

Top 10 Things to Know When Buying Real Estate at Public Auctions

BUYERS GUIDE

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Contents

- #1 Online Bidding vs. Court Bidding 2
- #2 Research the Title 2
- #3 Know Your Type of Auction 3
- #4 Last Minute Cancellations..... 3
- #5 Refrain from Impulse Buys..... 3
- #6 Buyer’s Remorse 3
- #7 Deadlines 4
- #8 Timelines..... 4
- #9 Unexpected Issues 4
- #10 Hire a Professional 4
- Take Away 5

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Photo Credit: Taber Andrew Bain/Flickr.



After the Real Estate market 10 years ago, public auctions have become a great way to purchase real estate at a bargain. But a lot of risk is also associated with the investment opportunity of real estate auctions.

In this article, Erick Verdejo lists the top 10 things you should know when buying investment real estate at public auctions.

#1 Online Bidding vs. Court Bidding

Most counties will only allow bidding to take place online. Some will only allow bidding at the courthouse, while some will allow both. To save time and money, stay informed as to what type of auctions are available within your geographic area of investing.

#2 Research the Title

Even the best deals can come crashing down, if you do not do a title search.

Questions to ask yourself include: "Was this the only lien on the property? Are there others? What can be done to make sure the property is free and clear?"

These questions can be answered prior to the purchase. And as a result of a good title search, you will minimize the risks involved in purchasing a property at auction.

#3 Know Your Type of Auction

There are a few types of auctions that you may come across as an investor, including, but not limited to, mortgage foreclosure, lien foreclosure, tax deed sale, and bankruptcy sale.

Depending on the case and type of auction, your title may eliminate some inferior liens, but others will not. By understanding the type of auction you are at, you can save yourself unnecessary trouble and money.

#4 Last Minute Cancellations

Some homeowners will try to stop or stall the sale process. A few will file last minute appeals or even petition for bankruptcy. It is a good idea to review the status of any pending case the morning of the auction to make sure your target property is still a viable investment.

#5 Refrain from Impulse Buys

You are at the auction when suddenly you see a property where the judgment is \$50,000.00 and the asking price is only \$3,000.00. It seems like the deal of a lifetime.

This is the moment you need to stop and think. There is probably a good reason why others have not bid on the property. Often times, junior lienholders will foreclose on a property where the successful bidder takes title subject to a first mortgage, as well as any delinquent taxes on the property.

#6 Buyer's Remorse

Research and fully understand the rules of the action prior to bidding. Make sure you know the penalty for not purchasing a property you win at action, and how much deposit you will be required to pay. Traditionally, 5% is required and is forfeited if the sale is not completed.

#7 Deadlines

When you are the successful bidder and win a property at auction, it's imperative for you to find out from the county what the remaining payment is and when the balance is due.

Some counties give you a few days, while others only give you a few hours. If you do not pay by the deadline, you may lose your deposit and the property will be resold at auction.

#8 Timelines

In Florida, the Certificate of Sale is issued the same day as the sale. However, the Certificate of Title will not be issued until at least 10 days have passed. This is known as the objection period. Some counties are on time, while others take up to several weeks before issuing title.

If there is a delay, check the online docket of the property you purchased to see if there is a problem.

#9 Unexpected Issues

Even if you follow all the rules and do all the necessary searches, unforeseen occurrences may arise after the sale. The lender may have made a mistake, or the old owner may have filed an appeal to stop the sale. Check the docket regularly to make sure the certificate of title has been issued.

#10 Hire a Professional

In the case of a major problem and the Certificate of Title has not been issued, I highly recommend hiring an attorney to look into the matter. An attorney may be able to resolve issues, and save you money in the long run, compared to doing the work yourself.

Take Away

You can get great deals buying properties at auction, but you can also open yourself up to costly delays.

Besides doing your homework and being prepared as a buyer, have a team of professionals working for you that can respond to issues quickly and resolve problems in a cost-effective manner.

Erick Verdejo is licensed closer at All Real Estate Title Solutions, Inc. in Florida. He has over 15 years of experience in title, legal and mortgage lending fields. These positions and experience have given him a unique perspective in the current markets. He often works with investors in many ventures ranging from commercial, to rentals and rehabs. Feel free to contact him at 813-876-4373 or visit him at 1430 W Busch Blvd Suite D Tampa, FL 33612.