

# Purchasing in a Distressed Market

**March 23, 2011**

**Presented by:**

**John Hughes**

**Guidant Realty**

**Hosted by:**

**Peggy Nault**

**First Tech FCU**





# Overview



- **About the Speaker**
- **Market Overview**
- **Courthouse Auctions**
- **Retail Auctions**
- **Foreclosed Listings**
- **Short Sales**
- **Available Tools**

# About Peggy



- Over 20 years of lending experience with Addison Avenue, with over 10 years in residential lending.
- Personal mission is to develop and maintain long term relationships with each client by providing highest level of personal and exceptional customer experience.
- I passionately believe in the Credit Union's philosophy of "People Helping People". I love to inform and educate my clients so they can make the best financial decision for their home loan needs, whether it's to buy their first home, buy an investment property or refinancing their current mortgage."

**Peggy Nault**  
Mortgage Consultant

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# About John



**PRIMARY GOAL:** Representing clients best interests at all times with professional habits, value-added tools, and strong contractual expertise

## HIGHLIGHTS:

- Director, Placer County Association of Realtors
- Broker, Guidant Realty
- 2008/2009/2010 Masters Club – Top Performing Realtors
- Founding member - HP Customer Experience Initiative
- Largest deal – Bid Mgr on \$3 Billion Svcs. Contract
- Contracts Mgmt – Managed up to \$460 Million Contract
- Strategic Planning - Competitive Market Gathering and Services Improvement
- Now applying big business skills to properly represent you!

**John Hughes**

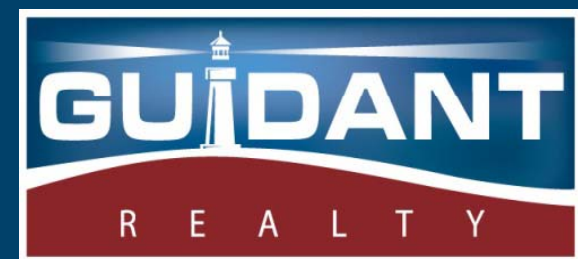
Broker / Owner

DRE License # 01726716

Phone: 916-663-5959

Fax: 916-237-4477

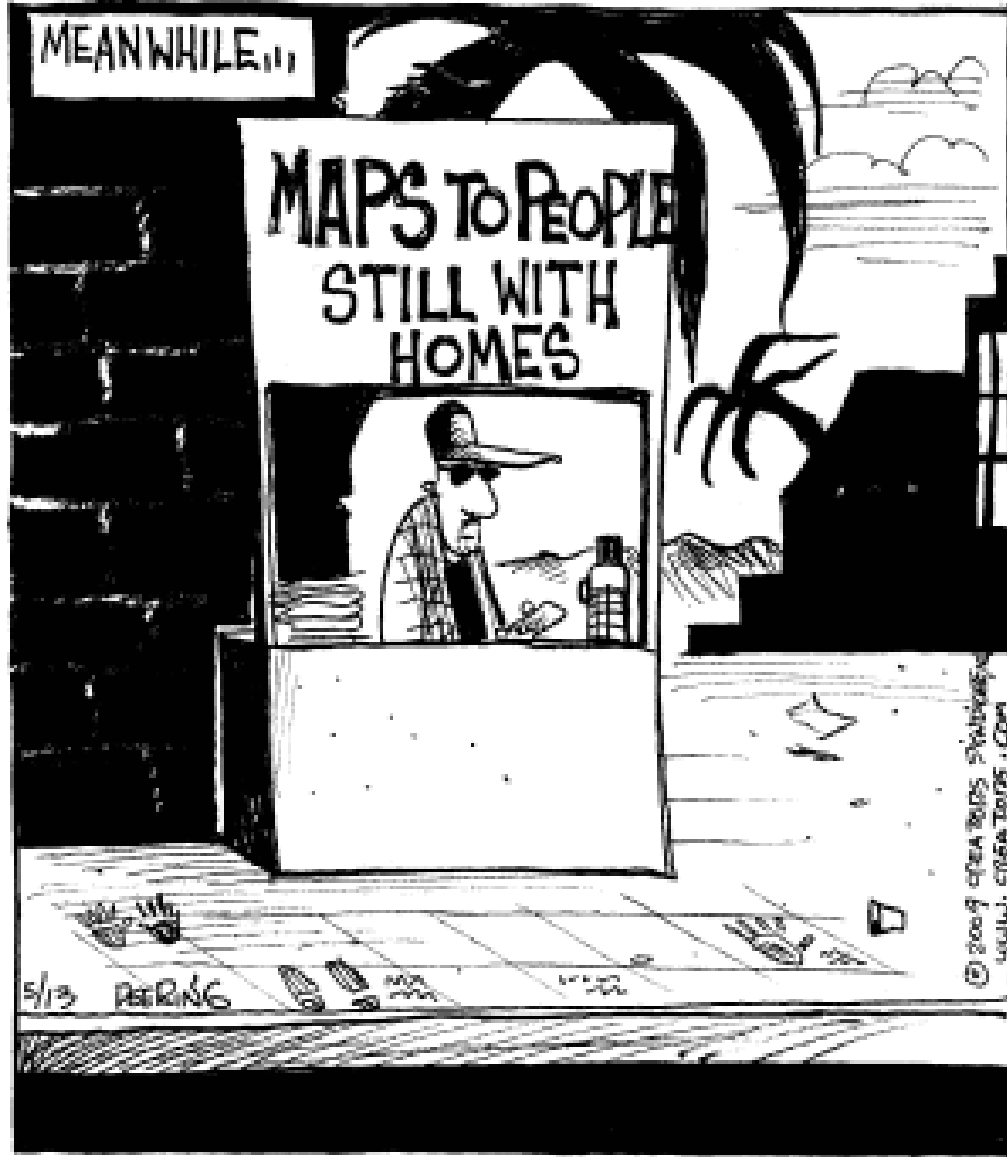
E-Mail: [John@GuidantRealty.com](mailto:John@GuidantRealty.com)



