

MiamiDadeForeclosures.com Crash Course:

Buying Properties at the Miami-Dade County Foreclosure Auctions

1. Intro

Buying properties at the Miami-Dade County foreclosure auctions is an easy but research intensive, straightforward process. Just follow these simple steps:

1. Use our site to find potential foreclosure properties coming up for auction.
2. Do research on properties you like to see what they are worth & determine the max bid you want to place.
3. Order Title Searches on the properties you want to bid on to check the liens.
4. Deposit to the Clerk of Court's escrow account 5% of what you plan on bidding 3 full business days BEFORE the auction begins.
5. Register at the Clerk of Courts auction website.
6. Bid on the property the day of the auction.
7. If you win the auction, you are required to make final payment by 2:00 pm the business day following the sale.
8. Wait for the certificate of title to be issued after the 10th day.

Now each of these steps will involve some work on your part, but once you learn the process you will find out how simple it is. This isn't rocket science, but it's not a get rich quick scheme either, as there is plenty of work and no guarantee of immediate success.

Some think that we here at MiamiDadeForeclosures.com are the ones that are holding the auctions, but this is not the case. We parse through 1000's of county documents on these foreclosures and organize the

information in a way that makes it easier for you to do the research you need to find properties to purchase at the county auction. The banks or other lien holders use county auctions to lower the price of selling their foreclosed homes to the general public. Instead of the bank hiring a real estate agent to show the house and pay the agent commission on their distressed properties, the banks use the county auction to keep the costs down and to simplify & speed up the selling process. This makes for some great bargains for auction bidders, but it also carries some risk.

Since there are no open houses for these foreclosure properties and you are buying them "as-is & unseen", you don't know what condition they are in, and no one will disclose the condition beforehand. In addition to these risks, the county expects you to deposit 5% of your winning bid immediately and come up with the other 95% of what you win by 2:00 pm the business day following the sale. So unlike traditional home buying there's no financing plans or mortgages; these are 100% cash deals.

If any of these risks are beyond your comfort zone, then buying at the county foreclosure auction might not be a good choice for you, but if you read this "Crash Course" on buying properties at auction, we will help you find ways to minimize the risks & hopefully help you succeed.

Step #1 Find properties you want to buy.

Using our site, you can quickly identify properties that fit the specs you are looking for. Search by city, zip, how many beds & baths and square footage and you will quickly come up with a list of houses you potentially would like to bid on. Once you have a list of upcoming auction properties that match what you want to buy, the real homework begins. First, you need to make sure the auction for the property is still going to happen by clicking "Click here to go to the bidding area" on the Property Info page. (It's the last link on the Property Info page before "similar foreclosure listings" at the bottom.) Once you click "Click here to go to the bidding area" you will be taken to the county auction website for the date the property is going to auction. You will have to find the case # of the property on the property info page and match it with the case # on the <https://miamidade.realforeclose.com> site and make sure the status is still listed as "Scheduled". Many times, the current property owners have lawyers file motions to try to stop the auctions and successfully get the

auction canceled, even up to the hour before the auction is scheduled to start. Usually this postpones the auction for a few days or weeks, and it will be re-listed and auctioned off later. On rare occasions the current property owner manages to get out of the foreclosure either by selling the home or by making additional agreements for payment with the foreclosing party.

Let's assume you have identified 10 potential properties you are interested in and move on to step #2.

Step #2. Figure out what houses are worth buying at a price you are willing pay.

Now that you have a list of homes you are interested in, your research becomes more intensive. The auctions are similar to eBay auctions with the Miami-Dade Clerk being eBay, the sellers are the "Plaintiffs" (parties bringing the foreclosures), & the bidders are you and other investors and property buyers. The big difference is the people selling aren't telling you the condition of the item with the listing, and it is your job to do your best to figure out what condition the item is in, and what the item might be worth. The sellers are also in some cases bidding against you and can bid the property up to the final judgement amount although some don't.

