

Pros and Cons of Buying a Foreclosure

A smart buyer can find potential profit buying a foreclosure property.



Foreclosure occurs when a borrower defaults on his loan obligation and the lender takes legal action to take possession of the property. Approximately 10% of all home sales are foreclosures, meaning there is a robust market for this kind of property, and excellent opportunities for home buyers to make good deals. When you are considering bidding on a foreclosure property, it is important to understand the advantages of buying foreclosure properties, and what to look out for in order to make the best decisions. Here are some of the items an informed consumer should know about when considering bidding on a foreclosure property:

Pros:

- In uncertain economic times there is often a surge in foreclosures, which creates more inventory to choose from. The homebuyer who understands this should be ready when opportunity presents itself.
- Foreclosures create opportunities to buy a home at a lower price from a motivated seller. It is not unusual for a foreclosure property to sell at a discount of thirty percent or more.
- Concessions, such as credits toward closing costs, are possible with foreclosure properties. Lenders do not want to own property, and sometimes give generous terms to encourage offers.
- Because of the lower pricing, you may be able to buy more house in a better neighborhood.
- Most foreclosure properties are sold at a public auction avoiding the need for expensive real estate commissions.
- Foreclosures processed through the courts take time. A short sale will avoid the delays that the legal foreclosure process requires, and allow you to close on the sale much quicker. Short sales are negotiated between the property owner, the lender, and the buyer, and can result in savings often greater than a completed foreclosure.

Cons:

- You might not be able to inspect the property prior to bidding, resulting in unforeseen flaws in the property or its title.
The previous owner may be reluctant to vacate the property resulting in delays while eviction is ordered.
- An all cash purchase is the preferred option as some foreclosure properties may be difficult to finance and complete the sale.
- Some states provide for the owner's right of redemption, which means he may be able to reclaim the property for a period of time after the foreclosure is complete.



Even though there may be hurdles to cross in some foreclosure properties, they are not usually insurmountable. Any real estate purchase can present a challenge, whether a foreclosure or not. In the foreclosure market a little extra work and planning can result in acquiring a desirable property at an excellent price.

When purchasing any real estate, the informed buyer needs to study the property and take measures to make the transaction as profitable and safe as possible. To prepare for opportunities in the foreclosure real estate market you should create a team of specialists to help you. Having a professional property inspector, appraiser, and a good title agent and real estate broker can be important elements in determining if a foreclosure property is right for you. Taking an organized approach to help simplify the process of bidding on foreclosure properties, use the checklist at this location:

[Click to get the Foreclosure Checklist](#) and [Click to get the Home Buyers Checklist](#)

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