

purchasing at a discount



Haven't you always wanted to buy a mansion in the Hamptons? Who hasn't? Well, I have some news for you. In difficult economic times, where foreclosures are the talk of the town, it's a buyer's market where opportunities are everywhere. A

buyer's market means that sellers need to sell and that they are willing to accept terms that they otherwise would scoff at. While it is true that this economic climate is ideal for buyers, this only bodes true for buyers in the know. But, how does a buyer become in the know? Not by reading news articles claiming great values, nor by hearing about record foreclosures or discussing opportunities at work, but instead through education. Yes, you must become an educated purchaser to capitalize. You must understand the key terms in this market and how each presents a different type of opportunity for your gain. So, if you want to own that mansion, it's time to concentrate, it's time to believe, it's time to learn.

Before we start, an invitation is in order. I have partnered with *Homes of the Hamptons* to invite you to attend our course, "Foreclosure and the Economy," offered through Lieb at Law's free Real Estate School. If you are a real estate professional, three continuing education credits are available. If you wish to attend, please go to www.liebatlaw.com/realestateschool/register to register today.

At our school, you will learn about the three different types of purchasing opportunities in this market. In such, the opportunities are called a Short Sale, a Foreclosure Auction, and a Real Estate Owned (REO) Sale. It is important that you, as a purchaser, can distinguish between these three options because each offers substantially different opportunities, and requires a distinct purchasing strategy.

An REO is a great purchase for someone who is handy or someone who doesn't mind getting some work done, but it's probably not a great purchase for someone who wants to turn a key and enter paradise. The concept of an REO is that the previous homeowner defaulted on their mortgage and was subject to a Judgment of Foreclosure and Sale, wherein the lender thereafter purchased the property at a Public Auction. Yet, in all likelihood, the homeowner was less than thrilled to be evicted and often such a homeowner will substantially damage the property prior to vacating. Moreover, an REO is purchased from a

bank, which will likely maintain a vacant house in less than an optimal condition. Yet, the same factors that necessitate this type of purchase also present a great value. Banks are in the money business, not real estate, and they will be very willing to unload an REO, sometimes at discounts of approximately twenty percent of fair market value.

If you are not the handy type, or you just don't have the time for construction, you are better served finding a Short Sale, which is my favorite option. In fact, I recently taught my peers at the Suffolk County Bar Association about this very exciting opportunity. In contrast to an REO, a Short Sale is available directly from the homeowner at a pre-foreclosure sale. In a Short Sale, the homeowner owes their bank more than the fair market value of the house and is negotiating with the bank to avoid a foreclosure. In this scenario, the homeowner happily will leave their home if the Short Sale is approved because such approval typically signals that the bank will forgive any deficiency owed on the loan. Therefore, a properly maintained house is more frequently available, which is also accompanied by a discount of approximately fifteen percent of fair market value.

As you have probably deduced by now, a Foreclosure is a judicially ordered sale of the property at auction. Typically, the auction occurs at Town Hall, where a purchaser is subject to stringent purchasing terms that are set by the Court. Additionally, a purchaser will traditionally be required to close on the purchase in a time-is-of-the-essence fashion. With respect to the condition of the property, a Foreclosure purchase is more comparable to an REO than a Short Sale.

To purchase a Short Sale or an REO, contact your local real estate professional, but to purchase a Foreclosure simply read your local newspapers for Foreclosure listings and attend an auction.



Andrew M. Lieb, Esq., MPH, Managing Attorney



ANDREW M. LIEB
LIEB AT LAW, P.C.
376A MAIN STREET
CENTER MORICHES, NEW YORK 11934
(631) 878-4455 EXT. 114
(631) 878-4460 FACSIMILE

Andrew M. Lieb is the Managing Attorney of Lieb at Law, P.C. and of the firm's NYS Licensed Real Estate School. You can reach Mr. Lieb with questions or comments at Andrew@liebatlaw.com or 631.878.4455.