

REAL ESTATE AUCTION FREQUENTLY ASKED QUESTIONS

THIS DOCUMENT EXPLAINS THE AUCTION PROCESS TO BOTH THE SELLER AND POTENTIAL BIDDERS. IF YOU HAVE ANY ADDITIONAL QUESTIONS PLEASE FEEL FREE TO EMAIL US OR ASK THEM TO THE OPEN HOUSE HOST PRIOR TO THE AUCTION.

Q: What do I do if I am interested in purchasing a house at one of your auctions?

A: Check this website for the schedule of the auctions and Preview Open Houses. Then come to one of the open houses, and after inspecting the property during the Open House, leave your bid on the "Initial bidding Sheet". Each auction will have its own cut-off time for taking new bids and bidder registration, check with the auctioneer or the open house host.

Once you registered and up until conclusion of the auction, you can call in any time and inquire about the current bidding status and update your own bid.

Q: Why is this home being auctioned?

A: Selling a house through an auction is the best way today to expose the property to qualified buyers at its true market price. This method allows the sellers to sell their home for a fair market price and close it reasonable fast, while the seller enjoy a discount from the market price and easy no-contingency transaction. As a seller you can also appreciate that unlike a traditional method when your house sits on the market for months and months and you are constantly bothered by lookyloos with too much time on their hands constantly going through your house, with the auction method you get to deal with only a limited number of pre-determined preview open houses prior to the auction and the whole process normally takes between 45 to 60 days.

Q: Is there any fee or deposit required to bid?

A: No! There is no deposit required to bid, but if you become a winning bidder, you will be required to deposit 3% of the purchase price (Buyer's Premium) into escrow within 48 hours after the auction's conclusion.

Q. Who can bid at the Auction?

A. The Auction is open to the public without limitations. You can bid by yourself, or thru your broker, but you must register before the bidding starts. If you are represented by a broker/agent, your broker must register before the auction, and must be personally present at the time of the registration. We do not accept broker registrations by proxy, by business cards, by telephone or email, any other "remote" means, in person registrations only!

Q: How does someone become a Registered Bidder?

A: To register to bid, a prospective bidder must: (a) complete and sign a Bidder Registration Agreement, (b) Provide documentation prior to placing a bid demonstrating financial ability to close the purchase transaction (lender approval, evidence of cash at the bank, or other source, a "pre-qual" letter from a broker will not be accepted), and (c) leave provide initial bid amount on the Initial Bidding Sheet (available at the Preview Open Houses).

Q: How is the Opening Bid Price set?

A: The Opening Bid Price is set at approximately 70-75% of the current market value of the property, as estimated by the listing broker. Opening Bid Price does not affect the Reserve Price or the List Price that the seller, rather, the Opening Bid Price merely determines where the bidding will begin on the property. The seller is not obligated to accept any bid below the Reserve Price.

Q: Is this a “LIVE” auction with an auctioneer?

A: Most of our auctions are done via a “round-robin” auction, which means it will be done over the telephone typically on Sunday night. The auctioneer will start the round robin bidding by calling everyone who has left a bid on the “Initial bidding sheet”. We will call each bidder revealing the highest bid and give them the option to place a higher bid or drop out of the bidding. We will continue calling all the bidders until we have only 1 bidder left and that bidder will be the winner.

Q. How does bidding at the Auction work?

A: Bidding will start at the Opening Bid Price. Bids may be made by Registered Bidders either in person, or by telephone depending on the type of auction. If the highest bid exceeds the Reserve Price, then the bidder placing the highest bid will be the “Winning Bidder”. The Winning Bidder is obligated to purchase your property at the “Winning Bid” price plus pay the Buyer’s Premium.

The Auction may be subject to a “reserve”. This means that you may refuse any and all offers below the Reserve Price that you set for your property. If the Reserve Price is not met, then you are not obligated to sell your property and no bidder is obligated to purchase your property.

Q: What if I’m the winning bidder?

A: If you are the highest bidder, we will set up an appointment to sign a purchase contract and ensure you are able to obtain financing if needed and proceed with the purchase of the transaction. You will also need to provide a earnest money deposit for 3% of the purchase price, which must be deposited into escrow within 48 hours of the auction conclusion.

