

Investor Tips for Buying Foreclosed Properties

1. Budget carefully. Don't let a small price tag lure you into a quick deal. Be sure to ask yourself a number of questions. For example:

- Do you have the money for the extensive repairs these houses often need?
- Do you have the resources you need to rehab the home, and if it doesn't rent immediately, cover the expenses?

2. See the house for yourself. If you are investing in property in another state, be sure that you have a trusted agent and property inspector to evaluate the house for you in person. Never buy a property sight unseen!

3. Look at the neighborhood. Your homework should include evaluating the neighborhood. You may not be able to recoup the cost of the repairs if the value of the house is depressed by widespread foreclosures or high crime in the area. Study the neighborhood at all hours, including at night!

4. How long has the house been empty? The longer the vacancy the more damage there is, in most cases. For example, the plumbing seals can dry out, sewer gases back up, and bugs that are in the sewer get a chance to get into the house.

5. Was it winterized? Don't turn on the utilities until you know the condition of the pipes. If the pipes cracked or burst during a cold spell, water will leak into the walls, and can create a potential future mold issue. The entire plumbing system of the home may need to be replaced.

6. Look at the landscaping. If the house has been neglected, untrimmed trees, vines and bushes contribute to the deterioration of the house. Vines crawl into the windows, and tree seedlings send roots down into the foundation. It doesn't take very big trees to mess up pavers!

7. Get an inspection. Bank owned properties are sold "As Is", without disclosures as to the condition of the property. The property may have been vandalized, copper piping is often stolen and cabinets or fixtures may be missing. When you write up your purchase agreement, make it contingent upon a home inspection.

8. Don't expect to profit from a quick sale. Investors who buy intending to do as little as possible to a house, hoping to resell for a profit when the market turns around, may find little profit and a lot of headache. Some cities are cracking down on neglectful property owners, charging penalties that increase over time, and homes that are not maintained properly lose value quickly.