

# How to Purchase Bank Owned Properties: Insider Tips from a Bank REO Agent

Jason Balin from Hard Money Bankers with David Maier  
from Re/Max Distinctive Real Estate

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Jason Balin: Hello, my name is Jason Balin. I am one of the principal underwriters of Hard Money Bankers and co-founder of HMBCribs.com. Hard Money Bankers is a premiere real estate hard money lender with a current focus in Maryland, Virginia, D.C. and Delaware. HMBCribs.com is an educational blog with a focus on real estate investing. Today I am going to interview David Maier from Re/Max Distinctive Real Estate. David has been featured on HGTV and also in the Annual Real Estate Guide from Northern Virginia Magazine. David and I have worked together with some of his clients for the last several years. Hard Money Bankers has financed some of the real estate investors that he works with directly. David works directly with the asset managers on several banks. He works to sell their bank owned properties that they have recently foreclosed on. Today I have several questions that I want to ask David to help real estate investors capitalize on buying bank owned properties. Sitting next to me is David Maier and I am going to let him tell you a little bit about himself.

David Maier: Well thanks Jason. Again my name is David Maier. I am with Re/Max Distinctive Real Estate. I have been working with the REO properties for quite a few years now. I have worked with several banks to list and sell them for the banks and I also work with a lot of investors. That's how I got started in this business as you probably know. I have been personally buying and selling places for about 15 years and now I work with quite a few investors and many of who used through your services, your great services of Hard Money Bankers so what we are going to talk about here little bit today are little bit about how the process works with REOs, some tips and tricks to help you to get better deal and so forth.

Jason: Sure, okay good and David what exactly is an REO property, what exactly is a bank owned property, just in case some of the people watching don't exactly know?

David: Okay. REO stands for real estate owned and basically it is a property that has been foreclosed upon by the bank. They actually own the property. It's not a short sale. It's actually physically owned by the bank so banks are in the business to make loans not to own properties so what they have to do is they have to get these properties off the books, these under performing assets and sell them so that's basically what it is.

Jason: Okay and then after the property goes back to the bank then what happens? Can you walk us through that process little more?

David: Sure. Once the bank actually forecloses on a property at the courthouse steps, if it doesn't sell during the foreclosure auction process, the bank will take the property back, put it into the inventory, they will list it with an REO agent in the area for the property and then it will come back on the market for sale and the banks what they do is they price these properties, they want just get them off of the books and sell them but that's our main goal.

Jason: Okay.

David: Getting rid of these properties.

Jason: And who are the people that are involved with this process, who do you deal directly with, who at the bank you deal with?

David: I deal with the asset managers. They are the ones who make the decisions on the property.

Jason: Okay.

David: Each property is assigned to an asset manager and they are basically the person who has to oversee the process of selling this property for the bank.

Jason: Okay.

David: And in cooperation with me the listing agent, we come up with a price for the property and a strategy to sell it.

Jason: Okay and then when you get the property directly from an asset manager, you said your job is to sell the property. What type of marketing do you do in order to try to sell these properties?

David: Well we do, I do open houses on them. We put them on the MLS. They are featured on various websites. I show them to investors that I work with. They are pretty quick. They fly off of the market. They are pretty quick.

Jason: Are these things priced to sell, are they priced what the bank feels they are owed, how they evaluate a little bit and how do you price them?

David: In general, they are priced to sell. The banks price them to sell considering whatever work or updates might need to be done with these

properties but they are generally priced to sell with the few exceptions. Every now and then the bank will make a mistake.

Jason: Okay because the bank doesn't loan the properties so they are looking to do whatever they can just to take their money back because they are in business of lending.

David: Yes.

Jason: They want to lend that money back out. Now do you typically or do the asset managers try to get these things sold to investors or homeowners?

David: Well they don't care pretty much. They just want to get the top dollar for it but most of the time it's an investor that will be buying these properties.

Jason: Okay.

David: Because in a lot of cases, some of the places are in really bad shape, they need to be rehabbed, totally gutted and so your typical homeowner wouldn't be able to buy them. They wouldn't qualify.

Jason: Okay and the banks I am assuming don't want to do any work, right, they are not going in there and fixing a property themselves, it's what you see what you get.

David: Pretty much and in some cases, they will do some cosmetics to try to get the house to look a little bit better but they are not going to do anything.

