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KNOW THE FACTS BEFORE YOU BUY

By Lauren P. Kohl

Many of you, I'm sure, are familiar with the tale of Rip Van Winkle. But, what most people don't know is that legend has it that Rip Van Winkle was survived by a great, great, great, great, great grandson who moved to the Sarasota, Florida area and became a successful real estate investor. So successful was he that his nickname became Real Estate inVestor Winkle (RVW for short).

One afternoon, in 1994, after a particularly profitable closing, RVW strolled down to the powdery white sand beaches of the Gulf of Mexico and nestled himself amongst the sea oats where he enjoyed a spectacular sunset. Having inherited the family trait of narcolepsy, RVW didn't awaken until earlier this year when he discovered quickly that everything he knew about the purchase and sale of real estate had drastically changed except for the prices which had only modestly increased.

Specifically, when RVW awoke he remembered that he had some funds he wished to invest in real estate. Preferring leverage, he visited a local mortgage professional to apply for a loan. He was pleased to see that interest rates were much lower than he recalled and started running cash flow projections in his head while his mortgage professional accumulated the loan application. Brought back to reality upon hearing a thud of paperwork hit the desk, RVW saw that his mortgage professional had a stack of paper about 3 inches high for RVW to complete.

RVW felt entirely invaded by the application. Doesn't anyone trust each other anymore, he wondered. Nonetheless, the paperwork was completed in less than an hour and RVW left to look at homes with a laundry list of information he was expected to bring back to the mortgage professional. "The sooner you provide me with paperwork, the sooner I can get you a loan approval," said the mortgage professional. "I will need about 45 days. Make sure your purchase contract gives me at least 45 days to approve your loan. Good luck, and welcome back!"

RVW, being a very loyal client, proceeded to call his old Realtor and arranged for a meeting at her office. While in the lobby, RVW couldn't help but stare at the busy professionals rapidly typing hand-held gadgets with their thumbs. He began to feel anxious. Everyone was in such a hurry. Was he missing out on something, he wondered.

"Here are some MLS printouts of homes I plan to show you today," said the Realtor. "Why don't we go over them together before we hit the road?" As RVW reviewed the paperwork he noticed that 1/3 of the properties selected were bank-owned foreclosures, 1/3 were short sales, and 1/3 were traditional sales. "The foreclosures appear to be priced the best," said RVW. "Let's start with those!"

RVW sat in the front seat next to his Realtor and noticed that she had what he learned to be a GPS map on her dashboard. As they drove RVW noticed an abundance of neighborhoods that hadn't existed in 1994. Heck, she had planned to take him further to the east and south than he had planned. "There is so much to choose from!" exclaimed his Realtor. "I typically spend several days with each client these days. It takes that long just to familiarize them with their options. You missed the boom that occurred in 2002-2006. Just wait until you see some of these neighborhoods! They have amenities you never dreamed of."

Several hours later RVW, feeling entirely exhausted decided to make an offer on one of the bank owned properties. His Realtor prepared the contract and addenda required by her office and presented 20 pages to RVW. "What happened to the 3 page contract I remember?" asked RVW. "Long gone," she replied. RVW's Realtor went on to say that once she presented the contract to the listing agent the listing agent would come back with an 18 page bank addendum. "I don't suggest you sign the addendum without consulting an attorney," She said. "There are inherent risks in purchasing a bank owned property. You should

understand them before you proceed. You should also recognize that the bank may be considering multiple offers on this property. You should offer what you really think the property is worth. Let me show you what comparable homes have sold for.”

“In the event my offer isn't accepted I'd like to make an offer on one of the short sales you showed me. What can you tell me about these?” asked RVW. The Realtor called the listing agent of RVW's top short sale choice and told RVW she learned that the home had been under contract for 5 months previously with another buyer who walked because he wasn't willing to wait any longer. RVW arched an eyebrow, “You mean to tell me that the home is listed at \$225,000.00 but the listing agent has no idea whether or not the seller's mortgage lender will accept that amount?” “Exactly, the short sale approval process is a long one. But, most of my clients, those with time to wait, have been able to purchase homes at great value.”

RVW decided to have his Realtor prepare a third contract on a traditional sale. A home owned by a family that was still lovingly maintaining the home. The lawn and pool were in great condition, the air conditioning had been running all summer, and all the appliances, ceiling fans and window treatments were included in the sale. RVW offered about 15% more for this property than the other two. “Now we wait and see.”

Eventually, RVW was able to negotiate a contract on the bank owned property. He proceeded to spend money on inspections only to find that the bank could not convey clear title. RVW was returned his deposit but the funds spent on inspections were lost. He became tired of waiting for the short sale to be approved so he cancelled that contract. He really wanted to borrow the money before mortgage rates increased. His only choice was to pay a little more for the traditional sale, and so he did.

RVW slept well that evening knowing that even if he didn't wake up for many years he was buying a home at a historically low price, with an extremely low interest rate. He just couldn't lose.

The moral of the story is: If you haven't purchased or sold real estate in the last few years, you should expect a totally new experience. The best way to protect yourself throughout this experience is to hire a local attorney with experience in real estate purchases and sales. You should also find an experienced Realtor and mortgage professional that you trust and remain loyal to them. It can take a bit of time to find the home that meets your personal and financial goals at a great value.

Note: This story is not intended to deter individuals away from purchasing bank owned properties or short sales. The author has represented hundred of buyers and sellers in the successful closing of these types of transactions. It her is opinion that both buyers and sellers should make informed decisions.



On Your Side
Of The Closing Table

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Representing local and international clients purchasing and selling real estate, including waterfront, golf course, foreclosures and short sales in the greater Sarasota area.
We protect your interests at closing.

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