for the purchase of REO properties and will also often pay for closing costs and provide other incentives — so be sure to ask!

Ask the experts

• *Steven Smoke, Realtor®, Hammer & Hammer Realty Group, Broward*

Sun-Sentinel: Are all REO properties foreclosed?

Steven Smoke: Yes, REO, or real estate owned, properties are ones that have been foreclosed and have been taken back by the bank. While properties are going through foreclosure, the bank or lenders do not yet own them.

SS: What is the advantage to buying an REO property?

SS: Since the lender has wiped out all