Jason: Okay.

David: Basically the price whatever flaws are in the property in mind.

Jason: Okay and since you know our company and you focus more dealing with real estate investors directly, how do real estate investors locate these Bank REO properties, do they go through a professional like yourself or is there other ways that they can locate some of these properties?

David: Well there's a lot of different sources of information for them, the best one is probably the internet is where most of the buyers are finding these places. The banks have their own websites. Agents of course, they are listed with through the MRIS, they can find on realtor.com. If you are looking to buy one, I would say the best thing is to get affiliated with an agent who lists and sells REO properties for the bank.

Jason: Okay and then how do let's just say you are beginner real estate investor, how do you know what's a good deal, what's not a good deal?

David: Well that's what takes a little bit of expertise right there.

Jason: Sure.

David: That's the key to it all, having somebody that knows what's going on in the market, knows how to buy the place with what the property has with it with the price, what's going to take to fix it up and so forth and figure out what the profit is going to be so that's kind of the key to it all.

Jason: I guess you know the rule of thumb in real estate is you make your money when you buy the property so it's important to do that and I am assuming whoever their real estate agent is who is helping them can pull comps for them and help them out as well.

David: Yes.

Jason: If they don't know the local market. Now does an investor have to typically make... I hear all these stories that investors have to write lots of, lots of contracts just to get one accepted. Do you see that out there where you typically see an investor making a few offers on some of the bank owned properties than they are accepting them immediately or is there a rule of thumb of how many offers that have to be made?

David: Well I have kind of seen it both ways. I have seen some investors and some of the ones that I work with, it has taken them several offers. They had to write several offers before they get one property. It just depends on the condition of the property, the price, how many people are bidding against them so it's kind of a function of that. Typically, what I would say is the ones that we have been most successful with the real dogs.

Jason: Sure.

David: The ones that other investors don't even want to touch and lot of my investors as you know they have gone through you and they got the money to rehab the house and everything.

Jason: Sure.

David: And other people, they would sit on the market.

Jason: Sure.

David: So I would encourage people to look at those types of properties.

Jason: Okay.

David: Because you can get them usually for a lot less and you can get them quicker without making the tons of offers.

Jason: Okay and does it make sense for these investors to low ball the bank, is there kind of like a magic number or the asset manager say don't even entertain it proper?

David: That's a good question. That's a really good question because I get that a lot from the investors. They say can I just throw X, the property is listed at \$250,000, can I offer \$150,000? Generally speaking, the banks won't take a low offer, a low ball offer within the first three weeks of the property being on the market. Certainly not that low. They want to get somewhere around the 90% what their list price is in the first three weeks.

Jason: Okay.

David: Unless for some reason, they have no other offers. The buyer submits a really strong offer and for some reason the bank is just not expecting many other offers then may be they will consider a lower offer.

Jason: Sure.

David: Typically if the property has been on the market over 30, certainly 60, 90 days then you can start with thinking about those low ball offers.

Jason: Okay and do banks get offended if you give them a low ball offer, I mean or did the real estate agents not even want to submit them or you just know from experience that you know there's no purpose of putting a \$100,000 offer if they wanted \$200,000 for it?

David: I look at the whole picture when I am working on that side. I am working with the buyer, an investor buyer to buy the property.

Jason: Sure.

David: I look at how many days it has been in the market, what kind of condition it's in, what type of rehabs are necessary, if a conventional loan, purchaser

can buy that property or you need to do like a hard money loan because nobody else will be able to finance that.

Jason: Sure.

David: So I kind of look at the whole thing and sort of help the buyers through that process.

Jason: Sure and these banks, how are they originally valuing their assets to begin with? Do you have any insights on that because pretty much every real estate investor thinks they know the market better than the next person and a lot of the times they do because they have a lot of experience in there and chances are they probably have more experience in the market than the bank whose asset manager may be sitting at a desk on the other side of the country, is there any insight you can give us regarding how they value their asset?

David: Sure yeah that's a good point. I am glad you mentioned that because there's two things, the agent, once they get the property, they have to do what's called a BPO, it's called the broker price opinion where the listing agent will have to fill out this kind of rather complex series of forms, kind of like an appraisal and they submit it to the bank on what they think the property is worth then the bank will always hire their own independent appraiser to go out and do an appraisal on property as well so then the bank has those two pieces of information from the listing agent who should know the market in that area.

