

Writing Effective offers on Bank-owned listings

Overview

Dear Agents, Brokers and buyers,

As a listing Broker for bank and corporate owned properties, I wrote this reference guide to clarify the process of writing offers for bank and corporate owned properties. The intent is to make the offer process as transparent and hassle-free as possible. Please feel free to contact me at foxxandassociates@gmail.com if you have any questions or comments.

Documents needed

Purchase Agreement- You will need to submit the offer on an “as-is” purchase agreement. Keep in mind the seller never lived in the property, and likely has never even seen the property, except in photos and inspection reports. Do not expect the listing broker to know everything either---make the offer with a reasonable inspection period, and do as much pre-offer inspection and due diligence as possible. Many listing broker’s with these types of properties are managing 50-200 properties at any given time, and do not know all the minute details about each and every listing.

Pre-qual letter- If your buyer is financing the purchase, make sure you have a pre-qual letter before you make the offer. Many banks selling the REO properties require your buyer to pre-qual through their financing, but do not require your buyer to use them. This is to ensure your buyer is solid and can close as proposed in your offer.

The listing broker has to follow the bank’s guidelines on this—it is not the broker’s decision, it is mandatory, challenging this requirement is pointless, as listing broker’s we are going to follow the seller’s guidelines and work with agents that follow the requirements. Don’t submit an offer without a required pre-qual and expect to get the property-it won’t happen!

Proof of funds- If a cash offer is submitted, you must include proof of funds to close. This can be a bank statement, a letter from the buyer’s bank, an investment account statement, etc. Please cross out the account numbers, we as listing broker’s don’t want to see them, and prefer not to have them—protect your buyer’s financial privacy at all times!

If you submit a cash offer without proof of funds, it is not considered an offer, and will not go to the seller.

Bank Addendums- the bank will require their own addendum to be signed. One sure way to get your offer rejected is have the buyer or buyer’s attorney make changes, alterations, or cross out terms of the addendum.

Think about it—do you really believe the listing broker can make a phone call and convince the legal department of the bank to change the addendum? We will simply reject the offer and move on to the next one. If the buyer can’t live with the addendum terms and conditions, they probably shouldn’t be buying a bank-owned home in the first place.

Submitting the offer

Offers need to be made in writing and emailed. Faxed offers are not recommended as the copies often become illegible. You don't want your offer to be overlooked simply because the fax copy is illegible to the Asset Manager reviewing offers---often there are multiple offers to be reviewed, you want your offer to stand out as being the best.

Email these items: Purchase agreement, Proof of funds or pre-approval letter, and any addendums as required. Please let your buyer know it may take several days to get a response from the seller.

Offer Timeline

Days1-5- Offers are presented to the seller, if there are multiple offers, the seller may request “Highest and Best” offers and give a deadline. Keep in mind, a request for “Highest and Best” is your opportunity to review your offer with the buyer, and make sure it is the final offer—this is the final chance.

Also note, the seller may not request “Highest and Best”, the seller can take any offer at any time, and reject the competing offers.

The seller is under no obligation to give you a chance to increase your offer, offer “Highest and Best” or counter-offer, so don't be offended if a seller accepts someone else's offer—make your best offer right from the start.

Day 5 to day 10 - Inspections done, and survey and appraisal (if there is going to be a mortgage).

Day 10 to day 30 – Title is cleared, documents are prepared for closing, closing is scheduled. Any repairs by the seller are made , if repairs were agreed to as part of the contract.

Closing can usually be done within 30 days. There could be delays dues to mistakes in the foreclosure process, but that is rare and usually title defects can be cured within a couple weeks.

Inspections - Order your inspections early, and most importantly, have your buyer do as much inspecting as possible before the offer. Nothing makes your offer look stronger than a 24 hour inspection--the Asset Manager knows that your buyer has thoroughly looked at the property and is ready to close.

Making offers on as-is properties with 10 or 15 day inspection periods is impractical and will only make your buyer look like an amateur, or worse yet, a flipper trying to find a buyer during the “inspection” period. (“Flippers” are well known for making bogus offers with long inspection periods, then trying to sell the property in the meantime for a profit. The problem arises when the flipper can’t sell the property, and doesn’t have the cash to close, they then cite the inspection and walk away from the deal. Any good REO broker is knows this scam, and the offer will be rejected if it is suspected to be fraudulent)

Closing the deal

Closing usually can happen 15 to 30 days after the offer is accepted. Expect some delays as seller may have to get the closing statement (HUD-1) approved by management, or even the investor that owns the mortgage-backed securities.

Most, if not all, bank-owned properties close once under contract, so be patient. Ask the listing broker for the title companies information, and stay in touch with the closer throughout the process.

Important note for Cash purchases: Recently, the seller’s have been doing the entire closing by email and wire transfer. There are only a few documents needed for a cash purchase, these can be emailed back, along with a wire transfer of funds. This has been working flawlessly, and makes “same day” closings possible. Please let your buyer know in advance to have the funds ready, and to see their local bank about the wire transfer process.

Title Issues

Recent news stories about bad foreclosure filings, “Robo-Signers” who never checked the documents for accuracy, and other technical legal violations have caused some concern among buyers of bank-owned homes.

The most current update is that the foreclosures that have already been processed are being sold as usual, the foreclosures with any legal issues are being re-filed to be in compliance, and any improper foreclosures are being postponed while the documents are checked.

The best buyer protection is title insurance, which is provided at closing. The only solid advice I can offer is, if the title is *un-insurable*, don’t buy the property. If it is insurable, the buyer probably has very little to worry about, any defects in title should be covered.

SPECIAL NOTES FOR Fannie Mae(Homepath) properties

-Homepath is Fannie Mae's online offer system and also their financing division for REO(real estate owned) properties.

-All offers have to go through www.homepath.com, after you input your offer, we as the listing agent receive an email alert, and we review the offer, and then discuss the offer the Fannie Mae asset manager.

If your offer is accepted, an email will be sent to the contact email address provided by the agent during offer submission in Homepath.

-Fannie Mae will allow an offer to be SUBMITTED without Proof of Funds or Lender Pre-Qual, but WILL NOT ACCEPT THE OFFER - You must either send us the Proof of Funds or Prequal with the contract upload if you want an offer acceptance!

(just scan the proof of funds or prequal with the state contract when uploading it to Homepath.com)

-Fannie Mae is exempt from paying Doc Stamps on the deed, buyer is required to pay this additional expense.

How to calculate documentary Stamp Tax for Deeds:

•Documentary Stamp Tax at \$.70 per \$100.00, rounded up, based on the total purchase price.
(Example: \$50,000.00 X .007(\$350.00))

-During the first 20 days on the market, Homepath only accepts offers from owner-occupants and NSP(neighborhood stabilization program)buyers.

This does not mean you have to wait 20 days to put in an offer for any buyer (**you only have to wait 20 days if the buyer is an investor.**)

-Homepath financing is available with no appraisal, 5% down, no mortgage insurance, and down payment can be a gift, grant or loan.

Our assigned Loan Officer for local Homepath mortgages (and any questions you may have) is :

Dan Larios

Guaranteed Rate Mortgage

Ph 813-389-2557

Email : Daniel.larios@guaranteedrate.com

