



YOUR VOICE - BY JOSEPH BADALAMENTI

Relieve the Stress of REO Disposition

“Shorter Asset Resolution Cycles – Actively managed brokers move REO properties in less time than do unmanaged brokers.”

Elevated numbers of foreclosed properties are placing lenders under significant pressure to reduce ballooning REO inventories, while minimizing portfolio losses. In these extreme market conditions, it has become increasingly difficult to sustain property-specific marketing strategies. Time constraints and sheer numbers tend to reduce the focus on individual properties in favor of volume-driven approaches. Ironically, the resulting one-size-fits-all solutions have often had the opposite of their desired effect, leading to longer disposition cycles and lower selling prices.

To improve results, stronger field execution is paramount. Servicers need to look for an REO asset manager with a nationwide network of field service specialists who can act quickly and effectively to optimize the value and marketability of their REO properties. This involves much more than simply securing and maintaining the physical asset. The provider must be staffed with REO professionals – including vendor management specialists and broker specialist teams – capable of working closely with real estate professionals, vendors, title companies, law enforcement officials and attorneys to assure better outcomes at every phase of REO asset disposition.

A nationwide network that includes both brokers and field service professionals provides an up-close, informed view of each property, particularly if the asset manager also provides upstream pre-foreclosure services. This early and ongoing exposure arms the asset manager with the property-specific knowledge and experience needed to apply the most efficient, effective approach for each asset in the lender’s REO inventory.

In addition, field service companies must demonstrate the ability to handle both quantitative (volume) and qualitative (depth of service) market demands. Meeting this dual-track challenge requires a large, nationwide field service team. The key to rapid deployment of field resources on a neighborhood-by-neighborhood, property-by-property basis. Providers who can perform at this level are re-defining responsive REO service.

Servicers can expect a number of benefits as they strengthen relationships with asset management companies capable of working effectively across both REO and pre-foreclosure fronts:

Reduced Costs – Lower commissions and/or fees, economies of scale, and stronger asset control with fewer compliance problems deliver substantial cost-saving potential.

Shorter Asset Resolution Cycles – Actively managed brokers move REO properties in less time than do unmanaged brokers. Working with asset managers offering direct local monitoring of individual brokers, lenders can expect to move properties in 90 days or less. Re-assigning unsold properties to new brokers – a costly and time-draining process – is rarely needed. In addition, when resources are focused at the neighborhood and individual property level, there is a greater incidence of properties selling above asking price.

Smarter Property Marketing – Experience-based knowledge of each property and neighborhood leads to smarter valuations and more productive selling strategies. With in-depth REO expertise and proven strength on the ground, well-integrated asset management firms are able to create and apply the right marketing approach for each REO property.

Pre-Marketing – With in-depth, experience-based knowledge acquired before a property becomes part of the client’s REO portfolio, asset management companies offering both pre- and post-foreclosure services are uniquely positioned to create and apply the right marketing approach for each REO property. This includes recommending auction or traditional sales methods, preparing detailed property/market

analysis, as well as providing turnkey auction management or assigning a broker, as appropriate.

Marketing – REO asset managers who can offer comprehensive property marketing services are helping REO properties return maximum market value in minimum time. Qualified providers offering direct local execution and oversight can mount complete marketing campaigns, including detailed weekly marketing reports. Most important, they can and assume full responsibility for individual broker monitoring/evaluation, a distinct advantage over the arms-length relationships characteristic of many REO asset disposition programs.

Closing Services – Well-qualified REO asset management organizations can provide the people and expertise to coordinate and certify closing documents, organize and attend the closing, collect and distribute funds, and disseminate closing information, all in strict accordance with client, legal and regulatory requirements. Title procurement, HUD-1 review and approval, escrow/closing coordination. These capabilities and more are well within the scope of forward-thinking REO asset management organizations prepared to excel in the new integrated service environment.

Effective marketing is critical to successful REO asset disposition. However, to be consistently effective, REO Marketing is best understood as part of the overall asset management process, not a substitute for it.

With today's inflated REO inventories, not all properties are suited for sale through traditional channels. Alternate strategies, particularly for low-value, high-risk properties must be identified, assessed and implemented, as appropriate. REO asset management providers with strong field service networks can be highly effective partners in helping to leverage these opportunities, whether large-scale bulk transactions, transfers to development agencies or public auction. That said, property-by-property marketing continues to represent the most effective alternative for the majority of REO assets.

Property-by-property optimization of REO assets requires independent process management and localized control. What's needed is an REO asset management partner who knows the property and its pre-sale history, can plan and execute property preservation/enhancement services, understands municipal ordinances and code compliance issue, and can objectively assess, select and manage local brokers.

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property becomes part of the client's REO portfolio, asset management companies offering both pre- and post-sale services are uniquely positioned to create and apply the right marketing approach for each REO property. This includes recommending auction or traditional sales methods and preparing a detailed property/market analysis, as well as providing turnkey auction management or assigning and managing a broker, as appropriate

The right REO service provider can deliver maximum REO results in minimum time. Qualified providers offering direct local execution and oversight can mount complete marketing campaigns and property-by-property follow up, including ongoing detailed progress reports. Most important, they can assume full responsibility for individual broker monitoring/evaluation, a distinct advantage over the arms-length broker relationships characteristic of many REO asset disposition programs. Successful REO asset disposition means, first, knowing the property and tailoring a marketing strategy to match; and second, being able to apply independent, on-the-ground monitoring of the disposition process. Integrated REO asset management companies with strong field service networks are uniquely qualified on both fronts.

The fact is, disposition of REO assets is a multi-front affair. Success means winning a series of small but important battles: It takes knowledge of the property and local market awareness to critically assess BPOs and the brokers who provide them. It takes experience and follow through evaluate and monitor property marketing activities. It takes strong field presence to assure the grass is cut, trash is removed, interiors aren't gutted or vandalized, the HOA isn't ready to enforce a lien, and fines for municipal code violations aren't accruing. It takes people, skills and know-how to negotiate cash for keys.

Integrated REO asset management providers with proven pre-sale and post-sale capabilities are in the strongest position to help lenders/servicers address these and other needs critical to REO asset marketing success.

Improving and streamlining default and REO processes will remain a primary focus of servicers and their field services partners as elevated foreclosure rates continue and regulatory compliance becomes more urgent and complex. The field service provider's first step in navigating these realities will be to become an even more capable and efficient resource – a true problem-solving partner who understands both broad market forces and the servicer's particular needs and business circumstances. ❖

Joseph Badalamenti (Joe Bada) got his start in the default management industry in 1967 as a HUD contractor. Now, 43 years and over 5 million inspections later, Joe has built Five Brothers into a highly successful and respected industry leader offering a full range of default management services and technology solutions. His strong belief in client-centered partnering has spawned a nationwide network of highly effective customer and field service professionals