# Market Overview

There Is Always Humor Somewhere

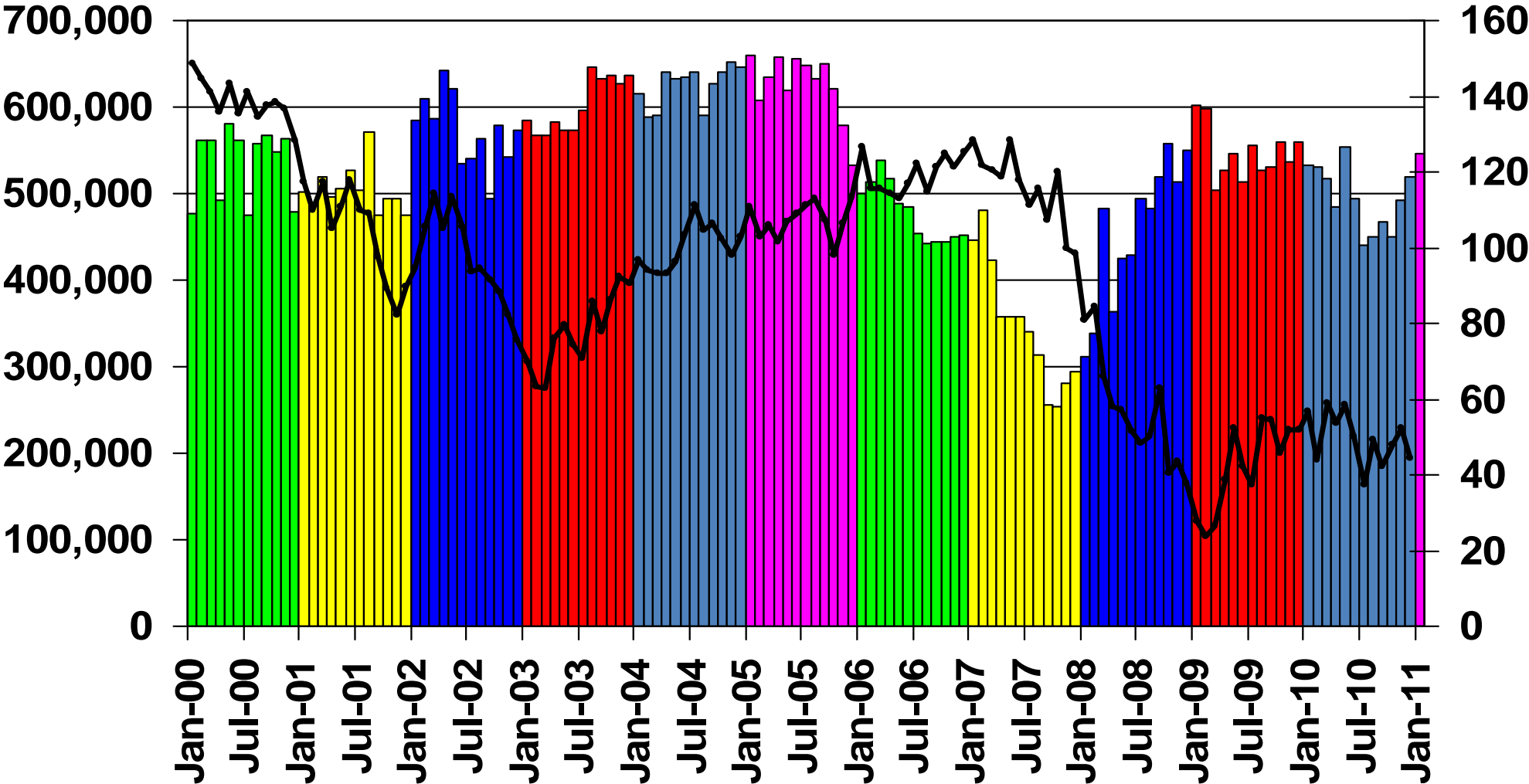
STRANGE BREW by John Deering



# Market Overview

## Home Sales vs. Consumer Confidence

■ Sales — Consumer Confidence

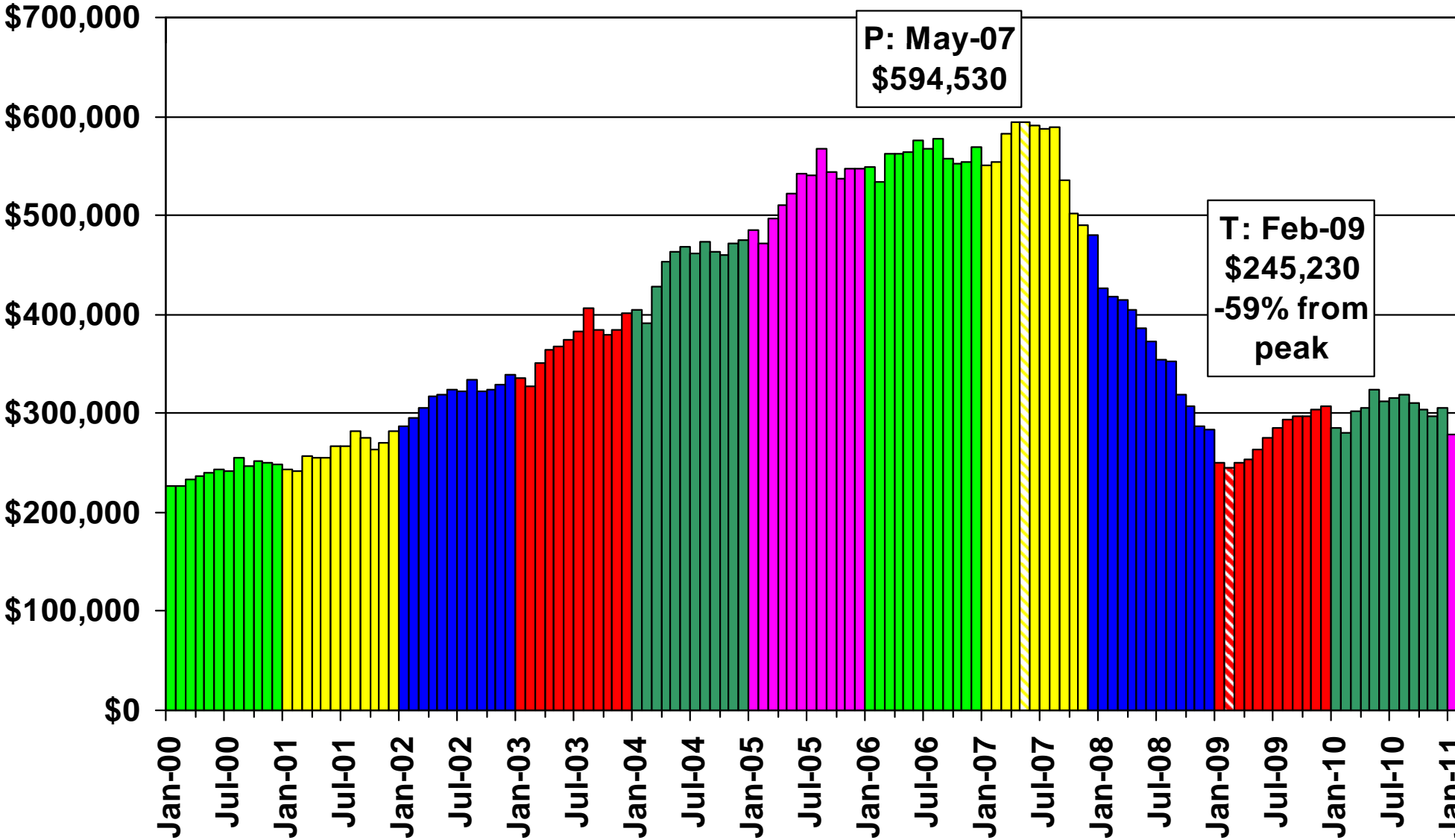


SOURCE: California Association of REALTORS®



# Market Overview

## Median Sales Price: California



**P: May-07**  
**\$594,530**

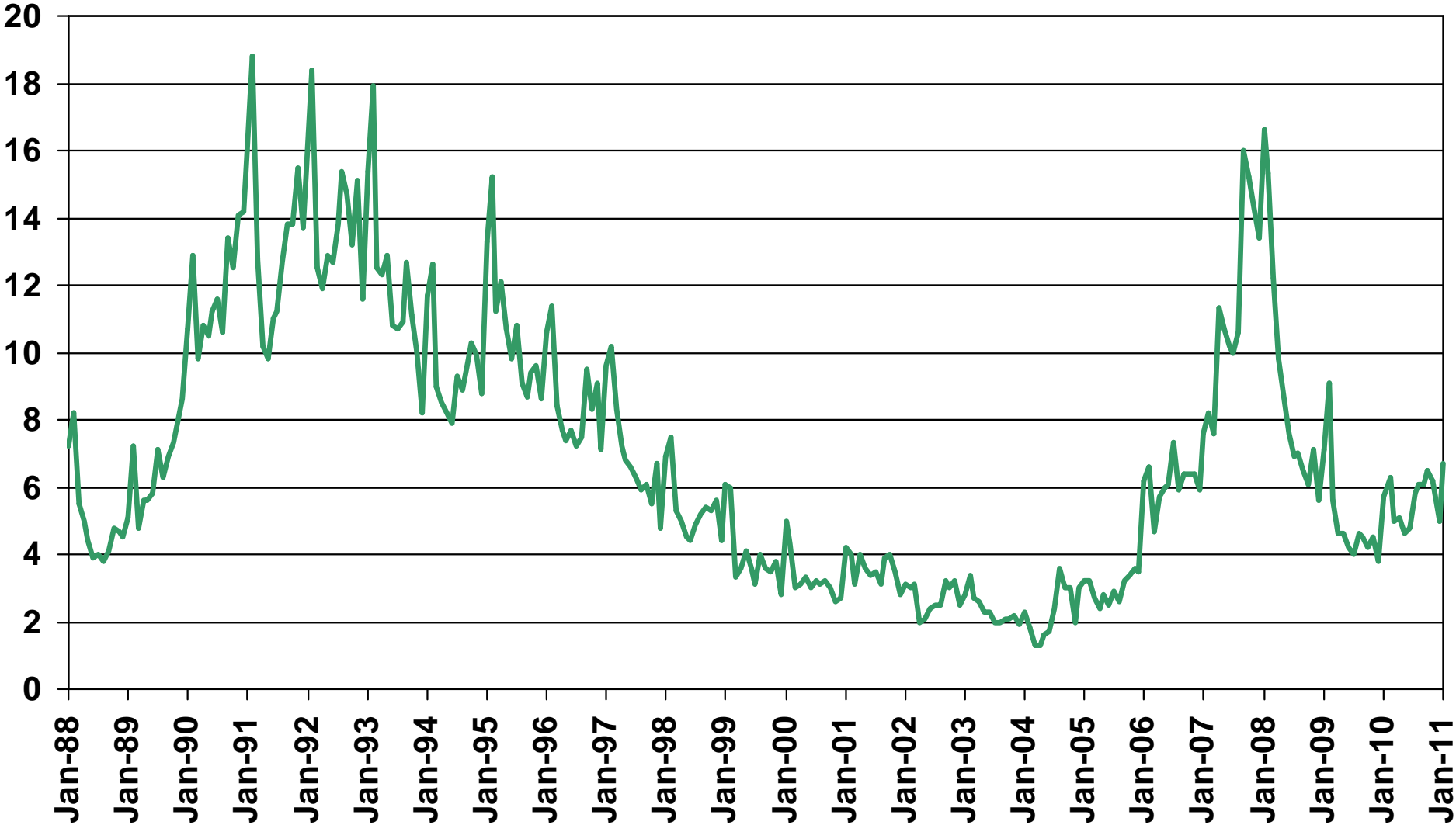
**T: Feb-09**  
**\$245,230**  
**-59% from peak**

