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Gen RE

I've been buying foreclosed properties for almost 10 years. Here's what you should know before buying one.

Story by jpandy@insider.com (Jordan Pandey) 2026-9-23

- Real estate broker Billy Pritchard buys and flips foreclosed homes.
- Foreclosed homes usually come with a lower price tag, but a higher risk.
- It can be a great deal for those willing to take a risk and put in the work.

Billy Pritchard loves a deal.

The Lafayette, Louisiana-based real-estate broker, 46, found his niche [buying and flipping foreclosed homes](#) after buying his [first foreclosed home](#) one year into his real estate career.

"It was at a really good price range where I probably wouldn't have to put a ton of money into it," Pritchard told Business Insider. "But it was a kind of house that a lot of people don't like to touch because it's on piers, and there were rotten beams, joists underneath, and you had to get it leveled and replace all the subfloor."

Taking those risks paid off for Pritchard, who said he now buys and flips a few foreclosed homes each year.

[A foreclosed property](#) is one that is repossessed by the lender or bank after the owner fails to make mortgage payments. A July [report from Realtor.com](#) found that the median price of a foreclosed home listed on the MLS sells for 27.2% lower than its estimated value.

There are several ways to buy a foreclosed home; Pritchard mainly focuses on sheriff sales or waits until the lender or bank puts the property on the MLS. A sheriff sale is [essentially an auction](#) after the sheriff seizes a property.

Pritchard said he aims to profit at least 30% after buying and renovating a foreclosed property — and sometimes that's easier said than done.

Here are the pros, cons, and misconceptions about buying foreclosed properties, according to Pritchard.

It's not always as much work as you think

When people think of foreclosed properties, their minds might go to homes in distress, but Pritchard said that's not always the case.

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"A common misconception is that foreclosed homes are all going to be destroyed and in horrible condition, and that you're going to have to gut the entire thing," he said.

Pritchard said that in his experience, about 50% of the foreclosed homes he encounters need a full overhaul. He added that it's rare for him to come across a property that has been neglected beyond repair.

"People think that if a house is getting foreclosed, the people living there didn't take care of the house — that's not always true," he said. "Or maybe the utilities hadn't been turned on in a long time, and people have been squatting in it, stuff like that. That's not true most of the time — it happens, but it's not a most of the time thing."

You can usually find a great deal in a foreclosed home

The obvious benefit of buying a foreclosed property is that you're often saving a lot of money on the initial purchase.

For sheriff sales specifically, you generally can't go inside the home before the purchase, so you're hoping for a nice surprise on the inside.

"When you can only view the exterior of the home, you may luck out and the home may be beautiful on the inside," Pritchard said. "I've seen it happen where people have only had to put in \$5,000, and they got themselves something that was probably 30% plus below market value."

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Pritchard added that for those looking to flip the home rather than live in it, there's a lot of potential value.

As of April, foreclosed homes on the MLS accounted for 1.3% of active listings, but in some markets, that share is significantly higher. The foreclosure share of listings in Lake Charles, Louisiana, about 75 miles West of Lafayette, is 10.2%, the highest in the country, according to Realtor.

You have to be OK flying blind when you buy a foreclosed home

Pritchard said that one of the biggest cons to buying a foreclosed property is the lack of information you're given about it.

In Louisiana, sellers are required to sign a property disclosure agreement in which they list the defects of a home, such as the age of the roof or issues with the HVAC system.

In the case of foreclosures, banks are not required to fill out a property disclosure agreement because they never lived in the home.

"With a foreclosure, the bank is exempt from filing that out, so you're kind of shooting in the dark," Pritchard said. He added that if the home is listed on the MLS, you can get an inspection done while under contract.

Another con related to a home's history is title issues, Pritchard said.

"You always, always, always want to get title insurance with a foreclosure," he said. "I have had title issues where there were liens on the title that weren't taken care of whenever I purchased the home."

Buying a foreclosed home usually isn't the best way to break into the housing market

As homeownership eludes many Americans — mainly due to affordability — buying a foreclosed home might seem like a viable option. Pritchard said that while there are definite savings, it's probably not the best option for a first-time homebuyer.

Aside from the work that will most likely need to be done on a foreclosed home, a major barrier for buyers is that properties sold at sheriff sales must be purchased in cash without traditional financing.

"You have to have the funds ready within 48 or 72 hours after you close," Pritchard said.

If you have renovation experience, a foreclosed property could be worth it — but if you're not handy, the risk is definitely not worth it.

"You can luck out," Pritchard said. "But you have to hope for the best, but be prepared for the worst."

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