Jason: Okay.

David: Then their own appraisal so they marry the two together, they tell the asset manager if it's possible for coming up with the list price.

Jason: Okay.

David: And I have seen them wildly different. I have seen the asset managers come way low sometimes. Sometimes I have seen them come high. Most of the time, they come right on target between the two.

Jason: Sure. Now how long is the process let's just say a property gets foreclosed on and typically what happens, I am assuming, is the bank, nobody bids on it in foreclosure, the bank takes the property back internally, for them, how long is the process before they are able to resell it?

David: From the day that the bank usually gets property back if it hasn't resold at the foreclose auction, it usually takes about two to three months give or take.

Jason: Okay.

David: Before the property comes back on the market because the bank has to, they have to get the foreclosure deed from the property, make sure it's properly recorded. They have to check and see if there's any zoning issues, there's a lot of preliminary things that the listing agent has to help the bank do so that's why it takes that long.

Jason: Sure.

David: And of course, the price.

Jason: To be honest with you, you know few months seems reasonable I am surprised it doesn't actually longer than that.

### **END OF PART ONE**

Jason: Now if you are real estate investor and you want to present, you want to write contract on property, now you have to go through an REO agent like yourself to present an offer to the bank, can they go directly to the asset manager, how does that work?

David: It's usually the banks have it setup so the asset manager is a little bit of buffered, they are supposed to go through the agent, the list agent to make an offer on the property because the asset manager is handling 200 to 300 different properties and so they can't have all these agents calling them all the time so usually it has to go through the process of the listing agent has to be kind of the conduit to the asset manager.

Jason: Okay, okay good and then let's talk about financing little bit, there's a lot of different types of financing out there obviously you know our company does private hard money loan you know you can buy property in cash and you can get conventional or FHA, Fannie Mae, Freddie Mac loans. There's a lot of different financing out there, is there one that these banks prefer seeing contracts, is there one that they don't? I mean assuming cash



is king and if they could see a cash offer, they prefer that but how would you rate kind of hard money in the mix, how do you rate regular bank financing in a mix when you write contracts?

David: Jason you are right, cash is still king. They want to see these cash offers but if you have a savvy agent to help the investor through it, they can write up a hard money loan just like a cash deal so to the bank, it's transparent because you work just like cash essentially.

Jason: Sure.

David: As you know, a lot of my investor buyers have used you and they have submitted similar to cash deals and they get it accepted.

Jason: Now let's say there's a real estate investor who doesn't have a lot of money or doesn't want to contribute a lot of money, if they have money and they don't want to go, they are going with cash, they don't want to go to hard money because little bit more expensive, then they want to try to take the plunge do this with conventional financing. I mean will you even submit offers on their behalf, is it worth doing?

David: And a lot of times it's probably a waste of time, if you are submitting a conventional offer and you are an investor up against cash offers, your offer is probably not going to compete very well.

Jason: Okay.

David: Because the banks will take a little bit less for cash hard money/hard money offers than they will hire conventional offer because they know it's more of a sure thing.

Jason: Sure.

David: The banks just want to get these properties moved and they will take a little bit less to do that.

Jason: Sure okay and what is the typical timeframe the banks want you to put in the offer?

David: They would like less than 30 day closing time turnaround.

Jason: Okay.

David: Which is why it's great you can use hard money because you can almost always turn the place around in 30 days or less which is what the banks are looking for.

Jason: Okay and do they require you to use your own title company or their title company of their choice or can you pick your title company or let's talk a little bit about what type, I know a lot of real estate investors, a real estate investor is little bit different than homeowner because a homeowner may buy a property once in their life, once every 10 years, real estate investors do multiple properties, monthly, yearly and they have service providers that they like, understandable, so can they use their own title company or is the bank want to typically use their own company?

David: Well you can, as an investor you can use your RESPA allows the buyer to be able to use their own. Banks have their own title company that they would prefer you use and they will usually give you a break, the buyer a break for using them. They may be able to waive some of the title insurance or they will pay for some of the cost that if you use your own title company, you probably have to pay those costs.

Jason: And then so on the title insurance, I am assuming that's owner's title insurance that they will waive. I guess that can add up; it can save you a few thousand bucks.

David: Even in the thousands.

