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BUSINESS DAY

Avoiding Pitfalls

By HILLARY CHURA SEPT. 29, 2007

Make sure you do your homework if you want to buy a foreclosed house. Here are a few tips:

¶Run a title search to see whether the property is subject to back taxes, association dues, liens and outstanding mortgages.

¶Find out what a house is worth. Get comparable sales figures from the last few months.

¶Do not get caught up in a bidding frenzy at an auction. Some veteran bidders say properties at auction can go for more than a real estate agent had listed them for a couple of days earlier.

¶Know how much of a discount you want. Investors often require a sale price at least 30 percent below the market value, but someone hunting for a home may only need a 15 percent markdown.

¶Be skeptical of how advertisements are worded. Ralph R. Roberts, who co-wrote “Foreclosure Investing for Dummies,” said people often pay more than they should when a listing says “foreclosure.” The word, he said, “is kind of like a magnet.”

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