Opportunity Is Knocking

Your guide to the ins and outs of finding a good deal in today's market

What now?

So the \$8,000 first-time home buyer tax credit came to an end on April 30, 2010. Lots of home buyers got to take advantage of it, and for many others, the timing wasn't right – or they didn't find just the right home within that time frame. If you're among them, here's the good news: it's still a great time to buy. In fact, as one door closed, several others, along with many windows, opened.

The opportunity for a great deal in today's real estate market is showing up in new ways, namely, short sales, foreclosures and bank-owned properties – collectively known as "distressed properties."

Here is the main thing you need to know about distressed properties: the term refers to the mortgage financing on the home, not the home itself. Distressed properties may well be in perfectly fine shape.

But even so, why would anyone seek out a distressed property?

Two reasons:

Price:

Price is the biggest motivating factor. Short sales and bank-owned properties sell for an average of 20 percent below market value, and sometimes much more.

Choice:

A recent KW survey revealed that 45 percent of all homes sold in the United States are currently "distressed properties," and an estimated 300,000 foreclosures are entering the market each month. Distressed properties have entered the mainstream of real estate transactions.





Bank-owned properties and underwater mortgages represent a drag on the real estate market.

Every time one is purchased, the market moves that much closer to recovery.

What do I need to know about buying bank-owned or pre-foreclosed property?

- Often, distressed properties are in excellent condition and in very desirable locations. Homeowners in every price bracket are affected by the economy.
- *Bidding wars* happen in some markets, but they mainly occur in the most distressed ones. As in any market, the most competitive offers are most likely to win.
- The key to *streamlining the loan process* and avoiding surprises is to work with an experienced real estate agent and a lender who regularly handles distressed property transactions.
- The *timeline for short sale transactions is tightening* and REO transactions tend to occur within a faster time frame than the traditional home-buying process.
- Foreclosures are happening in record numbers and sellers are very motivated.

Financing facts

FHA loans are popular with first-time buyers of distressed properties and represent 55 percent of all first-time mortgages.

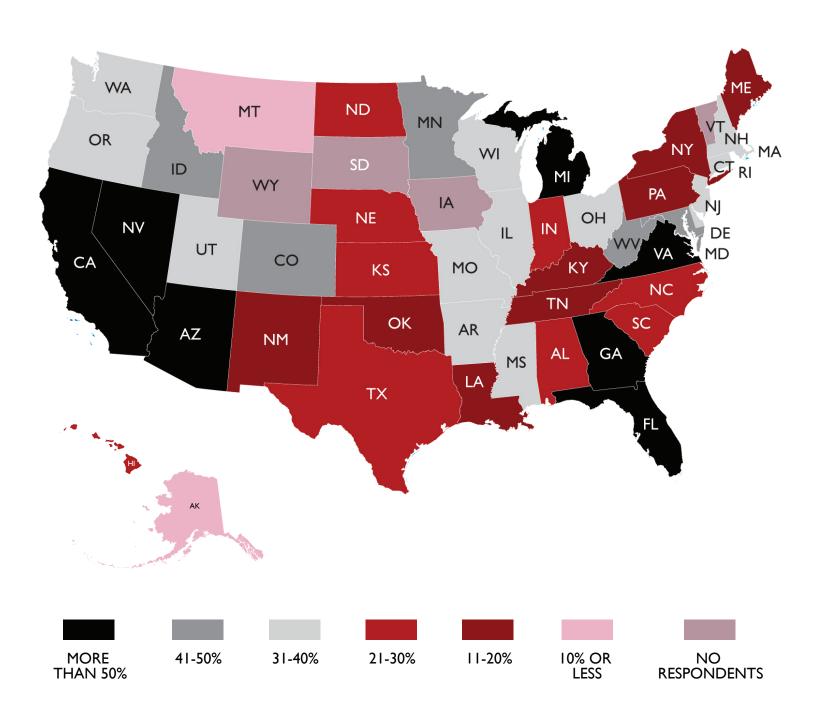
Distressed properties fall into two broad categories:

- 1. Foreclosures or REOs (real estate owned), which have become the property of the bank due to the homeowner failing to pay the mortgage for several consecutive months.
- 2. Short sales or "pre-foreclosures," where agents negotiate with banks to accept a sales price and loan payoff that is less than the mortgage amount. Short sales occur in instances where home sellers are "underwater" on their mortgage, which means that the amount of their current mortgage exceeds the market value of the home.



How does your state rank?

Distressed properties account for 45 percent of total home sales when viewed as a national average. California, Nevada, Arizona, Michigan, Virginia, Georgia and Florida lead the United States in distressed property sales.



Look who's buying!

The surge in distressed properties entering the market has boosted affordability. In 2009, there was a significant uptick in home sales among first-time buyers.

In 2009:

47 percent of all REO purchasers and 52 percent of all short sale purchasers were between 18 and 35 years old.

of married couples account for distressed property purchases

Marital status of distressed property purchasers:

Married couple 53% 57% Single male 17% 11% Single female 13% 15%

Married couples account for more than 50 percent of distressed property purchases, but below-market bargains are opening home ownership opportunities to an increasing percentage of single men and women.

The word on distressed properties

Almost all distressed property buyers – 97 percent – are looking for a good deal. And there are no shortage of deals to be found!

While the average distressed property sold for 20 percent below current market value, the discounted purchase price on short sales and REOs tends to range between 10 and 40 percent.

High points of home ownership

40 percent of survey respondents indicated that the desire to "stop paying rent" was a prime motivator in the property home purchase. Regardless of the market, a home is a solid investment. Distressed properties have simply lowered the financial barriers to entry.

A wise choice

The details involved with short sales and foreclosures are unique calls for specialized expertise. Find an agent committed to guiding you through the process, setting realistic expectations, and streamlining your path to homeownership.