Jason: So I guess that will make sense, I guess that will make sense if you know the buyer is okay with that. So let's say the process typically takes two weeks to 30 days and the buyer's contract is accepted, is there anything else that you want to do to stay on the good side of the asset manager. You know I think real estate investors think if I can get in with the asset manager or REO agent, maybe an asset manager, I can have a full streamline of deals and the deals are what makes things go together and real estate investors are always out there searching for the next best deal because that's how they are making money in the business is there anything that, anything kind of post contract exceptions that they should be aware of?

David: Basically the less you bother the asset manager, the better. The banks just want properties to go away, basically. So if you do home inspection and you ask for a laundry list of things to be repaired, they are probably not going to be as happy with you especially as an investor. If they see that

you are an investor coming in, they just want to sell properties, just come up with the figure, sell it to you for that price and you just take it off of their hands.

Jason: Sure and leave them alone.

David: Exactly, they prefer that you don't ask for this to be fixed and that to be fixed and so forth so they will prefer that. That's definitely would keep them happier, have we done it the other way and had things taken care of, sure you can do that. You can ask for it, the bank doesn't always do it.

Jason: Sure.

David: Because it is a hassle for them, they try to price them accordingly to the condition of the place just to get it off the books.

Jason: Okay and I guess one of their big things is they probably want you to close on time.

David: Yes.

Jason: You tell them you are going to settle on this date, I am sure they want you to settle on that.

David: They usually, that's a good point too, I am glad you mentioned that because they will often put in the, the banks once you submit the contract and have it accepted, the bank always has their own addendum and that basically overrides everything. It puts the bank, it gives the bank the upper hand and they will often put in their penalties if you don't close on time.

Jason: Okay and going back real quick, what about Ernest money deposit, what's the rule of thumb? A lot of real estate investors, they put offers on lost properties and they put \$10 bucks in at least consideration, I am assuming the bank probably doesn't want just \$10 bucks, is there a rule of thumb or percentage or something?

David: Usually the higher the better. Usually we say 1% to 2% of the purchase price as Ernest money deposit. The higher you show, the more serious you are. I have seen people, investors put down as much as \$20,000 and banks love that.

Jason: Sure.

David: Because they know that they have more, the investor is serious and they have more at stake, they have more skin in the game sort of sort of speak so they are not just likely to just walk away from this and they will probably get that contract more consideration than they would with the \$10 one.

Jason: Sure yeah, that certainly makes sense and if the borrower is getting financing, do they want a pre-approval letter and if they are buying with cash, are they looking for approval funds or bank statement just to show they are not bluffing?

David: Yes. The bank is going to want some proof that the investor can close this property, proof of funds or an approval letter. Usually it's one or the other generally speaking.

Jason: Okay yeah and typically homeowners are similar as well to show that you have the ability to and how long does it typically take for the buyer to get the contract ratified from the date it's put in, is that a quick process, does that take a while?

David: It can take a while, usually I would say to allow up to 48 hours, and my listings with the bank when I am listing their properties, I usually put please allow 48 hours possibly more. I have seen takes as long as two weeks if you have multiple offers submitted, if you have four, five or more offers submitted on the property, the banks keep wanting to go back to different people and they are trying to get every last nickel they can out of that property so they will go often back and forth and it may take a while longer but if you are the only submitter, the only bidder on the property, you probably could hear in 24, 48 hours.

Jason: That's good and do they have a preference if you buy an entity or business, buy your personal name, do they care either way?

David: They don't care so much about who the buyer is. If you are buying and it's an LLC or business, they may ask for proof of LLC, incorporation documents or something like that but otherwise they generally don't care so much.

Jason: Okay considerably real estate investors I notice they want to buy stuff in LLC.

David: Yes.

Jason: Not a homeowner. They would typically buy property in their personal name so this is all extremely good information to share, is there any info or tricks or tips anything that you can share, is there stuff that we haven't covered that has to do with helping real estate investors?

David: Banks typically, they just want a quick deal, as I mentioned, they don't want to pay closing cost for investors, a strong Earnest money deposit as I mentioned can go a long way. The best thing is to have a good agent if you are an investor that understands the REO process and can get through it and have a good lender such as yourself who can close quick and be flexible because as you know, we worked on several deals before that we had to jump through some hoops and things like that and I really appreciate it, my investors do too that you are able to get the deal done. They were able to get the house so flexibility is a great thing to have too.

