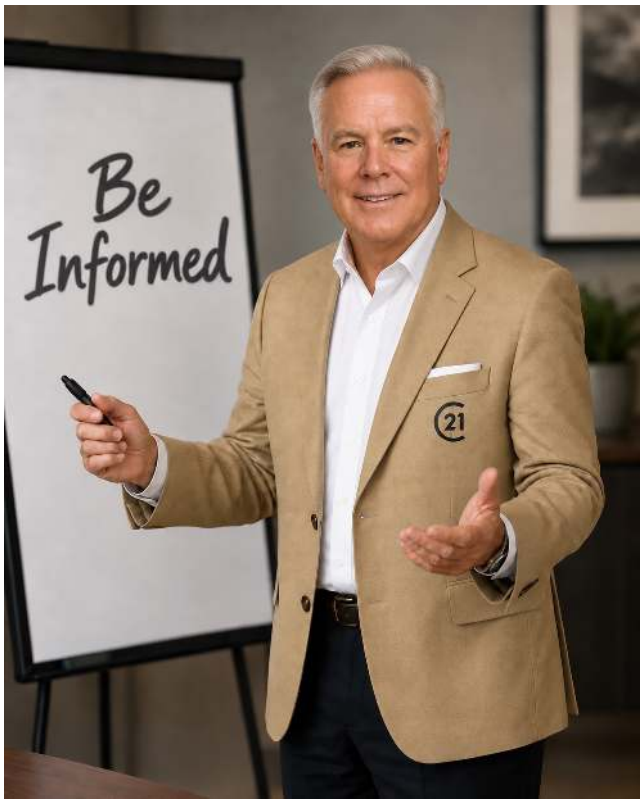
BUYERS

Real Estate Auctions



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NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: REAL ESTATE AUCTIONS

Buying a home at auction can be an exciting opportunity to get involved in real estate, but there are certain risks and rules to be aware of. Whether you're a first-time buyer or an experienced investor, understanding how auctions work can help you bid confidently:

What is a real estate auction? A real estate auction is a public sale where homes are sold to the highest bidder. Auctions can happen in-person or online.

Why would a home be sold at auction? Homes often go to auction after bankruptcy or foreclosure, which occurs when a homeowner fails to maintain their mortgage payments. However, some sellers may opt into an auction as a way to sell properties quickly and reduce carrying costs.

What types of real estate auctions are there? There are a few common types:

- **Absolute Auction:** The property sells to the highest bidder, regardless of price.
- **Reserve Auction:** The seller sets a minimum price; if bids don't meet it, the property doesn't sell.
- **Foreclosure Auction:** Lenders or courts conduct this to recover unpaid mortgage loans.
- **Online Auction:** The process is entirely virtual, which offers broader access to potential buyers but requiring careful review of the property details and the terms of the auction.

What should I know before bidding? Auctions may come with some risk, so keep in mind the following:

- **Properties are sold "as-is":** A property sold "as-is" means that the seller is not making any guarantees about its condition and has decided they will not make repairs even if the buyer decides to get an inspection. During auctions, inspections are usually limited or not allowed at all. If possible, research title status, liens, and property condition beforehand. Renovation costs can sometimes be managed with the help of certain assistance programs.
- **Financing may be restricted:** Many auctions require proof of funds or mortgage pre-approval. An earnest money deposit—a percentage of the purchase price or a set amount paid by a buyer to show their interest is legitimate—is often needed.
- **Expect additional costs:** Bidding wars can drive prices higher than expected. Setting a clear budget—and sticking to it—is key. Winning bidders also often pay a buyer's premium (a percentage on top of the winning bid) along with closing costs and possibly back taxes or liens.
- **Understand the rules:** Some auctions require immediate payment, while others allow time to close. Be sure to read all auction terms carefully.

Are auctions only for investors? No. While investors often frequent auctions, many first-time and traditional buyers also participate. However, auctions can move quickly and usually require upfront cash or financing preparation, which may not suit everyone's timeline or budget.

Where can I find real estate auctions? You can find these opportunities at local county courthouses, auction companies and websites, and government agencies (e.g., U.S. Department of Housing and Urban Development, Internal Revenue Service, Federal Deposit Insurance Corporation). Real estate agents specializing in distressed properties can also help you identify properties.

Can I use a real estate agent? Yes—and it's a good idea. An agent familiar with auctions can help you understand the process, research properties, and ensure you meet all requirements. They can also help you budget for hidden costs and navigate post-auction procedures.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.

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