

By Glenn Haege
(All rights reserved)

Publication date: 09/25/2009, Homestyle, The Detroit Free Press & News

Do your homework before buying a foreclosed home Metro Detroit has seen a significant increase in the sale of foreclosed or "short-sale" homes during the past few months, due in part to the great deals homebuyers can get on these homes. But if you are planning to make an offer on one of these homes, you have to understand the ABCs of buying to make sure you are making a wise investment.

The first thing to remember is most of these homes have been sitting vacant for months, so many problems that could occur as a result. "When buying a foreclosed or short-sale home, people should be prepared for surprises," said Dan Elsea, co-president of Real Estate One, (248)304-6700, www.realestateone.com. "Even if the buyer gets a home inspection from a qualified inspector, problems can develop down the road because these houses have been unattended for so long. And most of the time these homes are being sold on an 'as is' basis."

Mike Goewey, president of Property Facts Home Inspections in Plymouth, (734) 207-9004, www.propertyfactsinspections.com, said the majority of his inspection business these days is foreclosed homes, and he sees some common problems that buyers should look for. "Usually, these homes have had the utilities shut off, so it's common to see basements flooded because the sump pump hasn't been working, and that can lead to lots of mold problems," Goewey said. He also sees too many homes that haven't been winterized properly, which can result in burst water pipes and excessive condensation that can add to a mold problem, along with other problems, such as buckled floors and structural damage.

Goewey suggests having the utilities turned on before an inspection so an inspector can check the furnace, air conditioning, water, gas and electrical. Otherwise, the home buyer will only get a "cold" inspection that may not give them a clear indication of the home's true condition. However, he does advise caution when having the utilities turned on. "The previous owners of these homes often took light fixtures and major appliances and left exposed wires and uncapped gas lines, so you have to be careful when you have the utilities turned back on because there could be a fire hazard or gas leak."

Even if you are confident that the home is sound after a home inspection, it's important to make sure it is legally sound, as well. Gregg Nathanson, an attorney at Couzens, Lansky Fealk, Ellis, Roeder & Lazar in Farmington Hills, (248) 489-8600, www.couzens.com, said the first thing people should do is make sure the title to the property is free and clear. "No one should buy a house without title insurance," Gregg said. "You have to make sure there are no liens on the property and that it doesn't encroach on a neighboring property."

Elsea adds that because the market is seeing lots of activity in foreclosed home sales, buyers need to expect they might get into a bidding war with other buyers. "It's not uncommon to have six people bidding on the same foreclosed home, so buyers need to make sure their offer is the easiest for the banks to accept," he said.

According to Elsea, that means the offer should have limited or no contingencies, and the buyer should have their mortgage financing pre-approved before bidding.

By Glenn Haege
(All rights reserved)

Publication date: 09/25/2009, Homestyle, The Detroit Free Press & News

"The banks that own these foreclosed homes love no contingencies, big down payments and cash sales, if possible," he said. "With a short sale, patience is important because there is usually more than one lender involved in the sale. The good news is banks are getting better at processing short sales, and we are now seeing deals finalized in six weeks rather than six months." Elsea says that because many of these homes have been sitting empty for a while and haven't been maintained, it's wise to have an attorney review the contract so the buyer can understand the legal and financial risks and make an educated decision.

Following the advice in this article will go a long way in making just a good deal, into a great deal.