

## Buying a Bank owned Property

### Instructions and frequently asked questions

Buying a bank owned property is somewhat different than buying a retail listing. Please familiarize yourself with the following information to assist in the process.

#### *Pricing Structure:*

1. Most lenders and/or asset companies negotiate through a system that allows an offer to be only slightly less than the list price. If a property doesn't sell after 30 days, the Bank's agent will submit a monthly report and request a price reduction. In theory, the property will be systematically reduced until sold. If an initial offer is rejected, patience may get an approved deal after several weeks.
2. Low offers are usually countered near full price, even if the offer is all cash.
3. A low offer is considered a combination of: *actual price offered as well as percentage of list price*. Please contact Keith Cuddeback or Tilton Quon to discuss terms prior to writing an offer, especially if the contract is below the asking price: 925.397.4343
4. In a multiple offer situation, the lender will likely send back a standard counter offer of "highest and best." This means that all parties are to resend their offers back to the listing agent with their absolute top price. Lenders use the "highest and best" response to allow each buyer one last chance to win the property. Some buyers will change the offer to a higher amount, some will keep the same terms and others will withdraw from the process.

#### *Offer Instructions:*

1. Include a pre-approval letter from the buyer's lender or a verification of funds if the offer is all cash. The verification can be a bank statement.
2. Contract should have an "As Is" addendum attached or state the purchase to be "As Is" on line 25e in the Residential Purchase Agreement. "As Is" language is very important to include as the seller will not allow a request for repairs or credit the buyer back for damaged items.
3. The offer should allow at least 7 days until expiration. Although banks usually respond within 24 hours of submission, the whole process to ratify the contract can easily take 7 days. Furthermore, if the offer is much below list, the lender has an extensive review process that can take extra time.

4. Include a copy of an earnest deposit check with the original offer. The amount should be at least 1% of the purchase price – though lenders like to see more. Please note that some lenders require the deposit to be made with certified funds. Additionally, some lenders require all cash offers to submit 10% of the purchase price as an earnest deposit. Again, please contact the listing agent to clarify terms with the deposit check.
5. Although we live in an area where the buyer selects the Title Company (and pays the fees associated with Title and Escrow), REO transactions have Title directed by the seller. These Title Companies are usually out of the area and sometimes have fees different from local custom.
6. Closing escrow early is not important to the lender. In fact, trying to close an REO transaction in less than 25 days can be problematic as closing agents are very busy and several days can transpire before escrow is even opened. Also, there is a per diem penalty of \$100 to \$150 per day to the buyer if an escrow is late to close. The best way to avoid this penalty is to allow 30 days for an escrow period and to ask for an extension if the buyer needs additional time due to unforeseen circumstances. However, the extension must be requested timely or the per diem penalty will not be waived.

## *Acceptance of Offer:*

1. All offers are submitted into a web-based system and will be negotiated verbally until complete. Counter-offers will be sent via email or will be printed from a web page or relayed by phone. There will not be formal or written counter offers.
2. Once the buyer and seller agree to terms, the seller will issue a secondary contract addendum that restates the terms of the CAR contract and any changes made through counter offers. The addendum is a national contract and may have language different from local custom. The buyer must sign this addendum within 24 hours and cannot alter any terms of the contract. It is important that the buyer initial all pages so that the lender knows every item has been read and acknowledged.
3. Once the buyer signs the contract addendum, the home will be marked “pending” on the MLS. Although the seller will not have signed the contract at this point, the buyer should move forward with the transaction as if the agreement were fully ratified.
4. Please return the deposit check, the CAR forms (including agency disclosures) and the contract addendum within 24 hours. Personal delivery is

- best. FEDEX is an acceptable alternative. Due to the degradation of faxing, the seller prefers original documents for review.
5. The buyer should order all inspections once the addendum is submitted back to the seller. The preliminary title report may be delayed several days until escrow is opened, but there are tasks the buyer can complete while waiting for countersigned paperwork from the asset company. Sellers like to see progress in escrow and the listing agent will expect contingencies to be removed timely.

### *Answers to frequently asked questions:*

- The seller is very particular about how contracts are submitted. The prequalification letter, deposit check, CAR forms, and secondary addendum must all be included and filled out completely.
- The secondary addendum will require the buyer's agent to submit a federal Tax ID number for escrow. The contract is incomplete without the Tax ID and will not be processed by the seller.
- Title orders are opened when the NOD is recorded and that policy will follow the property through the REO transaction.
- Seller may not have keys or devices to open mail boxes, garage doors, HOA common areas, etc. It is the buyer's responsibility to obtain replacements.
- Commissions are based on the net offer amount. The net offer is the purchase price less all seller paid credits.
- Buyer's agent will not be paid a commission if they are the principle in the transaction or related to the principle.
- Most lenders will not provide a home warranty for an REO property.
- Please call Keith Cuddeback or Tilton Quon at 925.397.4343 if you have further questions about the process of buying a bank owned property or if you would like a FREE list of all bank owned properties in your area and price range..