Unlike what you may have seen on TV shows or movies there is no "inspection period" or "open house" for these properties. The Plaintiff is using the county to auction its property, so it incurs as little cost as possible which means they aren't going to pay someone to go open the house and let you see what's inside. In fact, even if the bank knows what condition the house is in, they won't take the time to document & disclose it. There is always risk involved in these foreclosure auctions which is why they sell for less than if you were buying the traditional way. Most seasoned investors assume they might have to spend an additional 10% or more of the purchase price to fix the house since most of these properties can be described as distressed. The previous owner living in the house might have been disgruntled and gone through and spray painted the walls, pulled out fixtures, ruined floors, or punched holes in the drywall to spite the Plaintiff before moving out. On the same note, the house may have minimal repair cost & be in "move in" condition. This is

the risk involved and it's something that you as the bidder must price into your max bid.

There are ways to minimize your risks, some are legal, some aren't. We suggest driving by the property if it's in an area that is open to the public and doing your best to size up whether the house is being maintained or if it has been vacant for a long time. Has the landscaping been growing out of control? Is the grass cut? Are there broken or boarded up windows and doors? Is there any damage you can view from the outside that might give you an idea of the condition of the inside? Tarps on the roof would be an indication that there is likely weather damage inside, as the hole in the roof might have been left unchecked for days, even weeks or longer. It's important to remember you are not legally allowed to go into these homes and it's a bad idea to try since there may be inhabitants that might not be so cordial when they see an uninvited stranger show up who is interested in taking their home away and it could put you in a dangerous situation.

Some investors make attempts to talk to the people being foreclosed on to try to work out a deal to buy the home from them, but this is an entirely different investing strategy than buying foreclosures at auction. Other investors like to talk to neighbors to get an idea of whether the person that lives or lived there did anything to the house, as sometimes people living around the house may have known them. Again, do this at your own risk since they could be friends or family of the previous owners and they might not be so friendly to you.

Another strategy is many of these properties are listed on the MLS as short sales or just regular listings, depending on the owner's equity and current market it might make sense. The ones that are listed with agents and on the MLS are prime targets for a quick pop in and peek, it's usually not difficult to inspect these properties.

For short sales, many of the listed short sales haven't been fully approved by the bank, some have been even though the bank is still pursuing a foreclosure, sort of like the old saying, "the right hand doesn't know what the left hand is doing". In this scenario, the foreclosure department in a bank is working to foreclose while the short sale department in the same bank is cooperating and trying to help the owner complete a short sale. When this happens on a property you are interested in simply call the

agent, take a home tour and try and get in line to buy the house and if the short sale falls through you can buy at the auction. OR just pretend you want to buy it through short sale and then simply wait for the auction, either way you are ahead of the other bidders.

ALWAYS READ THE COURT DOCUMENTS!

It is up to you to know exactly what you are bidding on. The county will not overturn a sale and refund the purchase price because a bidder didn't know what they were bidding on, or because they didn't understand the legal description! If you are confused by the court docs for the foreclosure, call a lawyer, a title company or a real estate agent to save yourself from a costly mistake later!

Step #3 Title Searches, Title Searches, Title Searches! Order Title Searches on each property.

This is one of the most important steps in buying foreclosure properties. You cannot buy a foreclosure property at auction unless you absolutely know what liens there are against a house. The term "lien" generally refers to a wide range of encumbrances and would include other forms of mortgage or charge. In the USA, a lien characteristically refers to nonpossessory security interests. This means the property has debt attached to it and the lien holders are going to want their money to change the owners of the property. Liens can be first, second and third mortgages, tax liens like real estate taxes owed to the county on the property, utility liens like water company bills, electric etc., and then there are other liens like monthly condo dues or HOA fees. There are also contractor liens, when people get work done to their house but don't pay the contractor then they can put a lien on file against the house for the amount owed. Typically, the lien holder bringing the foreclosure is the 1st mortgage holder and this wipes out the other lien holders like 2nd or 3rd mortgages or contractor liens, but they don't wipe out the liens that are "attached" to the property itself like HOA/Condo Liens, utility and tax liens or other liens listed in the final judgement which can be any of the above. These liens are for things that anyone on that property would have to pay where mortgages are originated by the property owner.

