



What is Per Diem?

The Two Words that Can Impact a Buyer in an REO Sale...

Buyer's of a "bank owned" property, or REO sale as they are often referred to, may come across some verbiage in the Banks Addendum to the Real Estate Purchase Contract that catches their eye: Per Diem Penalty. Escrow Officers are often asked, what does this mean?

Latin for "per day", per diem has many uses. What per diem is referring to in this instance is in the event escrow does not close by the date set forth in the contract, the Seller can impose a daily penalty to the Buyer for each day beyond the initial agreed upon closing date until the day the escrow officially closes.

The amount of this penalty differs depending on terms of the contract. It can be a percentage of the purchase price or a set daily amount (ie \$100 per day). It is important to note, agreements can be made between the Buyer and Seller to waive the penalty when applicable.

One way a Buyer can strive to close escrow on time and avoid penalties is to complete escrow and mortgage paperwork and provide requested documents in a timely manner. However, circumstances may still arise that are beyond the Buyer's control. In this event, a Buyer should ask their agent to renegotiate the terms of the contract to extend the closing date or to waive the penalty with the Seller and Seller's agent.

In REO transactions, as with any real estate transaction, it is very important to be sensitive to all time frames in order to alleviate unnecessary charges.

If you have further questions about the Per Diem Penalty, do not hesitate to contact us for further clarification.

This information is proudly brought to you by...



Foreclosure vs. REOs: Do You Know the Difference?

Foreclosure is a legal process by which a defaulting borrower is deprived of their interest in the property. Real estate owned (or REO), on the other hand, is a real estate asset owned by the lender that is taken back during the foreclosure process.



CHICAGO TITLE