Jason: That was all really good information and I have actually been taking notes this whole time and I want to do a recap for everybody just everyone can remember all this just in case they weren't writing everything down. So obviously it's important to know your market and to work in a small niche area, you know there's no point to really low ball an asset manager on property unless it has been on the market for three weeks. Look for properties that are in poor condition because banks know that the happy homeowner can't get financing for that so it's typically good for an investor. Always make a really good relationship with an REO agent especially a great one; one of the leading ones in Virginia which David is. If you can use hard money or cash, that obviously makes it a lot easier for the banks to accept your offer. You are welcome to use your title company but just keep in mind that bank prefer to use their title company and they will let you save you little bit money if you decide you are okay to use their title company. Don't ask banks for pretty much anything, don't even bother with asking them for closing cost assistance or ask them to do anything to the property. They just want to unload this property as quickly as possible so be an easy buyer to deal with. If you could put down strong earnest money deposit, banks really, really like that and obviously tell them you can close as quickly as possible. There's nothing wrong in telling them that you want to close in a week or two weeks, obviously given the ability to. They typically can even be longer than that so typically when real estate investors work with homeowners to say hey I am closing in 24 hours, 48 hours and sometimes it's reasonable, sometimes it's not because typically title doesn't get done that quickly but with banks don't feel bad to tell them you are closing two or three weeks because they are okay with that and if you want to use an LLC or buy in

your personal name, either way, they are okay with that. So I want to thank David obviously for letting us interview him. He is a really good resource and we work together with some of his clients and they are directly with ourselves as well on a lot of different real estate projects and I want David to have a chance give you his contact information, correct me if I am wrong but I am assuming you are okay to work with new real estate investors or do you have a full client list at this point or?

David: Sure I am always willing to take on new clients so yes. My cell phone number is (703) 403-5712 and my website is [www.davidsellsproperties.com](http://www.davidsellsproperties.com).

Jason: Okay good and I am surprised he gave you his cell number that's great. That means he is a standup guy and a good real estate agent. So if you have any questions for him directly feel free to call him or visit his website. I am sure he is happy to help. You know our company is [HardMoneyBankers.com](http://HardMoneyBankers.com) if you don't know us, we also have this new educational blog called [HMBCribs.com](http://HMBCribs.com), it's focusing on real estate investors and create strategies to make money, real estate investing it's a newer blog that we just setup so we are going to hopefully be interviewing a lot of different professionals and obviously the big thing is to buy real estate property at a discount so David will be a really good contact for everyone so.

David: Thank you Jason, thanks you are great to work with. Your company has been fabulous. Every deal we ever closed approaching probably over a dozen now I think and they have all been great. My clients are extremely happy and I know they will continue to use your services again.

Jason: I appreciate it and we hope to do a lot more business with you guys as well.

David: Well great thank you.

Jason: Thanks.

## **Jason Balin with David Maier Interview – Outline of Important Points**

1. REO stands for real estate owned. REO properties are houses that have been foreclosed on by the bank. The bank doesn't want to hold on to the properties for any longer than possible. They want to sell them in a hurry, usually below market value.
2. Know your market. Become familiar with a specific area and become an expert on comparable sales and how long properties stay on the market. This will help you know which properties are good deals to purchase from the bank.
3. Look for the properties that need work. Homeowners can't get financing for properties that aren't livable but investors can. Plus they will be cheaper than market value.
4. Don't low-ball the asset manager unless the property has been on the market for at least 3 weeks. Most properties are priced to sell to begin with. A low-ball offer won't get much attention unless it's been on the bank's books for too long.
5. Making a cash or hard money offer is more attractive to asset managers. Conventional bank financing can fall through. Banks don't want to go through the process all over again if it does. Cash and hard money are a sure thing.
6. Whenever possible, use the bank's title company. Often the bank will be able to get reduced closing costs. If you must, you can use your own title company but you will have to pay the full amount for it.
7. Don't ask banks to pay for closing costs or anything of that nature. Also, don't ask for any repairs to be made before the sale. All sales will be as-is.
8. Tell them you can close quickly. Hard money and cash can be funded very quickly and the banks are eager to get the properties sold and off the books. Sometimes deals can close in as little as 24-48 hours.
9. Buying with an LLC or as an individual are the same to banks. They don't prefer one over the other.