

7 Common Mistakes Buyers Make When Buying a Foreclosure

- 1. Offering Too Low a Price:** Because the lender must justify the offer amount to the court, the bank is unable to accept a ridiculously low offer. The lender gets numerous appraisals on the property and knows the value. In Canada, the borrower is liable for any shortfall in a foreclosure, so it is the court's job to ensure that borrower is protected from the bank selling the property at a substantially lower price. A super lowball offer is likely a waste of time.
- 2. Offering on an Insured Property:** If the lender's mortgage has been insured by CMHC or Genworth, chances are the lender will not accept a super low offer. They have no incentive as they are guaranteed the insured amount from the CMHC/Genworth. Another option is to go directly to CMHC or Genworth owned properties.
- 3. Assuming Your Offer will be the Only Offer:** Many times you will not know that a second or third offer is going to show up in court. If you get cocky and decide to stay home from court and/or not submit an alternate offer "just in case", there is always the possibility that you will lose. Be aware, be there, and be ready to adjust your price if necessary.
- 4. Being Upset After Losing in Court:** Be prepared to potentially lose any investment you make in the property before the court order. If you are not successful with your offer in court, any monies you spent on home inspections, etc. are your loss. It's just one of the risks of bidding on a foreclosure.
- 5. Not Identifying or Accepting the Major Risks:** If someone comes in and destroys the house before completion date, the lender is not required to take responsibility. They may take responsibility, but they aren't legally required to - it usually clearly states that in the Schedule A that you are required to sign with every offer.
- 6. Not Being Prepared for Contingencies:** If the property is occupied during the marketing process, there is never a guarantee they will vacate the property on or before possession

date. If this happens, the bank needs to file for a possession order and forcibly evict the previous owner. (personally I have only ever seen this happen once and although the fellow left late, it was amicable). Hope for the best, but be prepared for issues.

- 7. Not Choosing Tenancy:** You will need to advise the court whether you want title to be joint tenancy or tenants in common. If you do not advise the court prior to the court order, they usually assume tenants in common (no right of survivorship). If you wish to change after the fact, it will cost hundreds of dollars at your expense.