

Open House: Auctions become popular spot for home buyers

by *Jim_Woodard*

Auctions are becoming an increasingly popular method of purchasing homes in today's sluggish marketplace. This immediate-sale technique is very appealing at a time when selling homes the conventional way is slow and the number of inventoried homes is at a record high level.

The auctioning of real properties is the fastest growing auction specialty, according to the National Auctioneers Association. Over the past five years, residential real estate sold at auctions grew by 39 percent, while commercial and industrial real estate auctions rose 27 percent.

It wasn't long ago that residential real estate auctions were only used to sell foreclosed homes, fixer-uppers and other hard-to-sell properties. Today, all types of properties are sold at auctions, from small fixer-uppers to large luxury homes. Many newly constructed homes are now being auctioned, including single-family residences, condos and townhomes.

"There are many benefits to buying a home at auction," said Realtor Val Gehringer. "Homeowners are committed to selling so there aren't long negotiation periods, and buyers can often close on their new home in fewer than 30 days. Auctions also attract qualified buyers since most auction houses require that potential buyers have financing in place and present written loan approval before the day of the auction. And they usually require nonrefundable deposits, typically 10 percent of the home's value."

There are three primary types of real property auctions. The absolute auction is where the property is sold to the highest bidder regardless of the price. The minimum bid auction is where bids are accepted at or above an advertised minimum price. The reserve auction is where the seller has the right to accept or reject any offer that falls below a confidential reserve price.

Prospective buyers usually have ample opportunity to inspect the property by appointment or at an open house prior to the auction. Typically, the auctioning of a home takes less than 10 minutes. How's that for speedy marketing? Most serious bidders hold off for a few minutes before bidding, waiting to see what others bid.

If you or your broker are interested in auctioning your home, take time to attend several auctions first to learn about the process and what it takes to produce a successful auction.

Q: When are home prices expected to stabilize?

A: Mortgage interest rates are rising and sales of existing homes are now showing signs of stabilizing, setting the scene for more "fence-sitting" consumers to take action with their plans to purchase and finance a home, or refinance an existing mortgage before the rates rise to higher levels.

"Stronger consumer spending and an increase in the core price deflator is causing long-term bond yields to inch up, with mortgage rates following," said Frank Northaft, chief economist for Freddie Mac, a major government-sponsored buyer of mortgages. "However, recent data releases suggest there might be further weakness in the housing market and that could allow interest rates to drift back down from time to time."

Existing home sales rose in November, indicating a stabilization in housing in the wake of mortgage disruptions in 2007, according to a report from the National Association of Realtors. Total existing-home sales - including single-family homes, townhomes and condos - rose 0.4 percent to a seasonally adjusted annual rate of 5 million units in November.

"Existing home sales should continue to hover in a narrow range, and that's good news because it will be a further sign that the housing market is stabilizing," said Lawrence Yun, chief economist for the National Association of Realtors.

Q: What is the increasing number of home raffling programs all about?

A: In addition to the increasing number of home auctions, raffling of residential properties is also on the increase. Most home raffling programs are produced as a fundraising project for a nonprofit organization.

An example of a current project is the raffling of a luxury home in the popular Channel Islands Harbor area in seaside Oxnard, Calif. The project was launched by the Boys and Girls Clubs of Greater Oxnard and Port Hueneme.

Raffle tickets are being sold at \$150 each. The home, or \$1 million in cash, will go to the owner of the winning raffle ticket - scheduled to be drawn on March 31. A total of 18,000 tickets are expected to be sold.

"When people buy these tickets, they are helping a great organization and our greatest asset, children," said Tim Blaylock, chief professional officer of the Boys and Girls Club.

This is the second year the club has sponsored such a home raffling project. Proceeds support the club's goal

of expanding services to more children, age 6 to 18. This year's project is named the "House of Ten Thousand Dreams Home Raffle." For more information, phone 866-720-2582.

Q: What's the deal with the new Mortgage Licensing System?

A. A new Nationwide Mortgage Licensing System (NMLS) was launched on Jan. 2. It's an Internet-based system that serves as the foundation of a coordinated mortgage regulatory framework. The new system was implemented by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators.

The system is one part of a multifaceted plan to improve regulation and bring about greater uniformity across state lines in mortgage supervision. These efforts include coordinated supervision, improved regulatory practices and consistent standards for testing and training for mortgage originators. Many states have recently changed or are in the process of reworking their laws and regulations.

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