DUE DILIGENCE:

7 STEPS TO TAKE BEFORE YOU BUY



Due diligence is one of the most critical steps in any real estate transaction. Below are 7 steps you shouldn't skip, especially if you're interested in buying a foreclosure or bank-owned home.

1. EXAMINE RECENT SALES AND PRICE TRENDS. Get recent sales activity either from county records or a real estate agent. Find out what similar homes in the neighborhood are selling for and how long they take to sell. Also look at price trends. Are they going up? Have they plateaued? This should give you an idea of whether property values are going up.

2. DO A TITLE REVIEW. Purchase a preliminary title report and look for ownership problems or liens. An ownership problem could involve a spouse trying to sell a property without the consent of his or her partner, who is a co-owner. Liens, which are more common, can be placed for unpaid HOA dues, property taxes or second mortgages.

3. EVALUATE THE PROPERTY. If the house is vacant, you may want to have a licensed home inspector evaluate the property for structural defects, water damage, electrical problems and other issues. If the house is occupied, you won't be able to get inside but you can drive by to assess the exterior. You can have an inspector help you determine if the roof is okay, the foundation seems sound or if the house needs paint or windows.

4. LOOK AT THE UPSIDE POTENTIAL. Are you near good schools? A transportation hub? Are there new businesses opening? These are upside opportunities. Conversely, if a plant recently closed or there have been numerous layoffs, these factors may lower property values.

5. ATTEND NEARBY OPEN HOUSES. See what the standard of quality is in nearby homes. Are tile countertops fine, or do you need granite? It's good to check because you'll want to meet the standard or be slightly above it.

6. RESEARCH ZONING REQUIREMENTS. If you're going to rent the property, consult with a real estate attorney to see if there are any local ordinances that might make it difficult to be a landlord. Some areas aren't zoned for rental property. Some developments limit the number of rentals in the neighborhood.

7. CHECK YOUR LIABILITY INSURANCE. If you're going to be a landlord, check with your insurance agent to find out how much liability and property insurance you'll need.

While these steps may sound like extra work, they'll pay off in the long run. Whether you're going to occupy, flip or rent the property, real estate is one of the most expensive investments you'll ever make, so it makes sense to protect it.

You Can Win. Team Green Can Help!
Call Team Green at (800) 280-2832 to learn how.

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