The Purchase Agreement will not include an inspection contingency or most of other contingencies because all disclosures and inspections are provided to the buyer prior to the auction and by agreeing to participating in the auction, the buyer acknowledges removal of all property-related contingencies. The contract may include a financing contingency but only if the auctioneer has reasonably determined that the Winning Bidder will likely be able to consummate a transaction. Close of escrow on the sale will be within 30 days from the date of execution of the contract. Your contract is then submitted to an escrow company.

Q: What is the Buyer’s Premium?

A: The Buyer’s Premium is an auctioneer marketing commission that is paid by the buyer at the close of escrow. The Buyer’s Premium equals three (3) percent of the winning Bid amount. The Buyer’s Premium is added to the Winning Bid amount to determine the contract sale’s price of your property. Buyers premium is NOT REFUNDABLE!

Q: Is the condition of the property warranted?

A: No. Typically, properties at the auctions are sold "as is-where is" without a warranty or guarantee of any kind other than a clear title. If you express your interest at bidding at the auction, you will be provided with a copy of a recent property inspection and you will have an opportunity to review it prior to placing your bid. You should make sure that you are familiar with the property before you place the bid, there will be no inspection contingency in the purchase contract. Please note, that as part of the sales transaction, the seller will pay for one year home warranty with typical coverage for all home systems, A/C, roof, and all other customary coverage.

Q: Is there a minimum reserve?

A: Depending on the auction, there may be a minimum Reserve Price, especially when there is a short sale involved. With a short sale or REO listing, the bank will need to approve the purchase price and the winning bid.

Q: What if the sale doesn't close because of the short sale lenders?

A: If the short sale lenders do not agree with your bid, you will have two choices: to accept the price and terms required by the lenders or cancel the escrow. If the escrow is cancelled due to inability to obtain a final agreement from the short sale lenders, all deposits, including Buyer's Premium become refundable to the buyer.

Q: Will you accept bank financing or are you looking for cash-only offers?

A: Yes, we do allow bank financing. You can work with your own lenders, or sometimes we have reputable mortgage professionals at the auction available to provide you with a financing package for the property. If you are planning to finance your purchase, you must have a pre-approval letter from your lender submitted together with your bidder registration. If you aren't yet Pre-approved but think you will be able to get financing, discuss your situation with the auctioneer or the Open House host prior to submitting the bid,

Q: Can I have my own home inspection done if I become a winning bidder?

A: Yes, you may, however, with auction sale there are no inspection contingencies or any other contingencies for that matter. You will be provided with a copy of a recent inspection and all other disclosures in your bidder registration package, and you will have to review them prior to bidding at the auction.

Q: Are you paying broker commissions and how?

A: Broker commissions are paid from the seller proceeds or from the Buyer's Premium. Broker compensation is set by the terms of the listing agreement between the listing broker and the seller, and in case where a buyer is represented by a separate broker, the listing broker shares the commission with the buyers' broker. In order to receive broker compensation, a broker must register together with the client before the auction, and must be personally present at the time of the registration. We do not accept broker registrations after the auction and broker registrations by proxy, by business card, by telephone, email, or any other "remote" means, in person registrations only!

Q: Can I sell my property through your Auction system if I'm already represented by another listing broker?

A: Yes, we do work with sellers whose home is already listed and they are not getting the level of buyer interest that they expected. Most common it is because the property is overpriced for the market, property conditions, and a number of other factors. Auction system allows you to match the property to the market sentiment in a real-time manner and allows you to get results fast!

If you decide to place the property into our auction system and retain your listing agent, our company will not be your listing agent, however, we will require that we enter into a commission sharing agreement with your listing agent and you, and sign an Auction Addendum to your listing agreement.

Q: What is "Reserve Price" and who sets it?

A: Some auctions are subject to "price reserve", i.e. the lowest price, below which the seller is not obligated to accept the winning bid. In some situations, the Reserve price may be determined by the seller, in some situations, it may be determined by the lender.

Q: Can I make an offer prior to the auction?

A: Yes, you can, and it will be up to the seller to accept it or reject it, depending on how close your offer is to the seller's expectations. You can make an offer any time prior to the start of the auction. All offers are still subject to 3% Buyer's Premium, and the buyer must demonstrate financial ability to close the transaction within 30 days. If the offer is accepted prior to the auction, the auction will be cancelled, or at the seller's discretion, the auction may proceed with the disclosure that this is a "back up only" auction.