

A QUICK PRIMER on Bank-Owned, Short-Sales and Probate Sales

Are you interested in 'distressed' properties for sale? Would you like to take advantage of the hot market - properties selling at a big discount? Here we explain the most popular types of distressed properties, and a little about what you need to know when you want to make a serious offer.

The term “distressed” is not referring to the condition of the home, but the condition of the sale. Most “distressed” sales are bank-owned, short-sales, or probate sales. These properties usually have the following characteristics:

- o The property is listed below market value.
- o The property needs some (or a lot) of work, for example, basic appliances and functionality, bringing the property up to safe building code, general repairs and upgrades, sanitation, etc.
- o The sale is usually “AS IS”! (do a home inspection, but don't ask the seller to fix anything)
- o A buyer will often receive limited disclosures from the seller.
- o The seller will usually not pay for any repairs, building code violation fixes, home warranty, and/or termite reports and extermination/damage repair.

BANK-OWNED (also called REO - Real Estate Owned) properties have been foreclosed upon by the owner's lender and are now owned by the lender. Usually, in these cases, the owner has long since abandoned the property and is very delinquent on payments. The property is often in questionable condition.

SHORT-SALES are also known as pre-foreclosures. The sellers are working with their lenders to allow them to sell the property for less than the mortgage amount owed (plus closing costs). The sellers are trying to get the lender to forgive a portion of their debt so that they can sell the home at a lesser (or no) loss. Sometimes, sellers in this case are trying to preserve some of their credit rating (a little better than foreclosure), and often the property is in better condition than 'bank owned'. However these properties may also be severely neglected.

PROBATE SALES are usually homes listed for sale by the heirs/trustees of recently deceased property owners. The condition of these properties ranges anywhere from very good to a serious state of neglect.

Usually, but not always, unpaid property taxes will be paid by the seller/lender in the case of a short-sale, however unpaid HOA dues are often paid by the buyer. It's important to obtain all possible disclosures and title information for these properties and evaluate the information carefully when making a purchasing decision.

Below is a chart that includes recently closed distressed sales in selected north county zip codes (short sales and bank-owned). Note that many of them have sold for the full asking price or more, as a result of multiple offers and subsequent bidding wars that these listings received.

If the properties are listed very low, a lot of interest is generated, and “bidding wars” can drive the price of the property above the asking price. This is very common with bank-owned listings. If you know the market and see a fantastic price, it will probably sell for more.



A note about short-sales - these are sales that take place only when the seller's lender forgives a portion of the loan in order for the sale to take place. Therefore, these homes are listed for the amount that the listing agent feels the seller's lender will accept, or, for the agreed upon amount in advance with the lender. They are usually listed below the true market value, so are generally a good buy - especially if you are handy, depending on condition. **Keep in mind that buying a short-sale can be a very lengthy process, often taking at least 6 to 8 months once your offer has been accepted by the seller** (this is why listings in "contingent" status seem to stay there for so long). This is due to many reasons, but mainly because the forgiving banks have extremely slow response. In addition, there are usually two loans and getting the two banks to agree on every detail is a major feat. It is also very possible that the short-sale may *never* be approved, which may only become known many months down the road. A buyer needs to be extremely patient and be flexible with changing interest rates if getting a mortgage, and should **realize when entering into a short sale that closing is not a sure thing (only 50% of short-sale listings ever actually sell)**. We've seen many occasions where after 8 months of

waiting for a short-sale lender to agree, the home winds up going into foreclosure or the lender works out a loan modification or the sellers regain their jobs, etc.



A note about competition. As mentioned earlier, there is usually a lot of competition for distressed properties. The offered amount being equal, all-cash buyers usually take priority, then buyers with the largest down payments. The main reasons for this are the higher probability of a successful sale and for confidence that the sale can be completed quickly once lender approval is obtained.

