

REAL ESTATE OWNED (REO)

What Does “Real Estate Owned” or “REO” Mean In Real Estate?

The term “REO” stands for “real estate-owned home” and commonly grouped together with “bank owned.” These are homes that have been foreclosed on by banks or lenders. The banks or lenders now own and wish to sell the home. Once the home has gone through the [foreclosure](#) process, the bank has two options for selling it. The first option is to put the home on the market with a sign that states “bank-owned.” This will alert potential buyers that the owner is the bank, and it wants to sell the home sooner rather than later. If the home fails to sell through this method, the bank may decide to put it up for auction. In this scenario, it would be sold to the person who has the highest bid. The banks and lenders owning these properties know going into this situation that they will take a large price reduction on them. For this reason, it is possible to purchase REO homes for below market value. If the home is in an auction, the opening bid will usually be priced low. If you are interested in purchasing an REO, be aware that these homes are usually in poor condition and need a lot of work. REO homes are usually sold “as is.” The amount of work needed to repair each of these homes will differ. Buyers should tour the home before putting in an offer to see if the work that is required is something that they can handle. If you have your heart set on purchasing an REO, you will want to approach the bank or lender who owns it with a strong and clean offer. Your offer should have few -- or, better yet, no -- contingencies included. You should also have a large earnest money deposit, which shows that bank that you are serious about the purchase. And finally, you should not make any requests for the bank to pay any of the closing costs. *Related real estate articles on Real Estate Owned or REO:*