

TODAY'S REAL ESTATE REALITY 2009

Currently housing inventory in San Diego is a mix of approximately 40% short sales, 55% foreclosures and 5% regular sales.

On Foreclosures (aka REOs), many banks will take a lower offer when it is all cash, over a higher offer which requires a loan.

Most REO properties require that you get pre-qualified with their bank's representative. These Banks require you speak with them directly or have you apply for a pre-qualification on-line; your offer won't be considered unless you do so. Further, these matters are always *time sensitive* -your offer will *not* get submitted to the Asset Manager until you have done this.

With a REO your offer is ONLY considered fully accepted when the Bank's Asset Manager fully executes (signs) their Addendum – which is a separate Legal Contract. In the interim, the bank may continue to take offers and can accept any other offer that comes in. Response times vary from 3 days to 10 days.

Banks take the highest & best offers only. In San Diego, “low balling” an REO property is a sure way to not get your offer accepted. Often you have to make an above price offer to be considered; other times you may have to just pay full price. Often Listing Agents' low ball the list price to get multiple offers, thereby driving up the price. There is a ton of competition for REO properties in San Diego.

No property is perfect; most need some repairs. However since 95% of the current market inventory are short sale and foreclosures and are sold AS-IS you will need to budget for at least some repairs and deferred maintenance.

Foreclosures have no disclosures. The Banks have no knowledge of the properties maintenance history. Foreclosures will do NO repairs....it is statistically nill if they do. Never expect it.

Some tricks to get your offer accepted is not asking for anything of the seller; such as, no closing costs, no termite repairs, no extras. Also, adding in that you will pay X amount over the appraised value if the appraisal does not come in at the contracted/offered price; or eliminating the appraisal contingency altogether.

The Close of Escrow date is a GOAL date and not an absolute. Never expect to close on time these days; I will guide you with a goal date. Delays can cause problems with your rate lock and require you to pay for an extension; be prepared to have to extend your rate lock; **this often costs extra to do so**; speak to your mortgage broker. Also, be prepared for some “living overlap” in your current home.

Short Sellers are detached from the process and often take items with them from the house; there are no guarantees that they will leave the appliances you asked for in the contract, nor clean up any debris from the property, nor leave the light fixture you really loved.

Today's lenders are more concerned with the condition of the property if the loan is an FHA or VA Loan or a Conventional loan with less than 20% down. Some properties if in poor condition are considered “un-lendable” and require cash only.

If the property you are purchasing has been owned by a corporate seller, LLC, or investor seller for less than 90 days, it difficult to get a FHA or VA loan on the property; but you can write an offer on the 91st day – if it is still available. Conventional loans with 20-25% down or more can do so at any time.

When buying a condominium, getting a FHA or VA loan can be challenging unless the HOA has excellent reserves, owner occupancy of 60% or more, no back dues, no liens, no lawsuits and is in good to excellent condition. Currently the FHA is re-reviewing all FHA approved condos thereby basically freezing any FHA lending on condos for many months.

Unpermitted rooms or additions MAY cause a loan not to fund.

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Please keep in mind, to see a property, some notice is necessary because:

- . Appointments may need to be made with owners/tenants when the property is occupied.
- . Time may be needed for me to research some aspect of the property or speak with the Listing Agent.
- . Other research includes: status of any current offers, any major issues that would preclude you from obtaining the type of financing you require, is the property ready to default, etc.