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DISTRESSED SALES FOR Dec 2011 - Jan 2012 Condos/Homes in 92014, 92024, 92122, 92130

ML #	Address	Zip	Style	Bd	Bt	Est SF	LTP	List Price	Sold Price	COE	DOM
110062076	2582 Del Mar Heights Rd # 1	92014	Attached	2	2	860	ER	\$204,900	\$197,500	01/11/2012	34
110064833	1660 S El Camino Real # 103	92024	Attached	2	1	810	ER	\$154,500	\$171,000	01/09/2012	16
110052873	1740 S El Camino Real # J202	92024	Attached	2	2	906	ER	\$199,000	\$180,000	12/13/2011	0
110053873	1730 S El Camino Real # 104	92024	Attached	2	2	906	ER	\$199,900	\$200,000	01/05/2012	46
110049563	205 Mangano Cir	92024	Attached	2	2	940	ER	\$259,900	\$248,000	01/10/2012	101
110052491	315 Countrywood Ln	92024	Attached	3	2	1,014	ER	\$299,000	\$299,000	12/15/2011	90
110046464	148 Mangano Cir	92024	Attached	2	2	1,011	EA	\$310,000	\$310,000	12/15/2011	115
110055466	3550 Lebon Dr # 6413	92122	Attached	1	1	535	ER	\$125,000	\$121,900	01/13/2012	102
110044041	3520 Lebon Dr # 5116	92122	Attached	1	1	600	ER	\$150,000	\$135,000	12/21/2011	102
110060529	3440 Lebon Dr # 4205	92122	Attached	1	1	600	ER	\$154,900	\$150,000	12/20/2011	21
110056133	8889 Caminito Plaza Centro # 7317	92122	Attached	1	1	600	ER	\$165,000	\$155,000	01/04/2012	56
110046810	7555 Charmant Dr # 1104	92122	Attached	1	1	704	ER	\$164,900	\$158,500	01/10/2012	83
110056932	8324 Regents Rd # 1h	92122	Attached	2	2	894	ER	\$185,012	\$175,000	01/10/2012	46
110066765	3937 Nobel Dr # 131	92122	Attached	1	1	600	ER	\$185,000	\$186,500	01/19/2012	11
110053194	3979 Nobel Dr # 313	92122	Attached	1	1	600	ER	\$199,000	\$190,000	12/07/2011	64
110059461	3927 NOBEL Dr # 44	92122	Attached	1	1	680	ER	\$193,000	\$193,000	12/21/2011	56
110045149	6192 Agee St # 251	92122	Attached	2	2	956	ER	\$217,500	\$195,000	12/14/2011	130
110033287	7405 Charmant Dr # 2223	92122	Attached	2	2	934	ER	\$220,000	\$205,000	01/13/2012	106
110060982	4055 Crystal Dawn Ln # 102	92122	Attached	1	1	835	ER	\$199,000 - \$250,000	\$205,000	01/30/2012	88

