

Realtor Tips to Protect your Client

Have we seen the last of the REO properties for the foreseeable future? REO (“Real Estate Owned”) properties are assets that were acquired by lenders through foreclosure. After the real estate market shake-up in 2007 there was a sharp increase in the number of REO properties on the market. Even with the recent improvements in the real estate market, REO properties still comprise a noticeable portion of available homes for sale, and based on predictions will for some time. We hope the following tips are helpful to you in your representation of purchasers of REO properties.

Practice Tips:

1. Submit a loan prequalification letter or proof of funds with the offer in order to greatly increase the likelihood of seller’s acceptance;
2. Make sure your client has submitted their highest and best offer if they really want the property. REO sellers often entertain multiple offers, and are not committed to any one offer until they sign a contract. Always remind your client that nothing is binding on the REO seller until they have signed the contract.
3. For your investor clients, bear in mind that some REO sales are open only to certain groups, such as intended owner occupants for a period of time, and if no qualifying offer is received during that time period then the seller will entertain offers from anyone.
4. Read and have your client read any REO Addendum presented by the seller. Any addendum will supersede the terms in the offer, including the timeframe for acceptance.
5. If there are items in the REO Addendum that are make or break items for your client, you will certainly want to counter with requested addendum modifications, but before doing so please warn your client that REO sellers are much less likely to accept an offer with addendum changes requested. REO sellers tend to be inflexible when it comes to changing the addendums as these are national documents preapproved by the entity’s in house counsel, in most cases, and any changes often require in house counsel review and approval, which can be a lengthy process.
6. One item you will want to be sure you confirm in the REO addendum is whether or not the seller is agreeing to pay the cost of your client’s owner’s title insurance. REO sellers vary greatly in their approach to title insurance costs. Some pay on every deal. Others never pay on any deal. Some pay if you agree to close with the seller’s attorney. Some pay for the costs of a basic policy, but not an enhanced policy. If the latter is the case, you will want to talk with your client about the differences between a basic and enhanced policy and always recommend to your client that they pay the difference between the basic and enhanced policies, if available. You will want to ask the closing law firm for the difference in cost between a basic and enhanced policy, but your client can expect to pay somewhere between \$100 and \$300, for most price points.

The best advice we can offer when representing the purchaser of an REO property is to read and ask, read and ask. Please feel free to reach out to us if you have any questions or if we can be of any assistance to you or your client, whether the transaction is closing with us or another law firm. We are here to help.

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