

# Bargains Can Be Found on Home Auction Web Sites

By [Dena Cassella](#) — September 18, 2009

Sounds simple, but the difference between landing a bargain and overpaying for a property isn't quite that cut and dry. Often it comes down to how well a buyer vets a property before the auction and how they manage their bidding in the final hours of the sale. And some auction Web sites have [features](#) that make this easier to do.

Some sites give users a wealth of property details, easy access to sellers and tools for managing the bidding process. Others less so, which places more of a burden on users to do their homework or risk getting a raw deal.

Still, with foreclosures continuing to rise, home auctions are increasingly drawing interest from homebuyers who traditionally ceded that approach to professional investors. So it's important to know how online home auctions work, what kind of homes you're likely to find and what you might have to pay above the sale price.

To start, choosing which auction site to go with depends on what kind of homes one is looking to buy. Some sites, like Real Estate Disposition's [Auction.com](#), feature only foreclosed homes. Others, like [RealtyBid.com](#), host a mix of bank-owned and regular properties advertised by real estate agents looking for a quick sell. Portals like auction giant [eBay.com](#), meanwhile, let homeowners put their own properties up for sale.

These sites and others share common features, such as letting users search by state, city or ZIP code, and refine results by number of bedrooms or bathrooms, square footage and price, among other criteria. Home listings often feature photos, or links to other Web sites with more complete details or some means of contacting the seller.

Taking a cue from [eBay](#), many home auction sites let users save listings for future reference and set up automatic bid increases. What sets many apart are the fees they charge for their services, how they run their auctions and how many homes they advertise at any given time.

Among the biggest online home auction portals is [Auction.com](#), which is run by Real Estate Disposition Corp., a company that hosts a series of ballroom auction events across the country. A recent search turned up more than 3,700 residential bank-owned properties in 46 states. (The firm is working on offering auctions in Louisiana, Arkansas, Nebraska or South Dakota.) The company advertises auctions for 30 days in advance and opens the homes for a few days to prospective buyers, although all properties on the site are sold "as-is."

"People should not buy homes without looking at them," says Jeff Frieden, the auction company's chief executive. "You gotta do your homework."

To participate in an auction, bidders must create a profile on the Web site and allow the company to place a 24-hour hold on their credit card for \$2,500. Winners, however, must pay a 5 percent premium to the auction company.

I was struck by how few homes are available for auction, given the huge spike in foreclosures. In California, only 425 residential properties were listed on Auction.com. In Nevada, with the highest foreclosure rate in the U.S., there were only 25.

The pickings are even slimmer in other auction sites. RealtyBid, had a little over 500 current auctions listed, with only 39 in California. Some states had none. Even on eBay, I only spotted about 600, with 26 in California. And don't expect to see furious bidding activity until the very end of the auctions.

Paul Watkins, an agent with Re/Max Associates in Las Vegas, was among the eBay sellers listing a property, a five-bedroom, two-bath house with less than 17 days to go on a 30-day auction. It had four bids from three bidders ranging from \$30,105 to \$33,600, and Watkins expects that will go up based on dozens of people monitoring the auction.

"Everyone has already offered way more than we paid for it," he says.

Home auctions have paid off for Vickie Belcher of Kingsport, Tenn. She bought two properties through RealtyBid in the last three years, including a two-bedroom, one-bath house nearby about a month ago.

Her \$15,000 offer was the only bid the bank-owned property received. Even though it was about \$10,000 below the bank's reserve price, she ended up negotiating a sale for \$18,000.

"It was a killer investment," says Belcher, 50, a hospital coordinator.

RealtyBid, which launched in 2001, averages six bidders and 28 bids per property, says Daphne Shannon, RealtyBid's spokeswoman.

Auctions last about two weeks and bidders must supply a credit card, but the company doesn't put a hold on it. The site charges buyers a transaction fee of about 2.5 percent of the winning bid. Auction newcomers will want to head first to a page on the site where users can practice bidding and find tips.

Carmen Christopher, an attorney at the Federal Trade Commission, recommends that buyers take steps to verify that their auction Web site is reputable and be careful about wiring large sums of money or handing over bank account information.

"This would be potentially a prime opportunity for scams to take place," she says.

It's also a good idea to have the property inspected, because homes are typically sold "as-is."

"The purchaser alone is going to be responsible for any defects in the property," Christopher warns.

Like in any other type of auction, experts suggest bidders decide the maximum amount of money they're willing to pay for a property and stick to it. One way to see whether bidding is getting out of hand is to look up the home on Zillow.com, Cyberhomes.com or similar Web sites that give value estimates and show comparable homes.

“What I learned the most is don’t get your heart set on anything,” Belcher says. “Just bid and know what you’re willing to pay. Don’t make it personal.”

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