

## Researching Foreclosed Properties

If you are just getting started in real estate you will need to learn how to minimize this risk before you can make any profit. One of the best ways to do this is to thoroughly research a property before you buy it. In traditional property sales this would be done through contact with the property owner and maybe a real estate agent, numerous inspections on the property, and a title search done before closing. All of these steps protect you as the buyer and ensure that there are no hidden problems with the property. If hidden problems do arise, you may even be able to secure compensation from the homeowner if he knew about potential problems and failed to disclose them to you.

When you buy foreclosed property, on the other hand, there will likely be no contact with the homeowner and it may be impossible to inspect the property at all. And since foreclosed properties are sold, as is, you will be stuck with any issues that arise after purchase and will even inherit any liens that are attached to the property. This means that you better do homework before purchasing the property.

### How to Research a Foreclosed Property

When an investor is first getting started in real estate, it is common to make mistakes. You will likely make mistakes also, but you will learn from them and become a better investor because of them. Regardless of how much you learn, though, mistakes cost money, money that will be subtracted from your profits. This is why its very important to do all that you can to avoid mistakes when buying foreclosed properties. Heres how.

Perform a title search to make sure that there are no liens on the property. If there are liens, you will be responsible for them upon taking possession of the property.

Determine the market value of the property through appraisal or broker opinion. Find out how much the defaulted loan is for and subtract it from the market value. This is your potential profit.

Subtract from your potential profit any repairs that need to be done and any liens that are on the property.

Subtract any expenses that you will incur while holding the property: taxes, loan interest, closing costs, and brokers commission.

Now you are left with your potential net profit. Figure up how much of it you are willing to sacrifice to increase your maximum bid price.

Set a maximum bid price and stick to it.

If the numbers dont add up or the potential profit doesnt seem worth the effort, the researched property is likely not a good investment property. But dont worry. If you keep looking and researching, you are bound to find the perfect real estate investment opportunity.

### About the Author

James Klobasa, once broke with no job and \$20,000 in debt made a choice that changed his life forever. That choice was investing in Real Estate. You too, can make that choice. Learn and be kept up to date with the latest information at <http://www.Real-RealEstateInvesting.com>

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