SOURCE: California Association of REALTORS®



# Market Overview

## Unsold Inventory Index, CA: Dec '09 – 3.8 Months



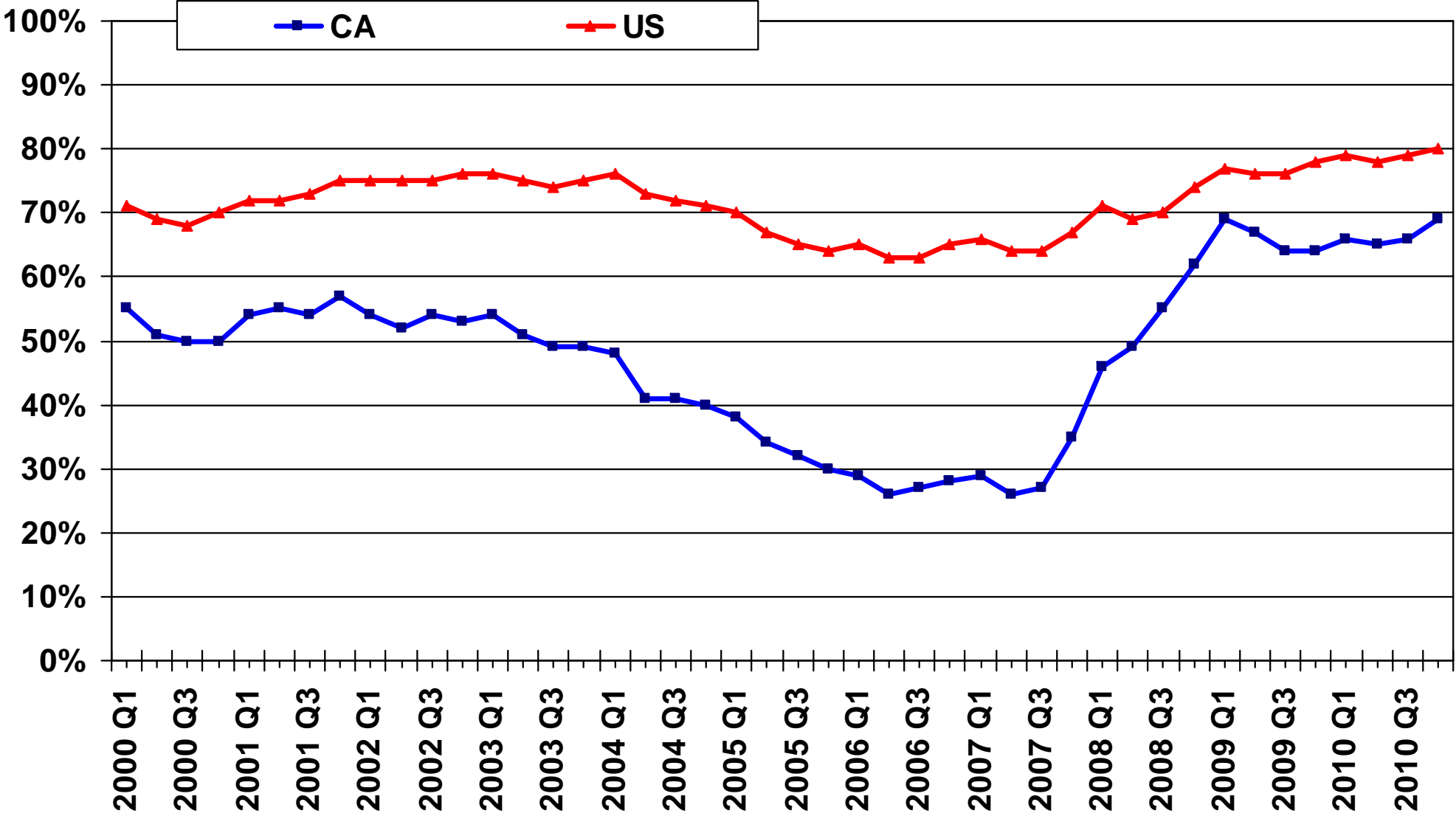
SOURCE: California Association of REALTORS®





