

Are you buying a foreclosure because it's the "best" home for you, or because it's the "cheapest" home for you?

There is a lot of interest in buying bank owned properties these days. A lot of information, some good and some bad, is floating around about the subject.

REO stands for "Real Estate Owned". These are properties that have gone through foreclosure and are now owned by the bank or mortgage company. This is not the same as a property up for foreclosure auction. When [buying a property](#) during a foreclosure sale, you must pay at least the loan balance plus any interest and other fees



accumulated during the foreclosure process. You must also be prepared to pay with cash in hand. And on top of all that, you'll receive the property 100% "as is". That could include existing liens and even current occupants that need to be evicted. A REO, by contrast, is a much "cleaner" and attractive transaction. The REO property did not find a buyer during foreclosure auction. The bank now owns it. The bank will see to the removal of tax liens, evict occupants if needed and generally prepare for the issuance of a title insurance policy to the buyer at closing. Do be aware that REO's may be exempt from normal disclosure requirements.

It's commonly assumed that any REO must be a bargain and an opportunity for easy money. This simply isn't true. You have to be very careful about buying a REO if your intent is to make money off of it. The bargains with money making potential exist, and many people do very well buying foreclosures. But there are also many REO's that are not good buys and not likely to turn a profit.