

FORECLOSURES, SHORT SALES & REOs: FIND & PURCHASE!

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(For questions, visit Larry at his Exhibit Booth #412.)

I. ENGLISH LESSON

A. **3 parties** in Calif. when a loan is made on property: ***Trustor** (Borrower) ***Beneficiary** (Lender) ***Trustee**

1. **Trustee** is usually neutral third party chosen by **Bene**. 2. Must know how to **find** & **contact** the "**Big Three**."

B. **2 documents**: **Promissory Note** (Evidence) and **Trust Deed** (Security):

1. The **Trust Deed** is normally **recorded** (**County Recorder's Office**) – The **Note** isn't recorded.

2. **TD** names "**Big Three**." Has a **Power of Sale** clause- **Trustee** can sell property at **public auction** if **Trustor** defaults on loan. Called **Nonjudicial Foreclosure**, usually takes just **under 4 months** if there are no delays.

NOTE: Can only be used by **Benes** & **HOAs** (Home Owners' Associations) foreclosing on **Assessment Liens**.

II. DEFINING "FORECLOSURE PROPERTIES" and the NONJUDICIAL FORECLOSURE PROCESS

NOTE: For a comprehensive version of process, please go to my Web site and click on "**Foreclosure Articles**."

FIRST: **Borrower** stops making monthly payments. **Borrower** and **Lender** usually try to work something out. If they can't, **Lender** notifies **Trustee** in writing to initiate **nonjudicial foreclosure** process:

NONJUDICIAL FORECLOSURE PROCESS

Step 1

NOTICE OF DEFAULT

*Trustee **records** **NOD**.
Must wait **3 months**.

Step 2

NOTICE OF TRUSTEE'S SALE

*Trustee **schedules** sale **no sooner** than **21** calendar days after **3 months** from the recording of the **NOD**.

*Trustee then **records** **NOTS/NOS**.

Step 3

TRUSTEE'S SALE

*Like **public auction** with **Opening Bid**.
***No overbid**, back to **foreclosing Bene**.
If **institutional lender**, becomes **REO**.

***Overbid**, sold to **third party**.

Step # 1: To **find/purchase** properties **in** foreclosure (**pre-foreclosures**), follow **NODs**.

Step # 2: To **find/purchase** **lender-owned** properties, or to **purchase** properties at **Trustees' Sales**, follow **NOTS!**

Step #3: Must bring **all cash** to bid. Usually **Cashier's Checks**. **Winning bidder** responsible for all liens **senior** to one being foreclosed. **Junior liens** are **wiped out** by sale. **License to steal** if you know what you are doing. **Can get killed financially if you don't!**

REVIEW: 3 TIMES TO PURCHASE:

1. Properties **In** Foreclosure

2. **Trustee's Sale**

3. **Foreclosed Properties**: **REOs**; Private Lender-Owned & HOA-Owned Properties; HUD; Third-Party Properties

III. SHORT SALES/SHORT PAYOFFS – Property worth less than what is owed and Seller can't cover shortage.

Property and Seller are Upside Down/Underwater.

<u>MV/Selling Price:</u>	<u>\$250,000</u>	
Balance on 1 st :	- \$300,000	
Property Taxes:	- \$2,000	
<u>Seller's Closing Costs:</u>	<u>- \$18,125</u>	<u>(7.25% of Selling Price. Includes a 5% Commission.)</u>
Shortage in Escrow:	(\$70,125)	

1. If **Seller** has no money to cover shortage, must get **Lender** to accept **less** than what is owed. All offers **contingent upon** lender's cooperation. **Seller** must prove **financial hardship**.
2. **First**, negotiate with **Seller**. Then, **short-pay package**, including offer, sent to **Lender**. **Can counter!** Can take **several months** to close escrow.
3. **Note:** Some short-sale situations will be **in** foreclosure. Use **NODs** to find these. **Best way** to find short sales that **are not** in foreclosure as well as **in** foreclosure is by using a **real estate agent** who **specializes** in the field.

IV. FINDING PROPERTIES USING *NOTICES of DEFAULT and SALE* and *REAL ESTATE AGENTS*

1. FORECLOSURE INFORMATION SERVICES for TRANSCRIPTS of NOTICES of DEFAULT & SALE:

[www. countyrecordsresearch.com](http://www.countyrecordsresearch.com); foreclosureradar.com; foreclosures.com; realtytrac.com

*Follow **NODS** to find properties **in** foreclosure. **Trustor (Borrower)** most important.

*Follow **NOTS** for **purchasing at Trustees' Sales** & for properties taken back by **Lenders/HOAs - Bene** most important.

Note: Call **Trustee** on **Sale Date** to get **results: Cancelled; Postponed; Bankruptcy; Back to Bene; Sold to 3rd Party.**

2. SALE NOTICES in Legal Ads in Newspapers for Trustees' Sales & Lender-Owned/REO properties.

3. For **REOs listed** with **agents**, use **INTERNET**: Search for: **Lender's Name, REO Properties/Lists**. Usually show **properties** and **listing agents**. **Not always updated!** Try www.zillow.com.

4. **REAL ESTATE AGENTS** have listings and/or access to listings of **short sales/properties in foreclosure/REOs**.

V: PURCHASING PROPERTIES IN FORECLOSURE, SHORT SALES, REOs and HUD Properties

A. **USING REAL ESTATE AGENT:** *Have proper **contracts** & know **laws** & **necessary disclosures**. *Make sure agent **specialize** in these properties!! ***Interview several!** ***Must** use agent for **HUD**.

B. **WITHOUT A REAL ESTATE AGENT:**

1. **Properties In Foreclosure, including Short Sales:** Contact **trustor/owner:** **door knocking** - **phone** - **direct mail**

2. **REOs:**

a. Some institutional lenders have **REO Dept.**, others assign REOs to **REO Asset Management Companies**. **Asset Managers assign** properties to **real estate agents**. Usually not **listed** until **vacant** & have **market value**. In some cases, possible to make offer **before** listed:

b. Call lender to see if has **REO Dept**. If does, call department and ask for **Asset Manager** handling **specific property** you tracked. Ask if and when you can make offer, or **name/phone** of **agent** who will be marketing it.

c. If lender **doesn't** have REO Dept., ask who markets REOs. Usually **REO Asset Management Co**. Contact Company.

3. **Properties** taken back by **Private Benes/HOAs** - Contact **directly**. Get names from **NOTS**. **Third-Party Properties**.

VI: QUESTIONS & ANSWERS