# Market Overview

## First-Time Buyer Housing Affordability Index

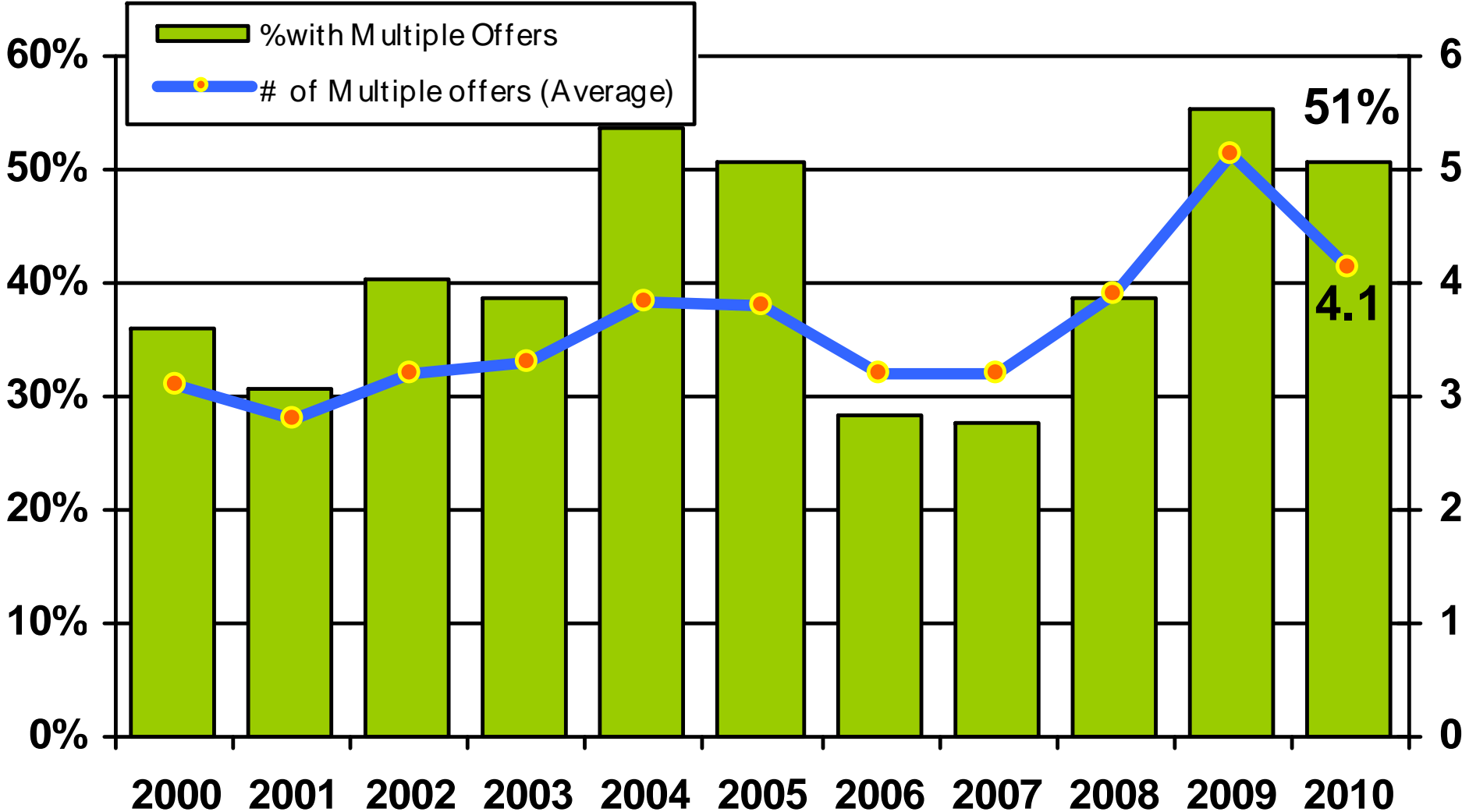


SOURCE: California Association of REALTORS®



# Market Overview

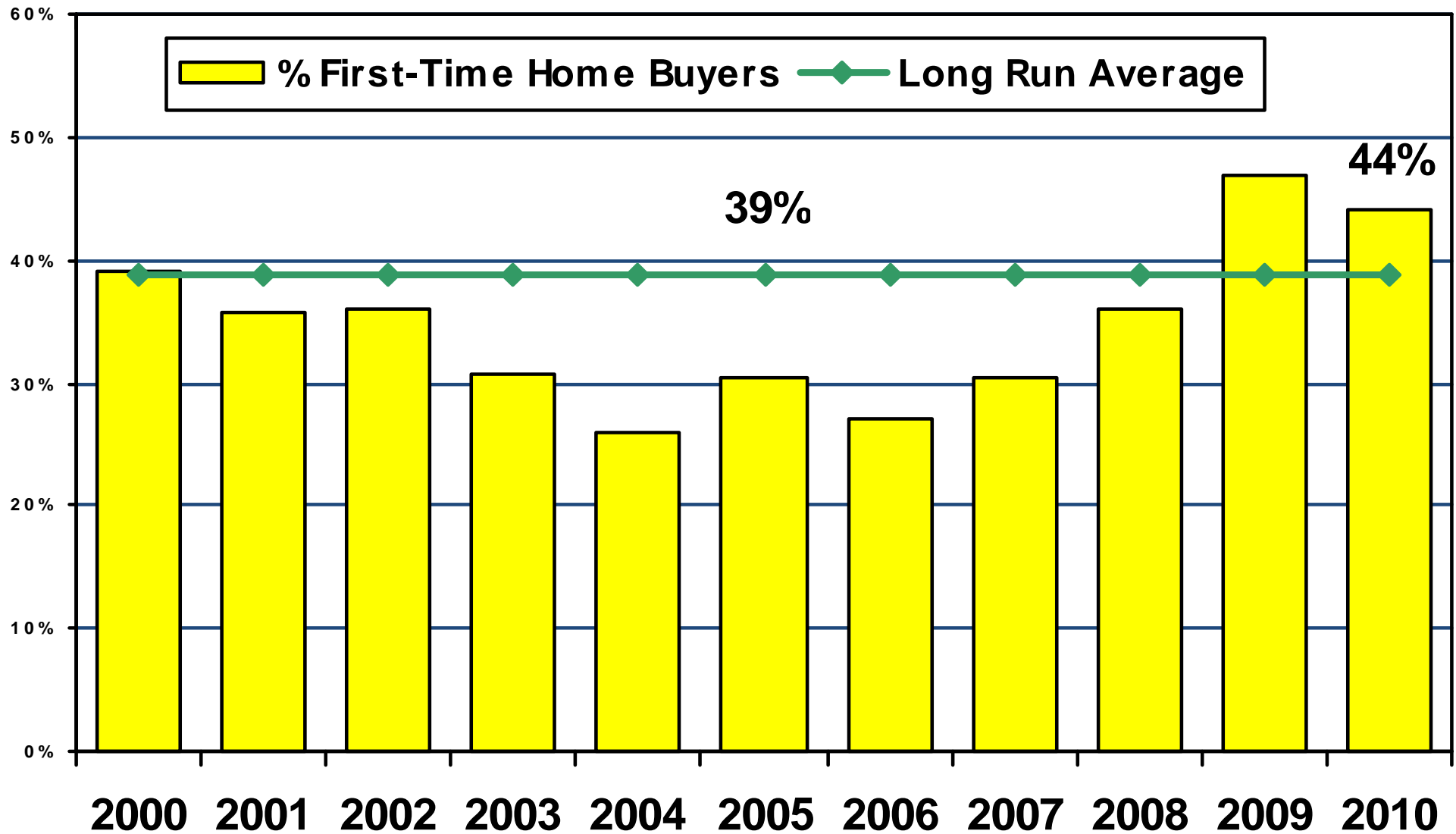
## Proportion of First Time Home Buyers - California



SOURCE: California Association of REALTORS®

# Market Overview

## Proportion of First Time Home Buyers - California



SOURCE: California Association of REALTORS®

# Foreclosure Process

## Classes of Sales and Trade-Offs

	<u>Standard Sale</u>	<u>Short Sale</u>	<u>Auction</u>	<u>REO</u>
Foreclosure Progression		+90 Notice of Default +90 Notice of Sale + <u>16</u> Point of No Return ~ 7 Months	5 Days min. from Point of No Return Auction	~ 10 Days min. from Auction Date
PROPERTY IDENTIFICATION	MLS / Drive-By	MLS	Bank List Title Reports	MLS Comments Bank List
TRANSACTION RISKS or * PROTECTIONS	*Standard Contracts *Set Timing *Motivated Sellers *Consumer Recourse	Unstable Sellers Bank Indifference Unpredictable Process Uninformed Agents	No Disclosure Full Cash Pmnt. at Auction No Property Inspection Frequently Rescheduled	No Disclosure Bank Contracts Passive Property Damage
OPPORTUNITY	+5% => +10%	-5% => -10%	-20% => -30%	MARKET PRICE!
PRICE TRADE-OFFS	CHOICE PREDICTABILITY	WASTED TIME	PROPERTY CONDITION LIENS!	PROPERTY CONDITION COMPETITION