If you are interested in a property you judge to be worth \$100k in today's market in its current condition and you win the auction for \$80k, that's a quick 20% savings and a good buy. But unless you did a title search you would have missed that the 1st mortgage was the party bringing the foreclosure, and there is additional tax lien for \$35,000 and a utility lien of \$15,000. That's an additional \$45,000 that you now owe to those other lien holders, and your 20% savings quickly turned out to be a big 30% loss! Therefore, it's absolutely necessary to do a Title Search on any property you might be interested in. Some properties can be had for just what is owed in taxes, but some have a large number of liens and the only way to know if a property is worth buying and how much to bid on it is by getting a complete encumbrances report. Encumbrance is legal terminology for anything that affects or limits the title of a property, such as mortgages, leases, easements, liens, or restrictions.

An even worse case scenario that has happened to people who rush into bidding without doing their homework is when people bid on junior liens. Someone might see a property up for auction and bidding is only at \$5,000 even though the home is worth \$200,000. So, they immediately start bidding on the property with other foolish bidders and end up winning the auction with a bid of \$25,000. This foolish investor ends up paying \$25,000 for the property, only to find out later that the foreclosure was brought by a condo association, and the property had a pending foreclosure by a senior lien holder for a first mortgage of \$250,000. Now the bank will foreclose on the house and the foolish investor has no recourse and no real ownership in the property and loses the property and the \$25,000 they spent on the worthless junior lien.

A typical investor will use an "O & E" report like this: There are 30 properties coming up for auction that the investor is interested in bidding on. The investor does a preliminary title report, ("O & E report" or "current owner searches") on those 30 properties to see what kind of liens are on the property and whether or not it makes sense to bid on them at all, and if it's worth bidding on to figure out how much to bid. Once this is done some investors will have their real estate attorney check each report of the properties, they plan on bidding on to be sure it is correct & accurate and there will be no surprises after they buy the property.

Experienced investors build a trust relationship with their O & E providers and accept the risk of there be no insurance in case something is missed in the initial O & E. It's up to the individual investors to pick their risk level we would suggest if you were new to pay the extra for the attorney to the title searches and consult with a lawyer until you are comfortable with the business risks.

By now you may have noticed we offer Encumbrance Title reports (O & E reports) for \$39 (in bulk) to \$54 each as a convenience to our members through our partners at EasyTitleSearch.com. Of course, we would love for you to utilize our service because it's one of the most cost-effective title report services out there, but there are other places you can use as well. They offer exactly what most investors in this business use to find out what liens are on the property, and we hope we can earn your business with our local helpful customer service and detailed accurate reports. Click below to order the title searches now for properties you are interested in if you haven't already!

http://www.MiamiDadeForeclosures.com/members/buy_title_search.php

Step #4 Make sure you have the cash on hand to buy your property.

It's important to know that these are cash deals, so if you don't have enough cash now to pay your maximum bid you will need to find financing and have the money in your account ready to go beforehand. Most seasoned foreclosure auction investors are using their own cash to buy these homes or have secured other people's money to buy as an investment group. Some people that are first time auction property buyers or people looking for a home to live in take cash out of the existing home they live in through a second mortgage, but you must be sure the cash is in your bank account and accessible before moving to the next step. The county requires you to give them 5% of what you plan on bidding 2 days before the auction, and they will expect full payment for the winning

bid by 2:00 pm the business day following the sale, or you will forfeit that 5% deposit and lose the property. We will discuss the process of the 5% deposit and paying for a winning bid later in this article; we just want everyone to know that you can't bid at these auctions if you don't have 100% of the winning auction bid on hand ready to spend.

Step #5 Get Registered to bid with the county & deposit your preauction funds.

By now you have done the research on all the properties you are interested in. You have made sure the auctions on the properties haven't been canceled, you have done drive by viewings of the homes, researched what similar homes in their respective neighborhoods sold for recently, researched the title of the homes using title search & or ownership & encumbrance reports and you came up with a couple of properties you know you would like to own and you know exactly how much your maximum bid will be & have the cash on hand to pay for it.

Now it's time to get ready to do some bidding.

Registering to participate in the auction is a simple and free. You just fill in your personal or business information, select a username and password and then click a confirmation link. This is the link where you register:

<https://miamidade.realforeclose.com/index.cfm?zaction=REGISTER&zmetadata=START>

After you are registered, and you click the email confirmation link it will direct you to login to the County Clerk auction site. Once you are logged in you have the option of depositing the 5% of what you intend to bid at auction via ACH (online check). If, for example, you plan to bid on an auction property up to a maximum of \$100,000, then you would be required have \$5,000 in escrow with the county. From their site they say, "For example, to bid in a Thursday auction, an ACH/electronic check payment transfer equal to five percent of the anticipated final bid must be completed by 5 p.m. on the preceding Friday". Even though their site says 3 days, the examples they have shown it has to be there 4 business days before the auction.

