

The Orange County Foreclosure Buying Bonanza!

Buy Right, Buy Legally!

Richard Ivar Rydstrom, Esq., LL.M. Taxation

California held the record with 83,210 homes in the foreclosure process in the second quarter of 2007 (Managing REO, August 8, 2007). In Orange County, households in foreclosure went up 241 percent ending June 30, 2007 over last year.

Types of Foreclosure Buying Opportunities: Before, During or After!

Foreclosures can be purchased from the homeowner in the 'before' stage (called pre-foreclosures), during foreclosure (or 'at the foreclosure auction'), or 'after' the foreclosure sale as an 'REO' (real estate owned by the lender), directly from the bank or lender who took the property back.

Pre-Foreclosure Stage: Although great opportunities exist for 10-40% below market, this is the most misunderstood stage. This stage is strictly governed by law. Pre-foreclosure buying (homes with a recorded Notice of Default) require strict compliance with California law making it a crime to buy property from a homeowner pending foreclosure unless (a) the proper Home Equity and Notice of Default Purchase Agreements are used, (b) the buyer does not sign any deed or side agreements whatsoever until the expiration of the Cancellation Period and (c) the buyer has a signed Notice of Cancellation allowing until midnight of the 5th business day to cancel the deal. See www.legalforeclosures.org for the detailed requirements of California law, contracts and Notices. Buyer beware, there may be liens or judgments against the property that the buyer will want to exclude via contract.

Pre-Foreclosure Short Sale: Notwithstanding, this stage will lend it self to buying a 'short sale' at a price below the amount due on the mortgages and usually 20-40% below market. This will also require the lender(s) to agree to take less than the amounts due, which will require 1-4 months of negotiations and the submission of a **Short Sale**

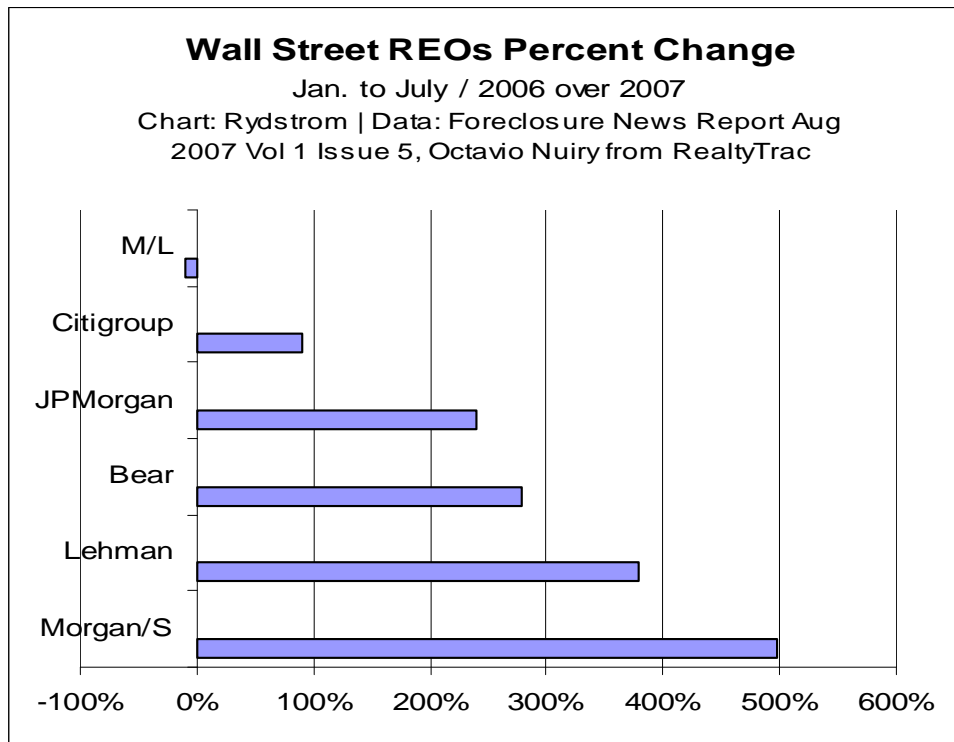
Package documenting: A) Homeowner Hardship, B) Property/Neighborhood Hardship with Rebuttal Broker Price Opinion (BPO) Appraisals, and C) Hardship in the Economy. However, it is critical to understand that, although laws are pending in Congress, the homeowner presently may be subject to **income tax on the amount of forgiveness of debt**, or the amount of the non- purchase money mortgage (refinanced mortgage) **deficiencies**. It behooves both the buyer and the short seller to **negotiate the waiver** of the deficiency judgment and/or income tax (1099 reporting) liability. An attorney should be consulted by the buyer and seller to avoid unwanted results. Pre-foreclosures can be found at www.foreclosures.com.

At Foreclosure Sale or Auction Stage: Buying at the foreclosure sale requires bidding against other potential buyers usually causing the price to rise. At auction the minimum bid or price is set by the credit bid, the minimum amount due the lender on the loan with associated costs. This stage will require full payment in 'cash' or a 'cashiers check'. Buyer beware, there may be liens or judgments against the property that the successful bidder will inherit.

After Sale or REO Stage: At the REO stage (real estate owned by bank) you are buying the property directly from the lender or its representative (an REO auction service). However, at this stage liens or judgments have already been eliminated by the foreclosure sale. Also, as REO inventories grow rapidly, REO sales and REO auctions will result in

deep discounts and favorable or flexible buying terms. The best kept secret for REOs is that the Wall Street investment banks have been forced to take title to properties that they are unprepared to administer creating deep discount direct REO purchase opportunities. Pre-foreclosure, Auction and REO properties as well as statistics on defaults and foreclosures may be found at www.realtytrac.com.

Wall Street REOs!
Bear Stearns,
Citigroup, JP
Morgan Chase,
Merrill Lynch,
Morgan Stanley,
and Lehman
Brothers



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949-798-6206