



DID YOU KNOW ... YOU'RE BUYING AN REO?

THIS NOTICE PROVIDES GENERAL INFORMATION ON WHAT A BUYER MAY EXPECT WHEN PURCHASING AN REO (REAL ESTATE OWNED) PROPERTY. IT ASSISTS IN ANSWERING SOME, BUT NOT ALL, QUESTIONS A BUYER MAY HAVE ABOUT REO PROPERTIES. IT DOES NOT PROVIDE THE POLICIES FOR EACH AND EVERY REO PROPERTY AS EACH ASSET MANAGER/SELLER HAS ITS OWN SET OF RULES OR PROCESSES FOR SUBMITTING AND CONSIDERING OFFERS AND PROCESSING TRANSACTIONS. SUCH INFORMATION MAY ONLY BE OBTAINED FROM THE LISTING AGENT.

What is an REO? REO means "real estate owned" and is a term used by the financial industry to describe properties (assets) that a financial institution has repossessed by foreclosure, a deed-in-lieu of foreclosure, or other means. REO properties are also called "bank owned" or "corporate owned" because the owner of record is an institution instead of a natural person.

Is an REO property a "better" deal than other properties on the market? Only a willing buyer and seller determine the purchase price of a property. Just like other resale homes, REO properties have different amenities and are in various stages of age and repair. All of these factors influence the price that a buyer and seller are willing to agree on.

What kind of financing is available for an REO property? It is a sad truth that some properties have been vandalized. Certain loan products (for example, FHA loans) are not available for properties that do not have certain appliances, floor coverings or utilities. Check with your loan provider for complete and up-to-date details about your loan requirements.

What happens after my offer is written? Your agent will submit the offer to the listing agent for presentation to the seller. Many REO sellers use Internet-based programs, and your agent or the listing agent will enter the material terms of the offer into the program for the seller's review. Your agent may ask the listing agent about the seller's review policies and timeframes, for example, whether offers are reviewed on a specific day of the month or after the property has been on the market a certain length of time.

How long will it take to receive an answer? The response time varies according to the seller and its internal procedures, and whether there are investors involved on the seller's side. Often, the response will be provided to the listing agent verbally or via an email. The agents will then work together to reduce the agreement to "hard copy" and obtain signatures. If you have a specific deadline or timeframe for purchasing a home, you should discuss that with your agent.

How will I know if I'm competing against other potential buyers? Listing agents may or may not have authority from the seller to disclose multiple offers. The REALTOR® Code of Ethics requires a listing agent to have the seller's approval before disclosing the existence of other unaccepted offers on the property. A seller may respond to numerous offers with a "multiple counteroffer." This document alerts two or more buyers that they are in a competitive situation. If you receive such a counteroffer (or any counteroffer), carefully review it with your agent.

Can I choose the title company? Typically, the banks and lenders who have foreclosed on these homes have established business relationships with title companies, who often act as the escrow holder. Even before a home is put on the market, the title company may have opened a file and started its research on the title. Under federal law, a seller cannot require a buyer to purchase title insurance from a particular company, but if the seller is paying for the buyer's title policy then the seller may choose the title company. If you have already written out a check for earnest money, you may have to issue a new check to a different title company. For a consumer's guide to title insurance, go to www.doi.state.nv.us.

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