



## A Foreclosure Realtor Will Help You Buy Right

A foreclosure realtor is a realtor who specializes in foreclosed homes. Many would-be foreclosure buyers and investors assume that they can navigate the often complex and confusing world of foreclosures on their own. Unfortunately, that could be a costly lesson. A foreclosure realtor will help you buy right and save both time and money throughout the process, especially when it comes to the negotiation process.

### How a Foreclosure Retailer Can Help

A foreclosure retailer can help in every step of the process, from preparing an offer to evaluating the expected rate of return on your foreclosure investment.

#### Preparing an Offer

Preparing an offer on a foreclosure can be especially difficult since the value of the home may be uncertain and because necessary repairs and maintenance may have been deferred or neglected due to the homeowners financial problems. Additional considerations including liens, back taxes, and other liabilities can further complicate the process. Many novice investors or buyers are uncertain of how to demonstrate a proper valuation model to substantiate or support the offer. This is one area in which a foreclosure realtor will help you buy right- they specialize in utilizing various valuation methods that will satisfy the bank, tax assessors, and of course you, the buyer or investor.

#### Valuation Methods

Learning how to evaluate different valuation models and scenarios may yield dramatically different offers and rates. Here are a few alternative valuation models your foreclosure realtor is likely to consider:

\* Replacement Cost. The replacement cost estimates how much it would cost to buy the land and build the home, as it is now, using current costs and fees. This method tends to work very well for older properties or those in need of major repairs or renovations. For example, the

average sales price of a 1,000–square foot home in the late 70’s or early 80’s averaged roughly \$40 per square foot, or \$40,000 total. Today, it would cost at least \$100 per square foot or \$100,000 total to build the exact same home. Foreclosure agents examine insurance industry averages to calculate the current cost required to rebuild the property on the same lot, including impact fees, labor, supplies, taxes, and any other standard costs.

\* Tax Assessed Values. Tax assessed values are the estimated rates provided by the local government when assessing property taxes. Because they tend to be a lagging indicator – something that was assessed several years prior to the current date– they can work for you or against you. When property values decline, as they did for much of 2007 and 2008, most tax assessed values tend to be higher–than–average, which would actually work against you when negotiating a foreclosure. Inflated tax assessed values can make a property appear more valuable than the current market price.

\* Comparable Values. Most real estate foreclosure agents use comparable sales data to determine home prices. Also called "comp values," these are simply the average sales prices of similarly–sized homes within the same general area. Unfortunately, foreclosures that are custom–built or located in rural areas may have few comp values. Other potential problems include deferred maintenance or necessary repairs, which may not be fully represented in comp values. An experienced foreclosure realtor can help you determine comp values in complicated scenarios.

### Working with Your Foreclosure Realtor

You and your realtor should decide together which valuation model works best in your given situation and in the area where the home is being sold. Once you have determined fair market value, your foreclosure retailer can help you make the appropriate offer.

Contact Us:

Franklin Realty Consultants  
Main Phone Number: 866–496–0249  
West Broward Office: (954) 727–2938  
West Broward Fax: (954) 727–2939