

THE TRUTH ABOUT FORECLOSURES



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Q *I am interested in buying foreclosures but have heard there are a lot of risks when it comes to purchasing them at auction. What steps can I take to protect myself?*

A There are a few important things to remember when purchasing a foreclosure at auction. Every state has different laws governing the manner in which a foreclosure is to be handled. If you are investing in properties in different states, educate yourself on that state's foreclosure laws and requirements for bidding at the auction.

One of the most common mistakes people make when purchasing a home at auction is failing to find out which deed of trust is being foreclosed on. Knowing the position of the deed of trust that's being foreclosed on is crucial. When purchasing a junior deed of trust, you are acquiring that property subject to any prior liens that have been recorded and will be responsible for paying those off. In some instances, if you are unable to pay the senior lien holder off, you may find yourself being foreclosed on.

Even when purchasing a deed of trust in the first lien position, you will still be responsible for any unpaid property taxes that have accrued and any other assessments that may stay attached to the property.



You should also watch for federal tax liens. In Idaho, the IRS has a 120-day right of redemption from the day of sale on a non-judicial foreclosure. It's also important to remember to compare the property address to the legal description being foreclosed on. Make sure you know exactly what property you are purchasing at the auction. It's helpful to know the procedures of the actual foreclosure sale itself and the fact that proof of "good funds" will be required prior to bidding.



There are many title products available to help assist you in finding the necessary information about foreclosures. You should wait until a few days before the actual sale date before purchasing any type of title report in case the owner has cured the default. Call the Trustee handling the foreclosure to make sure you have accurate information about the status of the sale.

The risks listed above are not meant to be an exhaustive list of problems, but rather demonstrative of the varied problems one could encounter when purchasing property through foreclosure. Do your homework, be persistent, and most likely you'll find some great opportunities! 🏠



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