

# 10 Tips

to Buying Real Estate  
at Online Auction

Presented by Bid4Assets



# 10 Tips to Buying Real Estate at Online Auction\*

Online auctions continue to offer real estate investors, both novice and experienced, a way to get a great deal on real estate. As with traditional real estate transactions, buyers must employ a common sense approach and perform thorough due diligence for every listing. Several considerations determine how relevant or important your research findings are to your decision about buying. For example if the property is to be purchased as an investment, then community amenities may be less of a concern than if you were buying a primary residence (see tip 8). Among these considerations are:

- ✓ The intended use for the property (i.e., is it being purchased as a primary residence, a vacation property or an investment?)
- ✓ The condition of the real estate market where the property is located
- ✓ The length of time you intend to own the property

If you discover information about the property that concerns you, do not hesitate to ask questions of the seller. With patience you will find the right property. Without further ado, here are the tips\*:

## ① Get to know the auction process.

Every auction site operates differently. Be sure to understand the auction process and all of the site policies. Real estate sales are a binding contract on some sites whereas on other sites they are not. Some sites require a set amount of time to pass without any bids prior to closing the auction (called bidding overtime), which allows all potential buyers the opportunity to make a counter bid. Other sites end auctions at a set time regardless of an ensuing bidding war.

**Resources:** Bid4Assets Resource Center and Buyer Guide ([www.bid4assets.com/help/](http://www.bid4assets.com/help/) and [www.bid4assets.com/BuyerGuide](http://www.bid4assets.com/BuyerGuide)); note that real estate sales are a binding contract on Bid4Assets.

## ② Understand what is being auctioned.

This seems basic, but online real estate auctions come in several forms that may not be understood immediately by potential buyers. Is the property a condo or a timeshare? Is the property for sale outright or are you bidding on a down payment (called a “bid and assume” sale)? Bid and assume auctions require payment installments to the seller in addition to the bid amount; the winning bidder does not obtain the title until the outstanding balance is paid in full. Additionally real estate can fall into several categories of deeds (warranty, quitclaim, etc.)

## ③ Get to know the seller.

Find out as much about the seller as possible. If the auction site allows buyers to rate a seller or provide feedback, review the information thoroughly. Buyer feedback provides insight to the person/company selling the property and may reveal potential problems. It is advisable to be especially thorough with all research if a seller profile has feedback from few buyers.

**Resources:** Better Business Bureau ([www.bbb.org](http://www.bbb.org)), Federal Trade Commission ([www.ftc.gov](http://www.ftc.gov)) and Internet search engines.

## 4 Ensure your ability to close the deal.

Buying real estate requires significant financial resources. Even if you do not have cash on hand to cover your bid, you still may be able purchase real estate through online auctions. Get pre-approved for financing and contact the seller prior to bidding to arrange a mutually agreeable timeframe for delivering payment.

Resource: Bid4Assets financing partners ([www.bid4assets.com/financing](http://www.bid4assets.com/financing))

## 5 Consider the settlement requirements, including payment options.

Be aware of payment requirements and fees the seller is charging. A seller can charge a fee for the title, transfer and/or closing. Specifics on such fees should be listed within the auction details/description. Be wary of sellers who require payment by a wire service like Western Union or MoneyGram. These services provide no process to dispute the transaction in the event that the seller misrepresents the property. Payment methods like ACH (e.g., electronic deductions from a checking account), personal checks and PayPal provide buyers with a process to dispute charges and therefore offer some level of protection. Remember that on some sites the transaction is a binding contract so long as the property listing is accurate. If you have concerns about the settlement requirements or believe you may not be able to meet them, contact the seller prior to bidding to attempt to make alternative arrangements.

Resources: ACH overview at NACHA-The Electronic Payments Association ([www.nacha.org](http://www.nacha.org)) and PayPal ([www.paypal.com](http://www.paypal.com)).

## 6 Research prices of comparable properties.

Many factors influence price when it comes to real estate, especially location. Research real estate prices for comparable properties located near the listed property. Be sure to evaluate similar properties that are in the same zip code, if not within a few blocks of the property under consideration. Online newspaper classifieds and real estate broker sites can provide prices for comparable properties. When evaluating the property be sure to adjust for factors that may have a positive or negative impact on price.

Resources: Zillow ([www.zillow.com](http://www.zillow.com)) and National Association of Realtors ([www.realtor.com](http://www.realtor.com)).

## 7 Research the neighborhood, including amenities, infrastructure and nearby features that may add or detract from the property.

Consider the proximity of the property to other features like mass transit, schools, a landfill or an industrial park. The U.S. Department of Housing and Urban Development is a source for information about real estate developments, both those that have been completed and those that are planned. Search engines can also provide a means to research the neighborhood and town where the property is located.

Resource site: U.S. Department of Housing and Urban Development ([www.hud.gov](http://www.hud.gov)) and Internet search engines.

## **8 Review any provided due diligence information and contact the county to inquire if there are any back taxes or special circumstances associated with the property.**

Many listings provide a summary of due diligence findings and additional information. Be sure to review all information provided in the listing thoroughly and confirm claims yourself whenever possible. Counties generally retain important information on real properties, including tax rates, zoning designations and details on any liens. County resources should indicate if there is a homeowners association or community covenant where the property is located, which could impose recurring expenses or community restrictions. Do not hesitate to ask the seller to clarify information or confirm your findings.

**Resource:** National Association of Counties ([www.naco.org](http://www.naco.org))

## **9 Personally visit the property and/or arrange for an inspector/appraiser to evaluate the property.**

When starting out with online auctions, you may decide to limit your activity to properties in your area. It's always a good idea to visit a property in person, however that may not be possible for properties auctioned over the Internet. Alternatively you can hire an inspector or appraiser to evaluate the property for you. Plan ahead. Access to the property can often be a challenge given schedules; location of the property, seller and buyer; etc. Arrangements to inspect/appraise the property should be made with the seller prior to bidding on the auction.

**Resource sites:** American Society of Home Inspectors ([www.ashi.org](http://www.ashi.org)) and American Society of Appraisers ([www.appraisers.org](http://www.appraisers.org))

## **10 Decide the maximum amount you are willing to pay for the property and make sure to factor in closing costs, buyer's premium (when applicable) and any other related fees. Then place your bid with confidence because you performed the thorough due diligence necessary to make an informed purchase.**

Please refer to the Terms of Service on [www.bid4assets.com](http://www.bid4assets.com), to which all Bid4Assets users must agree, for the responsibilities of all parties in the auction process.



8757 Georgia Avenue, Suite 1330  
Silver Spring, MD 20910

Office: (301) 650-9193  
Fax: (301) 650-9194  
[www.bid4assets.com](http://www.bid4assets.com)