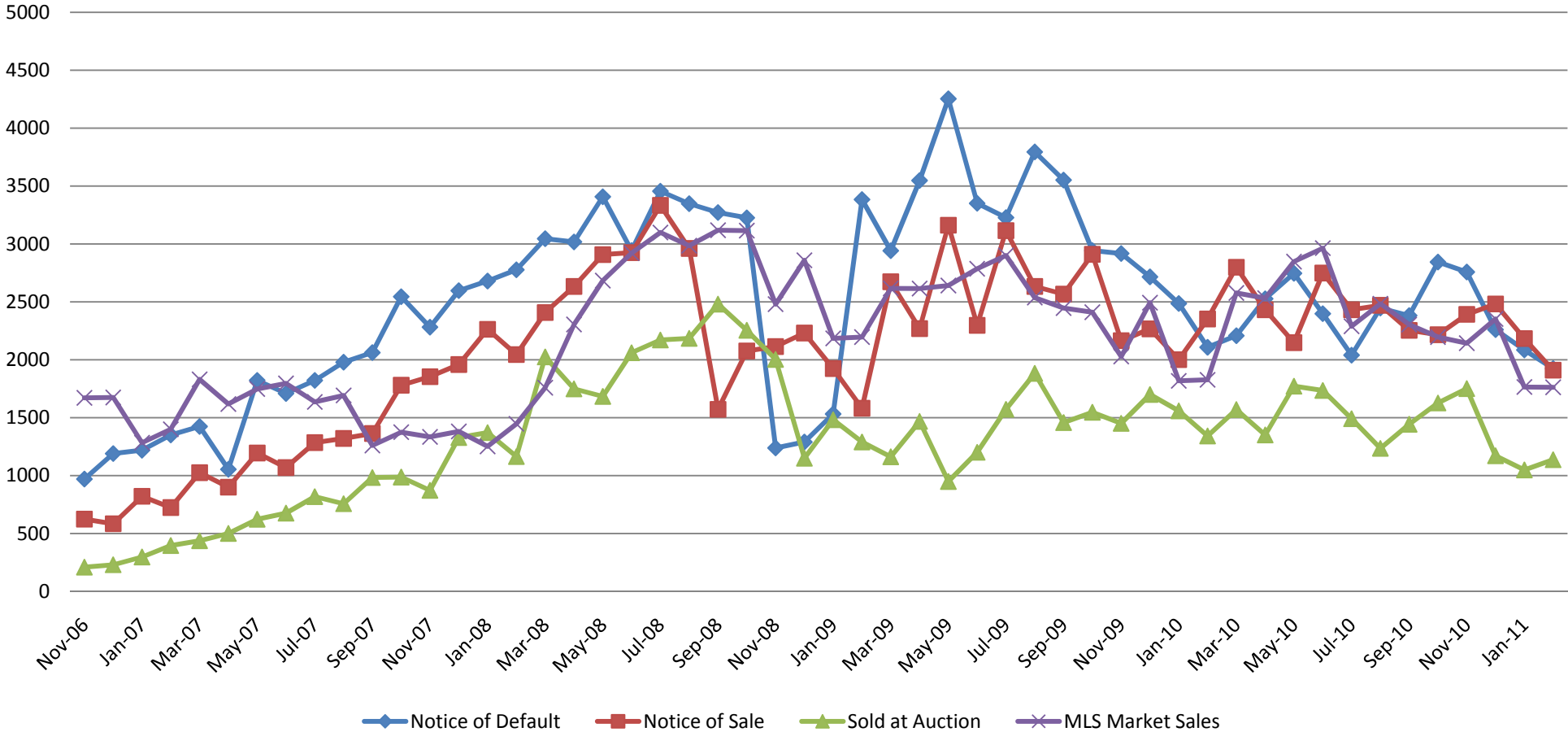


# Market Overview

## Foreclosure Leading Indicators

Counties: Placer, Sacramento, El Dorado, Yolo

### Foreclosure Pipeline



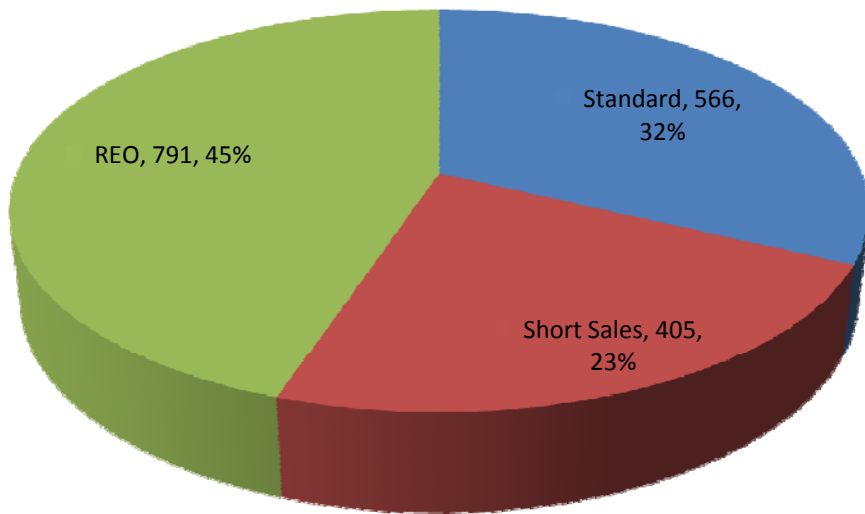
Data: ForeclosureRadar.com

# Market Overview

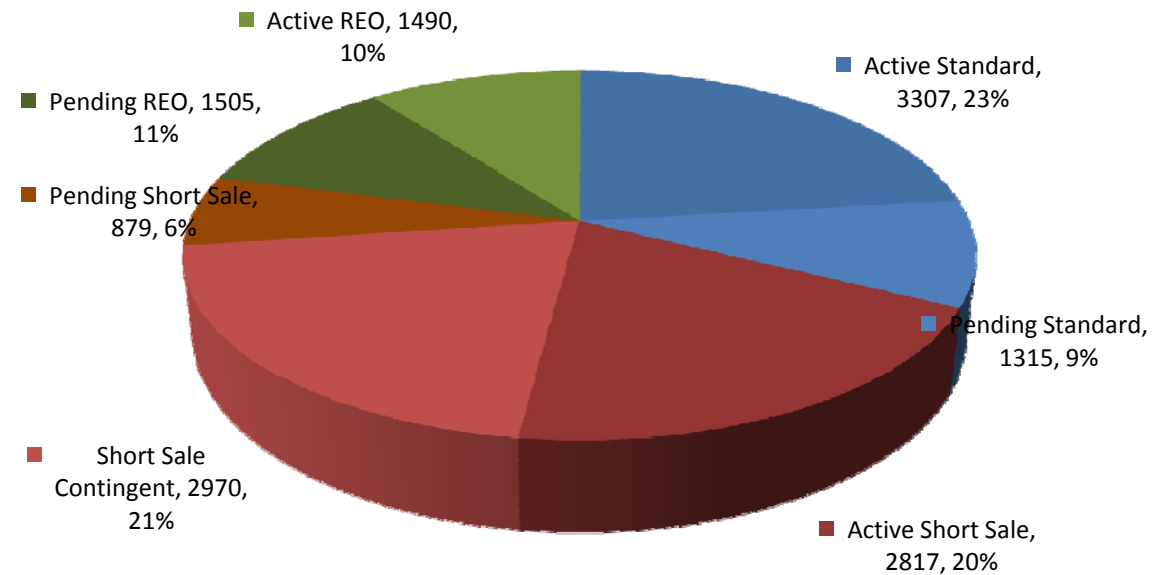
## Inventory Split vs. Actual Sales Split

Counties: Placer, Sacramento, El Dorado, Yolo

### Sales Split, February 2011



### Inventory Split, March 2011



# Courthouse Auctions (Trustee Sales)

## Transaction Risks & Exposure

### Inspections

- **No access to property before auction**
- **Stepping onto property is trespassing and subject to criminal prosecution**

### Title Issues

- **Break in Title Insurance history**
- **Only mortgage and mechanics liens are cleared, county & state liens remain**

### Eviction

- **Previous owner may block access**
- **Must follow unlawful detainer processes**
- **Risk additional damage/theft by previous owner**

# Courthouse Auctions (Trustee Sales)

## Purchasing Process

### Preparation

- **Use foreclosure reporting service (Foreclosure Radar, RealtyTrac)**
- **Review county records**
- **Conduct drive-by**
- **Call trustee to verify auction & opening bid**

### Process

- **Bring cashier checks payable to yourself (no loans!)**
- **Bring large check for your base bid & incremental checks to your max bid**
- **Listen closely, auctioneer goes through properties quickly**
- **Do not play bidding games, bid quickly – auctioneer will close auction as quickly as 3 seconds after the last bid made**
- **Sign over checks**
- **Go view property – initiate contact with occupant if not vacant**



# Public Auctions (REDC/CalExpo)

## Transaction Risks & Exposure

### Inspections

- Limited access to property before auction
- Must conduct inspection at designated and limited availability times **BEFORE** auction