If you want to bid on an auction but don't have time to do the ACH deposit online or don't want to deposit online, you can still bid but you will have to go down to their office in person with cash or a cashier's check by 5pm the business day before the auction. The deposit can be cash, official bank check, cashier's check, or an attorney trust account check. They won't accept money orders or personal checks and you can't bring the money

the day of the auction. Again, it has to be there by 5pm THE DAY BEFORE the auction.

Any amount you deposit with the county clerk to bid will either be applied to your winning bid if you win the action, left on file if you don't win an auction so you can use it in future, or you can request the money back at any time as there is no obligation to use that money to bid if you change your mind later.

Step #6 Bidding on the property.

As you can see that bidding on properties is a lot like bidding on an eBay auction. The seller in this case is called "Plaintiff" as they are the ones bringing the property to foreclosure auction. Just like an eBay seller, they have the option to set a reserve price, or a minimum amount they are willing to let you pay for & win the property, and they are only allowed to bid up to the amount in their final judgement. Sometimes the Plaintiff will choose to disclose the minimum (they call it "Plaintiff Max bid" instead of "reserve price"), and sometimes they hide it or do not set one. As you & others bid on the property, the "Plaintiff" will be automatically (in some cases manually) bidding against you and the other bidders. The auction page will automatically update and show you the current high bid.

To enter your first bid, click "Enter Bid" next to the property you want to bid on, enter the maximum bid you planned on, sit back and watch. There are various strategies to the bidding process. Some people enter in the absolute maximum they want to pay for the house the minute the auction starts, others slowly bid up a few thousand at a time. Unlike an eBay auction for a small item, you are bidding on a property and working with large numbers and it's not a good idea to bid based on emotion just to beat out other bidders. Have an exact maximum number you are willing to spend for your property and never go above it. If you don't win there's a good chance a similar property will come up for auction, so be patient.

Step #7 Winning the auction.

Congratulations on winning your property! Now that you won the auction you must verify who you are and then tell the County Clerk how you will be paying the winning bid amount balance. You will owe the county the

winning bid amount and a slew of nickel & dime county fees minus whatever pre-auction deposit you made. The fees owed will be: "the Clerk's online auction fee of \$60.00; documentary stamp taxes, (\$.70 per \$100.00, or a fraction thereof, of the amount bid) registry fees of three percent (3%) of the first \$500.00 and one and a half percent (1 1/2%) of the balance of the amount bid and any other costs as set forth in the Judgment." Let's say you won the property with a \$100,000 winning bid and had \$5,000 (5%) on deposit with the county. You'd owe \$95,000 + \$60 (auction fee) + \$700 (documentary stamp tax) + \$1,440 registry fees for a total of \$97,200. This payment must be made by 12:00pm the business day following the auction or else the clerk will put the auction back up for sale and keep your 5% deposit! Once you make that payment it's just a matter of waiting for them to verify everything is in order and issue you the "certificate of sale and title" via U.S postal mail which can take a couple of weeks depending on their workload.

During the 10-day period it is possible the sale will be overturned, so be sure to NOT try to enter the property, modify it in any way until you have your Certificate of Title in hand!

Conclusion

The Miami-Dade Foreclosure auctions are a great way to boost your real estate investment portfolio or even a great way to buy your next home to live in. Many people rush in and start bidding on properties before doing all their homework and this usually has disastrous results. If anything confuses you consult an expert like a lawyer or real estate agent. Never bid on anything unless you know what the foreclosure document says you are bidding on. For each property you are interested it's an absolute critical must that you do a Title search on the property to see what liens are attached to each property and do your research to know what the home might be worth and how much your max bid will be.

Our site provides a way for you to quickly identify properties you might be interested in using search tools and alerts, links to all the court docs and judgements and even lien research. If you take full advantage of our site, do your research, and have some patients we know you will be successful in your foreclosure auction ventures.