When a lender forecloses on a property, the lender will often bid the
mortgage amount at the sheriff's sale and receive a sheriff's deed to the
property. Property owned by the lender is referred to as a Real Estate
Owned (REO) property.

Rather than manage and sell the REO property itself, the lender often turns
the property over to an asset management company which negotiates the
sale on the lender's behalf, working through a Wisconsin listing broker.

Frequently, neither the lender nor the asset manager is in Wisconsin. They
are unfamiliar with Wisconsin real estate forms and laws.

They have not seen the property so they are in no position to make
meaningful disclosures about the property condition. They do not know
whether there are serious defects like frozen/leaking pipes.

REO sales are "as-is, where-is" transactions: the seller does not make
property condition disclosures and often will not make any repairs.

Negotiations to purchase an REO property typically start on the Wisconsin
offer to purchase form (required to be used by licensed real estate agents
in Wisconsin), but the REO seller typically has a lengthy REO addendum
that they want added to the contract that overrides many of the Wisconsin
offer to purchase provisions. An REO addendum is written by the lender's
legal counsel, favors the seller and is often difficult to understand. The REO
seller may not allow any changes to the addendum.

Because it is not a Wisconsin form, Wisconsin agents cannot explain the
meaning and implications of REO addendum provisions to the buyer (to do
so would be illegal,) so the buyer is encouraged to speak with an attorney
who can interpret the addendum and answer the buyer's legal questions.

REO sellers and asset managers often respond verbally to offers and will
not provide written counter-offers. Until a purchase contract is in writing and
signed by both parties, it is not final and 100% binding under state law.

An asset manager may only have the ability to give a conditional
acceptance, while final acceptance requires the corporate lender's
approval. Sometimes the lender might change the terms of the offer or
even sell to another buyer.
◆ Many REO sellers use a title company that is not in Wisconsin and not familiar with Wisconsin law; some also appear to try to short-cut the process (and save money) by providing less coverage and protection than under a traditional Wisconsin title insurance policy. There also may have been title errors if short cuts were taken by the lender during the foreclosure process, which may lead to additional risks for the buyer.

Buyer has been made aware that a property sold by a distant lender or asset manager (REO property) often was acquired through a foreclosure, and that REO sellers do not make disclosures about the condition of the property and may include an addendum that minimizes the seller’s responsibility to provide proof of merchantable title and modifies other contract provisions.

Real estate broker ________________________________
and its agent have recommended that you consider the following measures to protect your interest in an REO transaction:

1. Have your attorney review the offer to purchase; other purchase documents, including any REO addendum; and the title evidence.
2. Either (a) purchase the loan title insurance commitment for your lender from a local title insurance company, or (b) purchase your own title insurance commitment (in addition to that provided by the seller) from a local title insurance company to double check the title work (this may involve additional costs). Be sure the local title agent checks all pertinent municipal information including city orders and zoning.
3. Obtain inspections and tests to determine the property condition.
4. Take direction from the attorney before closing or providing any closing funds.

The undersigned Buyer acknowledges receipt of the above disclosures.

__________________________  ____________________________  _______
Buyer                                                  Date

__________________________  ____________________________  _______
Buyer                                                  Date

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No representation is made as to the legal validity of any provision or the adequacy of any provision in any specific transaction.