### Funds at Auction

- Must bring \$5000 cashier's check to participate
- Must provide check for any remaining balance to bring total deposit to 5% on winning bid

### Gotchas

- **Actual Purchase Price = Your winning bid + 5% bidding premium**
- **If you do not qualify with their on-site lender, you waive your loan contingency**
- **If you cancel for any reason other than not receiving a loan you forfeit 3% of the purchase price**
- **Even as the winning bidder, your contract may be refused**

# Public Auctions (REDC/CalExpo)

## Purchasing Process

### Process

- **Bring cashier's check for \$5000**
- **Check in and receive bidding number**
- **Bid when your property comes up**
- **Winners are escorted to the "documentation area"**
- **Even if you are using a different lender qualify with theirs – there is buried language in the purchase contract that there is no loan contingency if you do not**
- **Sign contract and provide additional check if necessary**
- **Bank delivers counter-signed contract 10 – 14 days later through title company**
- **Escrow with loan contingency ensues**
- **You have NO ACCESS to property until escrow closes**

# Foreclosed Properties (REO)

## Highlights & Tips

### Highlights

- **Foreclosures ARE the market price**
- **Expect the property to close above list price**
- **Most REO properties are in contract for almost 5 days before it is reflected in MLS**
- **If an REO property has been listed for over 21 days, then it may go for less**
- **Some REO properties have minimum listing periods (e.g. Wells Fargo – 7 days) or staggered priority (e.g. Fannie Mae – 1<sup>st</sup> time buyers for the 1<sup>st</sup> 15 days)**
- **Offers are prioritized by financing as well – Cash is king, then conventional, then all else**

### Write an Attractive Offer

- **Deposit matters, minimum 1% or \$2500, whichever is higher**
- **Pay for the pest inspection yourself, leave it out of the offer altogether**
- **Do not ask for a home warranty**
- **Reduce inspection period to 10 days or less**
- **Reduce escrow period to 21 days if possible**

# Foreclosed Properties (REO)

## Purchasing Process

### Process

- **Make your written offer**
- **Bank counters with their addendum**
- **Terms agreed and bank verbally accepts**
- **Bank formalizes contract with their signatures 2-10 days later**
- **Standard escrow ensues (although it might be pathetic with the company they choose)**

### Bank Addendums

- **It's longer than your offer – and rewrites most of it**
- **Check the inspection period**
- **Check for passive/automatic contingency removal**
- **Be aware of per-diem fees for missing the closing date**



## Highlights & Tips

### Highlights

- **It is the most misunderstood and improperly conducted transaction on the market**
- **They can be interminably long and frustrating, just to blow up in the end**
- **These are often one of the safest and best deals on the market**
- **The owner is still involved and available to provide full disclosure**
- **Best opportunities are short sales that have lost their original buyers**

### Write an Attractive Offer

- **Offer to put deposit in escrow while waiting for bank answer**
- **Pay for the pest inspection yourself, leave it out of the offer altogether**
- **Do not ask for a home warranty**
- **Reduce escrow period to 21 days if possible**
- **Allow “Seller Choice” for title and escrow (but make them pay 100%)**
- **Offer to over-pay for some item on the property**

## Purchasing Process & Gotchas

### Process

- **Make your written offer**
- **Counter and final agreement in writing (the short sale is a seller contingency)**
- **Contract & seller hardship package go to bank for review**
- **2-6 months for a bank approval**
- **Standard escrow ensues once approval is delivered to buyer**

### Watch Out For

- **Listing agents that do not know what they are doing**
- **Sellers that intend to send all offers to the bank**
- **2 loans with different banks**
- **Loans in “charge-off” status (3<sup>rd</sup> party collector involved)**
- **Being asked to proceed with escrow on approval letters requiring close dates sooner than contract allows – extensions are not guaranteed and often not free**

# Available Tools

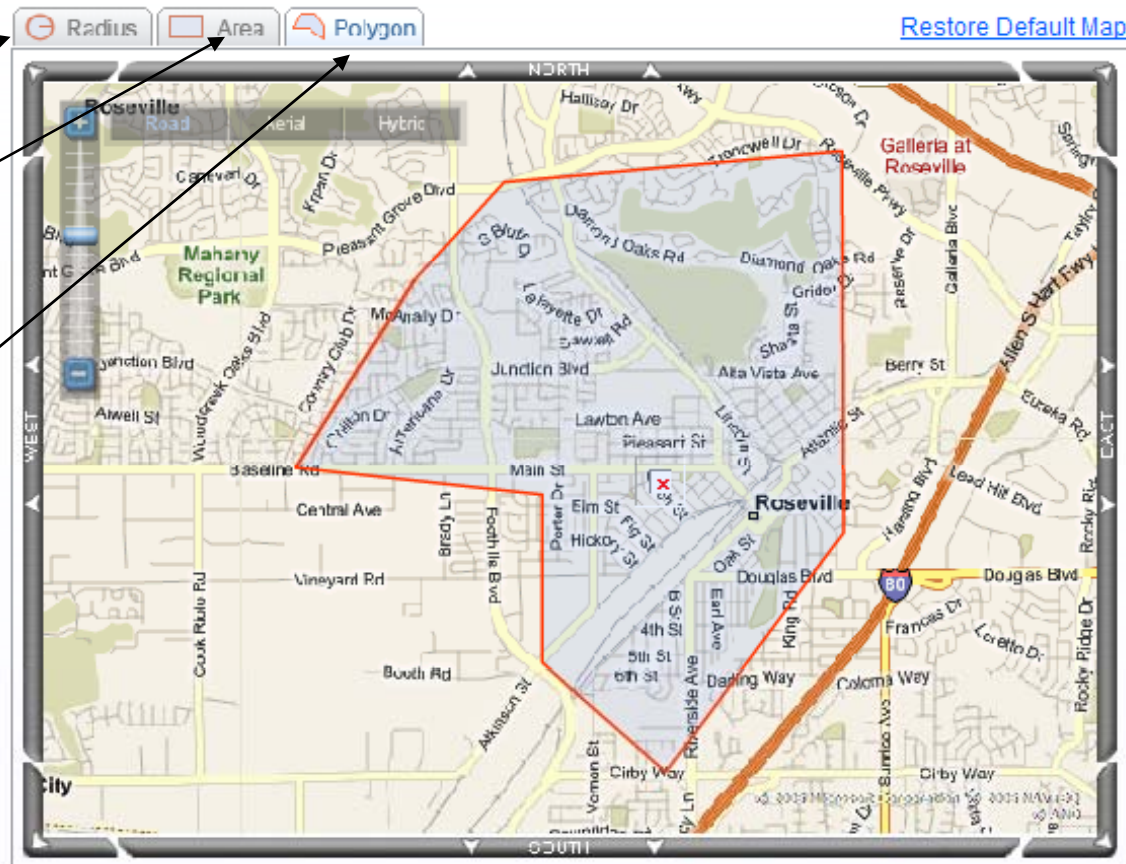
## Property Alerts

Radius Searches from a single midpoint address (ie., .75 miles around your current home)

Area Searches for a basic neighborhood search

Polygon Searches for complex searches of several neighborhoods, or those bordering unusual land features

Deeper in the Search Criteria:  
Single Family, Multiple Units,  
Income Property, Commercial  
Property, REO, Short-Sale,  
Marketing Comments, etc.



