

Boston Trust

FORECLOSURE GUIDE

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AUCTIONS/FORECLOSURES

Investing in foreclosed homes can be a great way to pick up properties at terrific price points. A successful foreclosure investor understands the great potential these properties offer, but also the enormous amount of effort that may be required to turn them into profitable investments.

So, what exactly is a mortgage foreclosure auction?

A mortgagee's foreclosure auction takes place when a borrower (mortgagee) is in default under the terms of the mortgage. The lender gives the required statutory notice to the borrower and commences the foreclosure process. The culmination of the foreclosure process is the actual foreclosure auction when the lender sells all its rights, title, and interest in the property to the high bidder.

FORECLOSURE:

"The legal process used by a lender to secure possession of a mortgaged property."



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THE PROCESS

In Massachusetts, the foreclosure process typically begins when a borrower misses three or more payments on their mortgage.

- 1** Notice of Default (breach letter): The lender will send a notice of default to the borrower, informing them that they are in default and that they have a certain period of time (usually 30 days) to cure the default.
- 2** Notice of Right to Cure: The borrower has the right to cure the default by paying the missed payments and any additional fees or costs associated with the foreclosure process.
- 3** Servicemembers Civil Relief Act: After a loan is accelerated, the bank will usually file a request for a judgment in the Land Court. If you are active in the military, you are entitled to file a response within 20 days.
- 4** Notice of Sale: If the borrower does not cure the default, the lender will then send a notice of sale to the borrower, which informs them that the property will be sold at a public auction.
- 5** Public Auction: The property will be sold at a public auction, which is typically held at the courthouse or another public location. The property will be sold to the highest bidder.

As an investor, you can take advantage of the foreclosure process by attending public auctions and bidding on properties that are in foreclosure. Keep in mind that properties sold at foreclosure auctions are usually sold "as is" and may require significant repairs or renovations. Additionally, you will want to research the property and the local market to ensure that you are getting a good deal.

Places to find foreclosure

AUCTIONS

To find out about foreclosure auctions in Massachusetts, you can contact your local county clerk's office. You can also find notices of auctions posted in your local newspaper as well as other online resources. Refer to our list of locations below:

- Massachusetts Housing Court
- Local Newspapers
- Massachusetts Department of Housing and Community Development
- Bay State Auctioneers
- Auctions International
- Boston Foreclosure Auctions
- Bank of America Real Estate Center
- Massachusetts Sheriff's Office
- JP King Auction Company
- Real Estate Auctions Inc.
- The Auction Mill
- Massachusetts Foreclosure Listings
- Mass Foreclosures and Auctions
- Massachusetts Foreclosure Auctions, LLC.
- JJ Manning
- realtytrac.com
- baystateauction.com
- mass.gov
- re-auctions.com
- servicelinkauction.com
- hubzu.com
- Foreclosure.com
- hud.gov
- sullivan-auctioneers.com
- patriotauctioneers.com
- bankforeclosuresale.com
- foreclosurelistings.com
- homepath.com
- jjmanning.com

Auction Day

To successfully bid at a foreclosure sale, follow these steps:

Locate the Property:

Find the property you want to purchase through foreclosure listings.

Determine Property Value:

Assess the property's value using market analysis and comparable sales.

Inspect the Property:

Examine the property's condition as best as possible.

Title Search and Liens:

Perform a title search to identify and understand existing liens.

Bidding Deposit:

Obtain a certified check for the required bidding deposit.

Secure Financing:

Ensure you have the necessary financing to cover your bid.

Set Bid Range:

Establish a bidding range and stick to it

Attend Auction:

Attend the auction, present your check to the auctioneer, and receive a bidding number.

At the auction, expect the presence of an auctioneer, a lender representative, and the lender's attorney, along with other bidders. Be prepared for transparency and competition during the bidding process.

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Winning Bid

It's important to approach the signing of a memorandum of sale after winning a bid with caution and understanding. Here are some key points to consider:

Read the Document Thoroughly:

Carefully go through the terms and conditions outlined in the memorandum of sale. Ensure you understand all your obligations and responsibilities as the winning bidder.

Deposit and Liquidated Damages:

Be aware of the amount of the deposit specified in the document (in this case, C\$5,000.00) and understand the conditions under which you might forfeit this deposit, such as failure to fulfill contractual terms.

Breach of Contract Liability:

Note any clauses that state you could be held liable for breach of contract if you don't proceed with the purchase. Understanding the potential consequences, including financial ones, is crucial.

Contact Information of Second Highest Bidder:

It's a good practice to gather contact information for the second-highest bidder. This can serve as a backup plan in case you find yourself unable to fulfill your obligations. Contacting them early can potentially minimize the damages the bank might seek.

Resale of the Property:

Understand the bank's approach to resale in case you can't proceed. If they retain your deposit as liquidated damages, it may be a simpler process for them than pursuing a lawsuit. Knowing the potential resale value and process is essential.

Target Price Considerations:

If your bid aligns with your target price, it may affect how the bank handles the resale. If the property needs to be re-auctioned or offered to the second-highest bidder, it's likely to be within the range of your initial deposit unless jump bidding techniques were used.

Legal Advice:

If you have any doubts or concerns about the memorandum of sale, consider seeking legal advice. A legal professional can help you understand the implications and provide guidance on the best course of action.

Remember, the key is to be well-informed and prepared for various scenarios to protect your interests and minimize potential losses.

Closing on Property

Update Utilities:

Transfer utility accounts to your name.

Change Locks:

Enhance security by changing locks.

Insurance:

Obtain insurance for property protection.

Register with Authorities:

Register the property as required.

Notify Contacts:

Inform the post office and update addresses with relevant institutions.

Maintenance and Repairs:

Address immediate maintenance needs and repairs. Such as smoke detectors, lights, etc.

Property Management:

Set up property management if renting.

Meet with Tenants

Establish a relationship with tenants in order to foster a positive and communicative landlord-tenant relationship

Tax Considerations:

Be aware of tax implications; consult with a professional.

Document Organization:

Organize and store all property-related documents.

Ongoing Maintenance Plan:

Develop a plan for regular property upkeep.

Zoning Compliance:

Ensure compliance with zoning regulations.