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Foreclosures happen for more reasons than just a bad economy, and do not particularly reflect on the character of the previous owner. They may have experienced a difficult and painful divorce which wiped out their finances, and were no longer able to pay the mortgage. According to the Mortgage Bankers Association, one child in every classroom in America is at risk of losing his/her home because their parents are unable to pay their mortgage. Lets look further into what's happens with foreclosures.

REO (Real Estate Owned) properties are those which end up being owned by a lending institution who originally held the initial home loan. These are the ones which failed to sell at auction, usually because the opening bid was never reached. Once the auction is concluded, the property is listed on the REO sheets, where bank employees work them to continue attempting to make a sale.

If properties don't sell at the courthouse, they become Bank Owned. Then are usually handed over to an asset management department who in turn select NRBA (National REO Brokers Association) Real Estate Brokers for marketing and sales purposes. Banks are not really set up to deal with renting properties, and would rather have the residences sold so they can take them off their books.

When a bank has a property that has been on its books for a long period of time, they will sometimes offer it for sale as a below market opportunity. After so much time, lending institutions need to get properties off their records, and free up some revenue. These might be properties which have sat empty and fallen into bad repair, or begun to deteriorate from the elements.

HUD/VA properties are not owned by the government, nor did the government put up the money to purchase the properties. These agencies only guaranteed the loan, in the event the borrower failed to be able to continue making payments. Once that happens, the government ends up with possession of the real estate, and they are listed on their site as foreclosures.

Pre-foreclosures can be a win-win situation for all parties concerned. In these situations, the lending company has to agree to allow the owner to remain in the home. This prevents a family from being dumped out in the street and become homeless, but it also protects the lender by having the home occupied and less chance of vandalism. The owner is still responsible for the condition of the property.

Short Sales are simply pre-foreclosures which are under the same type of agreements, and the occupants are allowed to continue using it as a residence. In some cases, a government agency known as HAFA can become involved, and provide some financial incentives, which could help resolve the situation for the lender and the homeowner.

Foreclosures doesn't have to be a bad word. There are plenty of properties that end up in foreclosure that was not a result of trashy people failing to make the mortgage payment. Often these properties can be purchased at reduced prices, and there are some possibilities of assistance to the homeowner, under certain financial conditions.

Learn more about how to find foreclosures for successful investing, and for taking advantage of below market opportunities. We also provide insights on how to buy foreclosures while avoiding costly mistakes.