Radius/Map Target Criteria

<input checked="" type="radio"/> Address	Street #	Direction	Street Name	Suffix	Unit #
<input type="radio"/> Listing Number	<input type="text" value="382"/>	<input type="text" value=""/>	<input type="text" value="circuit"/>	<input type="text" value=""/>	<input type="text" value=""/>
<input type="radio"/> APN	City	State	ZIP		
	<input type="text" value="roseville"/>	<input type="text" value="Ca"/>	<input type="text" value=""/>		

Searches also available at [www.GuidantRealty.com](http://www.GuidantRealty.com)

# Available Tools

## Pending Foreclosures



204 MONTEVERDE CT  
LINCOLN, CA 95648  
County PLACER  
Parcel Number 337-070-006-000  
Thomas Guide 180-E7  
RadarID 40969599  
Legal Description  
LOT 101 VERDERA VILLAGE 18, MOR Z-33

### Property Details

Year Built	2006	Zoning	
Type	SFR	Units	0
Beds	5	Baths	4
SqFt	5,242	Lot Size	0
Rooms	0	Stories	0
Garage	0	HVAC	B
Pool	0	Fireplace	0

### Value & Equity

Value	\$686,268	\$131/sf	(01/22/10)
Loans	\$1,000,159	146%	
Equity	\$-313,891	-46%	
Rent	\$1,719	Cap Rate	3.01%

### Tax Assessment

Assessed Yr	2009	Annual Taxes	\$11,665
Total	\$612,829	Est. Tax Rate	1.9%
Land	\$242,656	Delinquent Tax	\$0
Improved	\$370,173	Delinquent Yr	0

### Owner Name & Mailing Address

PATEL,SATISH  
204 MONTEVERDE CT  
LINCOLN, CA 95648  
Phone:

### Foreclosure Stage: Auction

<b>Sale Date</b>	04/09/10	<b>Published Bid</b>	\$987,706
		Opening Bid	\$0
Sale Status	Active	Notice Date	10/08/09
<b>Postponed For</b>	Beneficiary Request	Document #	86791
Sale Date	04/09/10	<b>Sale Time</b>	10:00 AM
Prior Date	03/10/10	<b>Sale Location</b>	11546 B AVE AUBURN
<b>Original Date</b>	11/06/09		
Loan Date	06/16/06	Loan Amount	\$943,294
Loan Doc #	64901	Loan Position	
Trustee	CAL-WESTERN RECONVEYANCE CORP 525 E MAIN ST EL CAJON, CA 92020 619-590-1221		
TS Number	1219984-15		
Lender	DEUTSCHE ALT-A SECS MTG 2006-A 525 E MAIN ST EL CAJON, CA 92020		

### Transaction History

Type	#	Date	Doc #	Grantee	Amount
QCL		06/16/08	64899	PATEL,SATISH	\$0
Transfer		06/16/08	64900	PATEL,SATISH	\$1,385,000
Loan		06/16/08	64901	AMERICAN HOME MORTGAGE INC	\$943,294
- NOD		06/11/09	50751	CAL-WESTERN RECONVEYANCE CORP	\$21,772
- NTS		10/08/09	86791	CAL-WESTERN RECONVEYANCE CORP	\$987,706
Loan		06/16/08	64902	COUNTRYWIDE BANK	\$404,100
Loan	1st	11/07/07	108427	GENERAL ELECTRIC MONEY BANK	\$58,865

- Upcoming Foreclosures
- Trustee Contact Info
- Timing of Auction
- Opening Bid
- Delayed Auctions & Reason
- Auction Sale Amounts
- Bank Properties



# Available Tools

## County Records

Tax Billing Address:	11841 Stone Hollow Way	Annual Tax:	\$3,022	
Tax Billing City & State:	Rancho Cordova, CA	County Use Code:	1 Family Residential	
Tax Billing Zip:	95742	Universal Land Use:	SFR	
<b>Location Info:</b>		Panel Date:	09/30/1988	
School District:	Elk Grove Unif	Flood Zone Code:	<a href="#">X</a>	
Subdivision:	Anatolia I Village 03	Zoning:	Rd 5	
Census Tract:	87.01	Map Page/Grid:	320-D1	
Carrier Route:	H004			
Flood Zone Panel:	0602620240C			
<b>Tax Info:</b>		Total Assessment:	\$519,927	
Tax ID:	067-0460-061-0000	% Improv:	71%	
Tax Year:	2006	Tax Area:	08004	
Annual Tax:	\$3,022	Legal Description:	Anatolia I Village 3	
Assessment Year:	2007	Lot Number:	212	
Land Assessment:	\$150,000			
Improved Assessment:	\$369.927			
<b>Characteristics:</b>		Full Baths:	4	
Lot Acres:	.1578	Half Baths:	1	
Style:	L-Shape	Cooling Type:	Central	
Gross Bldg Area:	3,179	Heat Type:	Central	
Building Sq Ft:	3,179	Garage Type:	Garage	
Ground Floor Area:	1683	Garage Capacity:	3	
2nd Floor Area:	1496	Garage Sq Ft:	612	
Stories:	2	Roof Material:	Concrete Tile	
Condition:	Average	Construction:	Wood	
Quality:	Average	Floor Cover:	None	
Total Rooms:	9	Year Built:	2006	
Bedrooms:	4	Other Rooms:	Foyer	
Total Baths:	5			
<b>Last Market Sale:</b>		Deed Type:	Grant Deed	
Recording Date:	08/16/2007	Owner Name:	Conover Frank W	
Settle Date:	08/10/2007	Owner Name 2:	Conover Micaela G	
Sale Price:	\$504,000	Seller:	Brinton William A	
Document No:	<a href="#">70816-67</a>			
<b>Sales History:</b>				
Recording Date:	08/16/2007	10/06/2006	10/06/2006	09/15/2005
Sale Price:	\$504,000	\$520,000		
Nominal:			Y	
Buyer Name:	Conover Frank W & Micaela G	Brinton William A	Brinton William A	Lennar Renaissance Inc
Seller Name:	Brinton William A	Lennar Renaissance Inc	Brinton Bonnie	Gmac Model Home Finance Inc
Document No:	<a href="#">70816-67</a>	<a href="#">61006-975</a>	<a href="#">61006-974</a>	<a href="#">50915-1415</a>
Document Type:	Grant Deed	Corporation Grant Deed	Interspousal Deed	Quit Claim Deed
<b>Mortgage History:</b>				
Mortgage Date:	08/16/2007	08/16/2007	10/06/2006	10/06/2006
Mortgage Amt:	\$403,200	\$75,000	\$415,500	\$30,000
Mortgage Lender:	Addison Ave Fcu	Addison Ave Fcu	Sirva Mtg Inc	Sirva Mtg Inc
Mortgage Type:	Conventional	Conventional	Conventional	Conventional

- Owner of Record
- Ownership Chain
- Mortgage History
- Registered Home Stats

# Available Tools

## Property Tax Records

Taxes	1st	2nd	Total	
Paid Status	LATE	DUE		
Due/Paid Date	12/10/2010	04/10/2011		
Total Due	\$3,283.33	\$2,984.85	\$6,268.18	
Total Paid	\$0.00	\$0.00	\$0.00	
Balance	\$3,283.33	\$2,984.85	\$6,268.18	
Pay On-line	<input type="checkbox"/>	<input type="checkbox"/>	<input type="button" value="Add to cart"/>	
<b>Taxcode Info</b>				
Tax Code	Rate	1st	2nd	Total
00001	1	\$1,480.91	\$1,480.91	\$2,961.82
<b>Property Tax-1% Rate</b>				
36100	0.091	\$134.71	\$134.71	\$269.42
<b>Rocklin Unif B&amp;I 1991</b>				
36700	0.0203	\$30.11	\$30.11	\$60.22
<b>Rocklin Unif B&amp;I 1998</b>				
59700	0	\$11.42	\$11.42	\$22.84
<b>Placer Mosquito &amp; Vector Control</b>				
63100	0	\$65.90	\$65.90	\$131.80
<b>City of Rocklin LLD #2</b>				
63200	0	\$5.00	\$5.00	\$10.00
<b>City of Rocklin Park Dev &amp; Maint</b>				
63700	0	\$541.21	\$541.21	\$1,082.42
<b>City of Rocklin CFD #10 MR</b>				
64800	0	\$357.97	\$357.97	\$715.94
<b>Rocklin Unif Sch CFD#3 MR</b>				
68450	0	\$125.37	\$125.37	\$250.74
<b>City of Rocklin CFD#1 Fire Stn #3 MR</b>				
68500	0	\$202.00	\$202.00	\$404.00
<b>City of Rocklin CFD#5 MR</b>				
71100	0	\$30.25	\$30.25	\$60.50
<b>So Placer MUD Del Chg</b>				

