



# Myths and realities

FORECLOSURES from E10

## MYTH

A foreclosed home offers a quick sale because banks don't want to own homes.

## REALITY

Although banks don't want to own homes, most banks were not prepared to have so much inventory on their books, and it's taking them a long time to act, even on offers for the full asking price. Some full-price offers can take three to six months to wend their way through a bank's bureaucracy in search of a decision.

## MYTH

You can negotiate a deal with a bank just like any other home purchase.

## REALITY

Bank-owned homes almost always carry the telltale phrase "sold as is." That's their way of saying, "Don't think you can negotiate your way to having the deck repaired or the roofing replaced before you go to closing." A private homeowner may be open to such negotiation, but not a bank. The most you can expect is a credit on the sale price that will allow the buyer to spend money repairing the property after the sale.

## MYTH

Foreclosed homes offer a great opportunity for first-time buyers.

## REALITY

Since foreclosure sales take much longer because of the banks' bureaucracies and backlogs of inventory, and since the prices are at best about 5 percent lower than the rest of the market, a figure more than offset by the work and improvements needed, a great many first-time buyers become quite frustrated trying to buy a foreclosed home. Foreclosed homes are more attractive to investors and handymen who can afford to wait while the bank moves at its own speed. They are attractive to buyers who have no deadline to move in.

If foreclosed homes are not such a great bargain in this depressed market, what is a bargain? Experts like Babb say the best deals are in short sales — sales in which the homeowner is having trouble making payments but not yet in foreclosure. In a short sale, both the bank and the homeowner have agreed to take a negotiated lower price for the sale of the home to avoid foreclosure. Short sales require that the bank be willing to accept less than the amount called for in the mortgage, so this means the bank is a third party to negotiations that in other sales involve only the buyer and seller.

West Babylon, \$259,900



NEWSDAY PHOTO / AUDREY C. TIERNAN

**Home location:** 188 Belmont Ave.  
**Built:** 1955  
**Style:** Expanded ranch  
**Taxes:** \$10,675  
**Bedrooms:** 5  
**Bathrooms:** 2 full, 1 half  
**Lot size:** 95 feet by 120 feet  
**Pros:** Large house, can get permits for professional use,  
**Cons:** Needs new kitchen, new bathrooms and exterior paints, high taxes

Listing agent: Mike Carroll, RE/MAX Best, West Babylon, 631-881-0500

# How to buy a foreclosure

BY JOIE TYRRELL

Special to Newsday

New York City teachers Andrew and Corinne Cogliati had been looking for homes in Queens, but the asking prices put most places out of their reach.

So they changed their strategy and started looking for a foreclosed home. Corinne Cogliati found one online — a four-bedroom home in Wantagh, listed by Island Advantage Realty in Huntington. They closed in April, paying \$347,000, and have been happy ever since. Comparable neighborhood homes in good condition have sold in the low- to mid- \$400,000s.

But there were hurdles along the way. Buying a foreclosure is different from the typical home purchase. Often, there is hardly any information available about the property beforehand, and there can be challenges when it comes to surveys and home insurance. Corinne Cogliati, 30, learned that the oil tank was underground and that they needed a survey to get a mortgage before going to closing.

"You couldn't find out much information about the house," she said.

With help from her Island Advantage salesman, Tom Musto, she had a survey done and also was able to buy homeowners insurance, after trying and failing to do so on her own.

For buyers like the Cogliatis, buying a foreclosure can be a good way to get into a home.

"It's a great opportunity," especially for first-time homebuyers, said Todd Yovino,

broker and owner of Island Advantage. "Interest rates are still low, prices are going back into reality, and they can get into the marketplace," he said.

## 1. GO THROUGH A BROKER

Cogliati found her home on the Multiple Listing Service of Long Island Web site, mlsl.com. Yovino's firm represents the bank, not the former owners who defaulted on a mortgage. Buying through a broker means the buyer can see the home — a plus. But since the bank owns it, it is difficult to find out about the house's history or problems — information a homeowner might have provided.

"The bank that owns it, they never lived in the property . . . the property is being sold 'as is,'" Yovino said, adding that banks can allow inspections.

Another route is buying a foreclosure at auction, but that takes more work. The buyer usually cannot go inside the home, and it can be difficult to learn about its history. It also could be occupied.

## 2. DO YOUR RESEARCH

To learn about the property, the buyer must do research or purchase a title search.

Some companies provide foreclosure listings for a fee. One is LI Profiles, based in Brightwaters, which publishes real estate sales and foreclosure information weekly. The foreclosure auction schedule can be bought at liprofiles.com for \$19. The schedule lists auctions over a four- to five-week period and includes information necessary

for research. It also publishes a free field guide to help would-be buyers find foreclosures and prepare for the sale.

After selecting a house, a buyer should research whether legal action is pending against it at the county clerk's office or purchase a title search to see if there are any subordinate mortgages being foreclosed, as well as if there are any tax liens, according to the LI Profiles. It is important to know the position of the mortgage being foreclosed. If there are multiple mortgages on the property, a successful bidder could become responsible for more than one.

## 3. KNOW THE RULES

The field guide recommends that would-be bidders attend a few auctions as spectators to observe how they work. At auction, bidders must have a bank or certified check for 10 percent of the amount of the planned bid. A winning bidder endorses the certified check to the referee, who issues a receipt which, in effect, is a contract of sale for the property.

Closing likely will be in 30 days. Foreclosure sales are not subject to a buyer's obtaining a mortgage before the auction, though a buyer must have financing available before bidding.

"You have to select and concentrate on an area of interest to you, follow it and study it and, eventually, you will be successful," says Bill Davis, president of LI Profiles. With a bit of research, buyers also can obtain free foreclosure lists from the U.S. Department of Housing and Urban Develop-

ment or government-sponsored lending companies such as Fannie Mae or Freddie Mac, which list properties on their Web sites, said Brad German, a spokesman for the latter.

## 4. BE REALISTIC

If you plan to buy a foreclosure, be prepared to act quickly. See if you can get an inspection, but remember, you are buying a property "as is," with no repairs required before purchase, says Michelle Messina, a Mineola-based attorney specializing in foreclosures. Yovino said such homes often need work. "If people don't have money to pay their mortgage, they're not going to have money for upkeep."

"There are many foreclosed properties, 'REOs,' available on the market today," Messina says of real estate owned by a lender. "However, the purchaser must beware, as the standard REO is sold in its 'as is' condition as of the date of closing and not as of the date of contract. Be sure to have an engineer inspect the property prior to contract signing, as the purchaser will be locked into the contract despite the findings of a post-contract inspection. Utilizing the services of a real estate attorney who is experienced in REO transactions is extremely important."

The Cogliatis may get a new oil tank; they ripped up the carpet, and a family member who works with a contractor helped with some leaky pipes.

But the effort was worth it. Finding this home, said Corinne Cogliati, was "great."