What is the Difference Buying a Short Sale vs. a Bank-Owned REO?

A Short Sale is the sale of a home in which the seller's mortgage lender agrees to accept a payoff of less than the balance due on the loan(s). The process starts when a seller who is behind in his payments attempts to sell his house before the bank takes the property through foreclosure. To do this, the Real Estate Agent negotiates with the bank to agree to sell the home for less than what is owed on the property.

REO stands for "Real Estate Owned," and is another way to refer to a "Bank Owned" property. This is property that the bank has taken back through foreclosure and failed to sell at the trustee sale. These properties are also known as Bank "Repos."

With a Short Sale, the homeowner is still technically the owner of the property and must agree to the sale terms in addition to the bank approving the deal. In a Short Sale, the seller is still typically living in the property and will issue all standard transfer disclosure statements. Short Sales take a little longer than an REO to obtain an approval from the lender and to complete the escrow.

With a Bank Owned REO, the bank is the owner and makes all the decisions regarding the sale. They typically sell the properties "as is" and with minimal disclosures. REO properties are vacant and once a deal is agreed to, the sale takes place quickly.

CALIFORNIA
TITLE COMPANY
www.caltitle.com