110015589	7120 Shoreline Dr # 2207	92122	Attached	2	2	848	ER	\$228,000	\$212,000	12/30/2011	280
110058325	8324 #3L Regents Rd	92122	Attached	2	2	894	ER	\$229,900	\$229,900	12/30/2011	16
110057087	7405 Charmant Dr # 2217	92122	Attached	2	2	1,037	ER	\$239,000	\$235,000	12/20/2011	56
110033787	4445 Nobel Dr # 54	92122	Attached	2	2	1,097	ER	\$275,000	\$290,000	12/26/2011	143
110042009	7235 Calabria Ct # 95	92122	Attached	2	2	1,019	ER	\$329,000	\$342,500	01/06/2012	169
110012646	3857 Pell Pl # 114	92130	Attached	1	1	748	ER	\$239,900	\$200,000	12/09/2011	187
110046430	3887 Pell Pl # 424	92130	Attached	1	1	748	ER	\$219,300	\$219,300	12/20/2011	91
110034246	4049 Carmel View Rd # 84	92130	Attached	1	1	886	EA	\$246,891	\$242,100	01/19/2012	6
110053426	3534 Caminito El Rincon # 40	92130	Attached	2	2	944	ER	\$270,000	\$253,000	12/08/2011	40
110006022	12595 Ruelle Alliante # 145	92130	Attached	2	2	944	ER	\$279,000	\$270,000	12/29/2011	131
110046251	3539 Caminito El Rincon # 242	92130	Attached	2	2	944	ER	\$294,300	\$297,000	12/30/2011	82
110065753	4005 Carmel View Rd # 64	92130	Attached	2	2	1,071	ER	\$289,900	\$310,100	01/18/2012	8
110058973	12626 Carmel Country Rd # 100	92130	Attached	2	3	1,116	ER	\$315,000	\$333,000	12/09/2011	24
110044198	3540 Voyager Cir	92130	Attached	2	2	1,097	ER	\$339,000	\$339,000	12/08/2011	120
110054074	3887 Pell Pl # 102	92130	Attached	2	2	1,246	ER	\$379,000	\$380,000	01/19/2012	65
110043216	3808 Mykonos Ln # 19	92130	Attached	2	3	1,202	ER	\$425,000	\$390,000	01/05/2012	102
110052037	3977 Via Holgura Rd	92130	Attached	3	3	1,413	ER	\$440,000	\$440,000	12/14/2011	91
110058559	3750 Mykonos Ln # 111	92130	Attached	3	3	1,336	ER	\$445,000	\$445,000	12/29/2011	46
110062649	4611 Vista De La Tierra	92014	Detached	4	3	2,889	ER	\$945,000	\$945,000	01/31/2012	57
110022338	13707 Mira Montana Dr	92014	Detached	5	5	3,332	ER	\$1,195,000	\$1,050,000	12/21/2011	220
120000761	14286 Recuerdo Dr	92014	Detached	4	4	3,293	ER	\$1,749,900	\$1,900,000	01/30/2012	8
110057555	1226 Cambria Wy	92024	Detached	3	3	1,386	EA	\$469,000	\$465,000	01/10/2012	52
110021875	1510 Avenida De Los Lirios	92024	Detached	4	3	1,940	ER	\$499,000	\$500,000	01/30/2012	65
100001564	953 Sealane	92024	Detached	3	3	2,010	ER	\$655,000	\$630,000	12/14/2011	308
110037413	607 Shasta Dr	92024	Detached	5	4	4,543	EA	\$915,000	\$940,000	12/08/2011	125
110021497	3413 Dove Hollow Rd	92024	Detached	4	5	5,198	ER	\$1,200,000	\$1,150,000	12/14/2011	183
110041249	5150 Via Avante	92130	Detached	4	3	2,842	ER	\$810,000	\$780,000	12/21/2011	156
110019374	12736 Brubaker Ct	92130	Detached	3	3	2,976	ER	\$825,000	\$800,000	12/12/2011	229
110062330	5120 Bareback Sq	92130	Detached	3	5	3,098	ER	\$812,500	\$800,000	12/30/2011	35
110037460	10681 Hunters Glen Dr	92130	Detached	5	4	3,476	ER	\$850,000 - \$899,999	\$853,450	12/30/2011	155
110057155	13513 Ginger Glen Rd	92130	Detached	4	3	2,961	ER	\$910,000	\$875,000	12/15/2011	20
110063627	3912 Lago Di Grata Cir	92130	Detached	4	4	3,442	ER	\$1,079,000	\$950,000	01/06/2012	22
110061186	13130 Sandown Wy	92130	Detached	5	5	4,396	ER	\$1,174,200	\$1,130,000	01/06/2012	58
110046317	13088 Dressage Ln	92130	Detached	5	5	4,543	ER	\$1,200,000	\$1,200,000	12/30/2011	139
110060619	4028 Mahaila Ave # A	92122	Townhome	2	3	1,719	ER	\$440,000	\$440,000	12/23/2011	36
110044253	3756 Mykonos Ln # 96	92130	Townhome	2	3	1,202	ER	\$399,000	\$390,000	01/24/2012	127
110019999	3456 Voyager Cir	92130	Townhome	3	3	1,602	ER	\$449,000	\$440,000	01/27/2012	215
110052358	13000 Requilo Pl	92130	Townhome	3	3	1,563	ER	\$435,000	\$461,001	01/03/2012	110
110036831	258 Fraxinella St	92024	Twinhome	2	2	1,517	ER	\$375,000	\$400,000	12/29/2011	161

Note, sold prices above are recorded sales prices and do not include buyer's out-of-pocket payment for back-taxes, back-HOA fees, etc. COE = Close of escrow date, DOM = Days on market. Information from Sandicor, Inc. deemed reliable but not guaranteed.