# Available Tools

## Foreclosure Lists

**Updated daily at [www.GuidantRealty.com](http://www.GuidantRealty.com):**

[El Dorado County](#)

[Placer County - The Valley South](#): Roseville, Rocklin, Granite Bay

[Placer County - The Valley Southwest](#): Lincoln, Wheatland, Pleasant Grove

[Placer County - The Valley Foothills](#): Loomis, Newcastle, Penryn

[Placer County - Gold Country](#): Auburn to Colfax

[Placer County - High Country](#): Gold Run to the Nevada Border, including Tahoe and Donner

[Sacramento County North](#): Antelope, Citrus Heights

[Sacramento County North](#): Orangevale, Fair Oaks, Folsom

[Sacramento County North](#): Elverta, North Highlands, McClellan, Rio Linda

[Sacramento County North](#): Natomas

[Sacramento County North](#): Carmichael, Arden-Arcade

[Sacramento County](#): Downtown and Close-By

[Sacramento County South](#): Pocket, Mack, Florin, Excelsior

[Sacramento County South](#): Rancho Cordova, Gold River, Rosemont, Mather

[Sacramento County South](#): Elk Grove, Hood, Courtland, Walnut Grove, Delta/Isleton

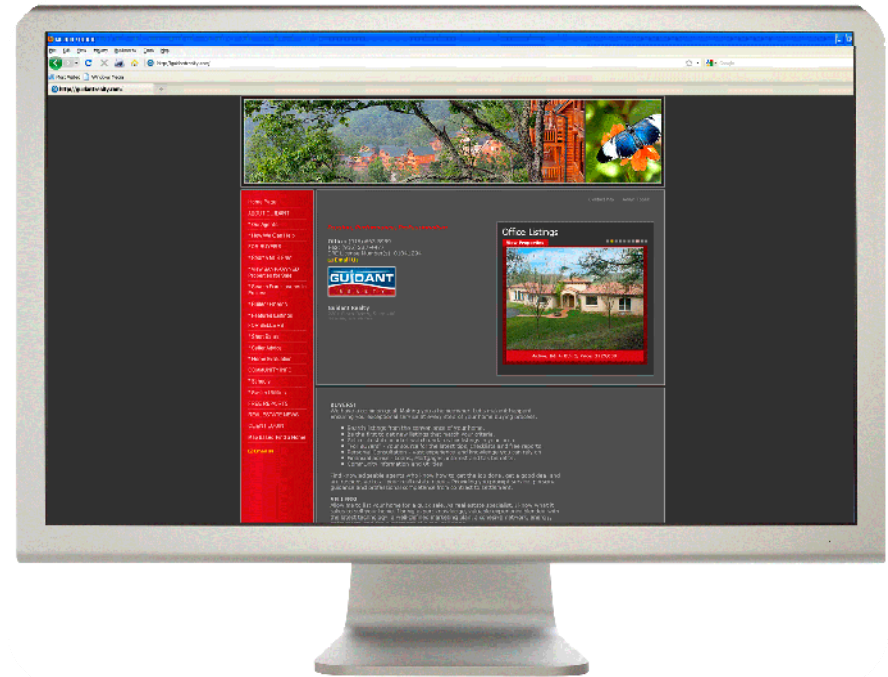
[Sacramento County South](#): Galt, Wilton, Sloughhouse, Herald

# Noteworthy Websites

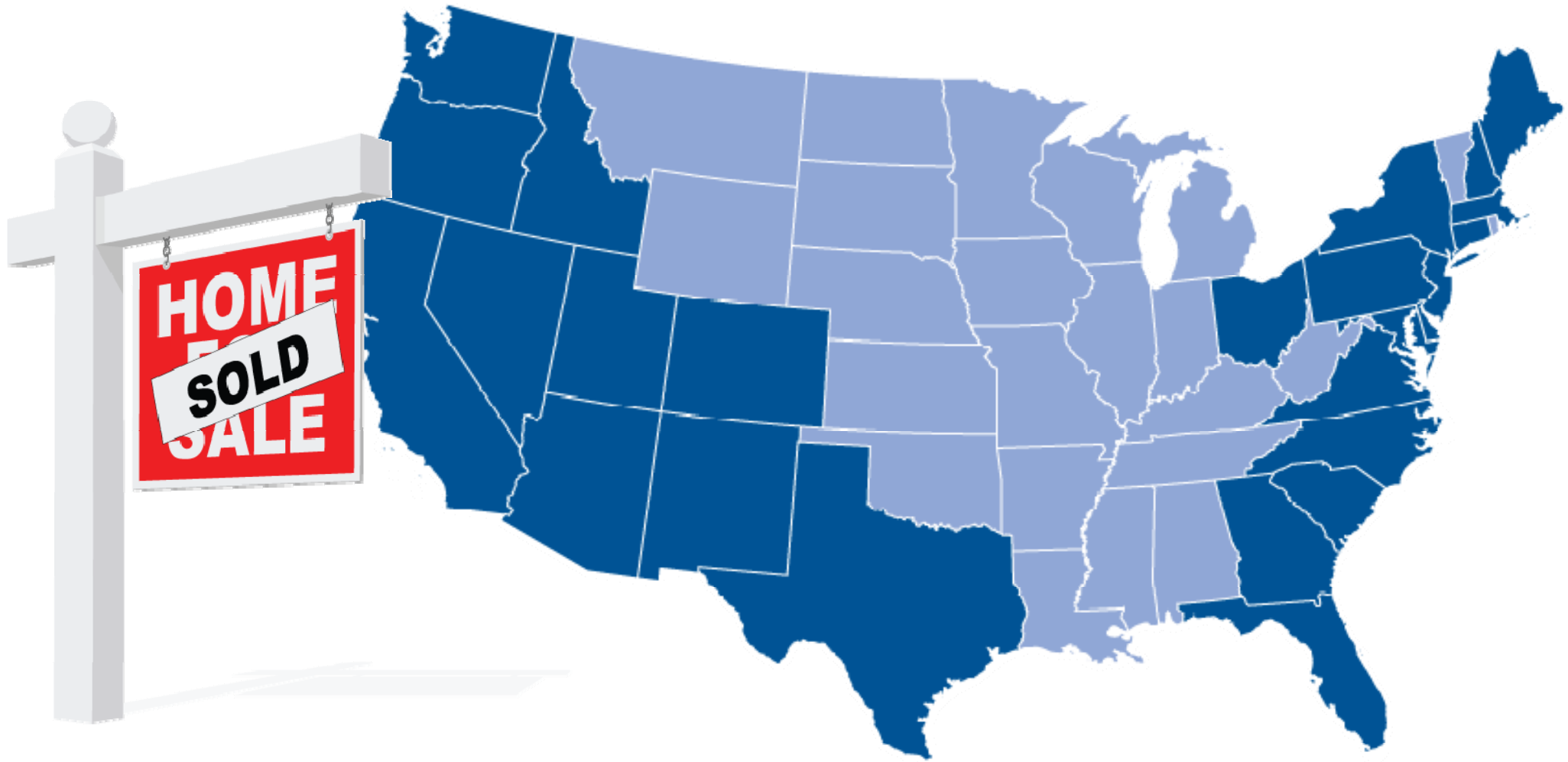
[www.GuidantRealty.com](http://www.GuidantRealty.com) / [www.GuidantShortSales.com](http://www.GuidantShortSales.com)

**Guidant Realty has built a site to help YOU learn more**

- **Listing searches**
- **Property Alerts – Enter your criteria and be emailed listings when they hit the market! No more searching MLS every day to find the new ones before they are gone.**
- **One-click lists of active Foreclosure/REO properties.**
- **Investigate properties in the foreclosure process.**
- **Explanation of a short sale.**
- **A myriad of reports and advice for prospective Buyers and Sellers.**
- **Local community and schools information.**



# Experienced Professionals



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MORTGAGE

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**Addison Avenue currently lends in 26 states.  
Contact Peggy Nault, our mortgage consultant,  
to assist you with your home loan needs.**