



## Ken King column: Foreclosure purchase not always a deal

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Dear Ken: I read your column on buying a home. What do you think about buying a foreclosure home?

Answer: There's a myth that all foreclosures are deals because they can be purchased for pennies on the dollar.

But not all foreclosures are deals and steals. Foreclosures often are purchased below market value, but the reduction in purchase price may only be 10- to 15-percent of the market value of the home. That **savings** should be considered against some of the risks.

Basically, there are three ways to buy a foreclosure property:

- >> 1) pre-foreclosure sales;
- >> 2) foreclosure auctions or **sheriff's** sales; and
- >> 3) from the lender after the foreclosure sale.

In a pre-foreclosure sale, you buy the property from the owner before it goes to auction or sheriff's sale. Sometimes this may be at a discounted price or may be a short sale (a sale for less than the mortgages owed on the property that has to be agreed upon by the lender). There might be liens on the property that should be paid prior to the transfer.

Buying at a sheriff's sale or auction may be the riskiest of the three purchase options. Generally, they're held on the courthouse steps, in the clerk's office or in front of the foreclosed house. At most auctions you purchase the property "as is" and may have to deal with back taxes, liens, etc., and don't get a disclosure of any kind from the seller. Therefore you don't have any building inspections, appraisals or warranties from the seller and that can make getting financing extremely difficult. At most auctions, you need a **cash deposit** or equivalent and you need to have the financing in place before the

sale is final. It's also possible that the current homeowners will refuse to move out and then you would have to deal with an eviction. Also, the occupants may vandalize the properties before leaving or steal items, such as cabinets, doors, fixtures, lamps, etc.

If a foreclosed home isn't sold at auction, the **bank** could repossess it. The bank then takes title to the property and will take the responsibility of selling it. The bank will then provide a building inspection and appraisal of the property or allow you to do them yourself. You then can make the offer and negotiate a price. They will transfer a clear title and title insurance.

You should also consider a couple of other things before purchasing a foreclosed home.

Try to find out why the home went into foreclosure. Was it because the former owner lost a job and couldn't make the payments, or were there structural or mechanical issues or maybe even something wrong with the neighborhood?

There may be some deals in the foreclosure market, but carefully weigh the benefits and the risks.

Before buying any home, you should go back to the basics of knowing what you want and taking a homebuyer course to **learn** as much as you can before making the biggest investment of your life.

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Association, at 1930 N. Eighth St., Sheboygan WI 53081 or e-mail him at [ken.king@excel.net](mailto:ken.king@excel.net). Family Service Association is a United Way agency that helps people improve their financial stability and quality of life by providing education, counseling, advocacy and financial management programs.

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