

# On The Move

## NEW HOME BUYER INCENTIVES

President Obama's Economic Stimulus Bill provides an \$8,000 tax credit to first-time home buyers for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009. The credit does not require repayment.

Any first-time buyer purchasing a home in the U.S. for \$80,000 or more qualifies for the full \$8,000 amount. (A person is considered a first-time buyer if they haven't had any ownership interest in a home in the three years previous to the day of the 2009 purchase.) This credit is available to any head of household earning no more than \$75,000 or married couple filing jointly with an income no more than \$150,000. The credit is less for those with higher income. Please contact 508-904-0515 or [kyle@positiverelocation.com](mailto:kyle@positiverelocation.com) for guidelines. ❖

## BUYING SHORT SALE AND FORECLOSED PROPERTIES

People often ask us about buying homes that are bank owned or "short sales," where the bank is willing to accept less for the home than the seller owes on his mortgage. There are many great values to be had, but it's important to know the potential pitfalls up front. Here are six tips to know if you're considering an offer on a short sale or bank foreclosure:

**1. Understand necessary home repairs.** This may seem obvious but it's especially important when making an offer on a foreclosure or short sale. That's because most of these properties are sold in as-is condition. That means that the buyer has the right to conduct a home inspection and can back out if there are big problems. However, the bank will not repair or provide credits for any issues discovered. *(Continued on page 2)*

## A SAMPLING OF FORECLOSED AND SHORT SALE PROPERTIES



**Hopkinton**—Charming 2-bedroom cottage on Lake Maspenock for swimming, fishing & boating. Dock rights. This is a short sale. \$199,900.



**Wellesley**—Bank owned four-bedroom one-bath Cape with hardwood floors, two-car garage, and nearly 1/4-acre yard. \$399,900.



**Hopkinton**—Bank owned 2-bdrm 1.5 bath townhome priced nearly \$60K below assessed value. \$169,900.

For more information, contact 508-904-0515 or [kyle@positiverelocation.com](mailto:kyle@positiverelocation.com).

Some investors choose to conduct an inspection prior to making an offer. This way they know upfront what the true condition of the home is. Moreover, they are able to make the offer with no inspection contingency, which strengthens their position.

**2. Find out about dewinterizing.** Because foreclosed properties may have been vacant for some time, there may be deferred maintenance or vandalism issues to contend with. In addition, these properties are often winterized by the bank to keep the pipes from freezing during the winter. If the bank does allow the property to be dewinterized for the inspection this is often done at the expense of the home buyer.

**3. Find out about all liens.** Home sellers that are pursuing a short sale are in pretty dire financial straights and often have more than one creditor looking for “a piece of the pie”. Thus, there are several parties who could accept or hold up an offer. This could be a second mortgage holder, an unresolved tax or municipal lien, or a law suit. If you’re making an offer on a short sale property, ask your buyer’s agent to determine beforehand if there are multiple lienholders and if they’ve already agreed to a price and settlement arrangement.

**4. Yes doesn’t always mean yes.** Because there are often multiple lienholders involved in approving a short sale, the primary mortgage holder usually retains the right to change or reject your offer, even after the purchase and sale has been signed, meaning that you could have had an offer accepted and paid for a home inspection and loan application, only to find the deal fall apart when multiple lienholders disagree can’t come to terms on how much money each will get from the home sale proceeds. Approval of a short sale offer can even be delayed for months at a time. That’s why short sales tend to work best for investors or contractors who aren’t planning to live in the home and can afford to wait for an answer on their offer.

Fortunately, those buying bank foreclosures don’t have to contend with this uncertainty because the primary lender has already taken ownership of the

property and has the sole decision making power to accept an offer to purchase.

**5. Cash is king.** Often foreclosed properties are priced very aggressively. Many times homes priced well below assessed value will receive multiple bids, including cash offers from investors with no inspection contingency. Winning out over cash offers may require bidding significantly higher.

**6. Be prepared to sign the bank’s purchase & sale (P&S) agreement.** Because the bank is often entering into a contract to sell a home for which they don’t yet have clear title, the bank attorneys write rather onerous purchase agreements, giving the bank all the protection and requiring the buyer to complete all aspects of the transaction while holding themselves blameless for any problem or change that comes up.

It is prudent to have an attorney review all contracts that the bank asks you to sign. However, there is usually little if any opportunity for changes. With a typical home purchase transaction, the seller’s attorney will draft a P&S and the buyer’s attorney will have an opportunity to make changes to it. However, with a short sale or bank sale, the buyer can have an attorney review the P&S but the bank usually won’t accept any changes to it. Because all the protections lie with the bank, some attorneys will advise against signing these documents.

The bottom line: Both short sales and bank foreclosures present opportunities to purchase homes well below assessed value. Short sales are complex transactions and not for the faint of heart. They are often best for investors or contractors who can afford to wait while the lienholders sort out their differences. Bank foreclosures on the other hand tend to be more straightforward yet still have some processes that should be navigated carefully to keep the purchase running smoothly.

Please feel free to contact us at 508-904-0515 or [kyle@positiverelocation.com](mailto:kyle@positiverelocation.com) if you have any questions or would like more information about buying properties in short sale or foreclosure status.

