



Agent's Guide to Managing and Marketing REO Properties

Compiled from previous editions of the "Voice of the FORCE" newsletter.

Safety First

Precautions Every REO Agent Should Take to Safeguard Their Properties, Team, and Buyers from Hazards on the REO Site.

AS EXPERIENCED AGENTS KNOW, MARKETING AND SELLING A PROPERTY IS ONLY ONE PART OF THE EQUATION TO BE SUCCESSFUL IN REO. ANOTHER LARGE ASPECT THAT CANNOT BE IGNORED IS ENSURING THE REO PROPERTY IS SECURED, BOTH FOR THE PRESERVATION OF THE REO; SAFETY OF THE AGENTS, BUYERS, AND CONTRACTORS INVOLVED; AND THE GREATER GOOD OF THE NEIGHBORHOOD. THIS MONTH WE REACHED OUT TO AGENTS IN VARYING MARKETPLACES TO DISCUSS HOW THEY ENSURE TO APPLY A SAFETY-FIRST MINDSET TO ALL REOS IN THEIR ROSTERS.

Conducting a Thorough Safety Assessment

Foreclosed properties can often represent charged situations in which the previous owner did not wish to leave the home; or where properties are sitting vacant months prior to sale. Since

every situation is unique, REO agents face a gamut of safety issues from squatters and break-ins to improperly secured properties that can cause hazards such as trips and falls, fire, drowning, mold, animal inhabitation, and more. Jack Lewitz, an agent with IL Real Estate Specialists in Lincolnwood, Illinois, emphasizes the important

of assessing a property for dangers on first sight. "As an REO agent, you have to be able to think and react on your feet. Doing occupancy checks is typically the first time encountering any potential for any danger. If I come across property that looks like squatters are inside, then I would be cautious. I look for doors ajar, broken windows, and any kind of activity around the building. If I see crowds of people walking around in or near the property then I would notify the police and asset manager that it does not appear safe," says Lewitz. "As an REO broker, safety meetings have always been a regular practice with my staff and agents," says Joseph Mueller, of Tanis Group Realty. "Field reps and agents need to maintain the same attention to

any property they visit, no matter the location. Carrying pepper spray is encouraged. I require field agents to check the entire perimeter of a house or building to observe any suspicious conditions before entering. All properties should be accessed carefully. Smells, stability of floors, and overall status needs to be assessed before proceeding through any property," continued Mueller.

Taking Necessary Precautions

Once a thorough property assessment has been done and the property deemed unsafe, one of the easiest, yet effective, safety precautions that can be taken is not to go it alone and call in the necessary backup when dealing hazardous properties. Working in pairs or calling in a police escort can stop a hazardous situation from reaching fruition before an assault or accident occurs. "My staff is advised to contact the police if they have any level of concern before performing their assignments. If there is a known or suspected cause for concern in advance of a visit, two people are sent ... My office has also developed a number of special cell phone communication codes and call signals to enhance security. I repeatedly tell everybody to have cell phones at the ready with one click 911 when first approaching a property," says Mueller. In addition, agents working in neighborhoods that are known to be risky may want to look into self-protection options. "Upon being properly trained and licensed, I believe it is wise protocol to carry a concealed weapon in some instances,

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JACK LEWITZ, IL REAL ESTATE SPECIALISTS

Safety First (Con't)

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particularly initial determination of occupancy. In the same breath, obviously 'concealed' is an absolutely critical part of the equation as we are to be responsible diplomats in all things as REO brokers and certainly only qualified persons can consider this approach," suggests Will Dumas of Dumas Realty, Inc.

Know Your Marketplace

As every REO is unique, one of the greatest safety precautions an agent can take is to be aware of the specific concerns affecting their marketplace. Patty Plourde, who works with Real Estate Partners out of Edina, Minnesota; has a unique

situation, because it is a redemption state, this means that the foreclosed borrowers have six-months to re-acquire the property. "It is a bit like no man's land because you have six months where the bank can't do trash-outs, etc. If somebody was going to redeem the property then that's great, but at the same time we need to make sure the properties are safe and aren't going to create any harm or cause problems for the neighborhood," says Plourde.

Todd Yovino, who works in New York State with Island Advantage Realty, has found that preservation deficiencies are a unique concern in his state due to a high-inventory and clients contracting outside preservation companies. "We don't want to see anyone, be it our associates or any of our colleagues in the industry

Trying to get more people involved, more people vested in the process of being watchful of vacant houses can make all the difference."

PATTY PLOURDE, REAL ESTATE PARTNERS

showing the property and potentially get hurt. Obviously, we always abide by our clients wishes but we've asked them to modify the Hold Harmless Agreements so that if someone is going to be showing this property and they want to show the interior they are signing an agreement acknowledging that state of the property is in." In order to address specific market concerns, Patty Plourde notes that her team will make an effort to connect with the neighbors. "By introducing ourselves, the [neighbors] feel more comfortable contacting us. Trying to get more people involved, more people vested in the process of being watchful of vacant houses can make all the difference," says Plourde.

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Rehabbing and Managing Aged Properties—Keeping It Simple

WHETHER YOU'RE THE OWNER OR THE LISTING AGENT, REHABBING AND MANAGING AGED PROPERTY CAN BE A HASSLE. WHILE OLDER HOMES CAN MAKE GREAT RENTAL PROPERTIES, THEY ALSO TEND TO HAVE MORE PROBLEMS, AND BE MORE DIFFICULT AND COSTLY TO REPAIR. THE MOST IMPORTANT THING TO REMEMBER IS THAT REHABILITATING A PROPERTY BEGINS BEFORE IT'S EVEN PURCHASED AND CONTINUES FOR THE LIFE OF THE HOME. AGED PROPERTIES AREN'T FOR THE FAINT OF HEART, BUT WHEN DONE CORRECTLY, CAN TURN A GREAT PROFIT.

Before the Sale

The first step to rehabbing a property is to get it thoroughly inspected before purchase. This will tell you with no doubt what exactly is wrong with the home and give a starting point for

repair time and cost. There are other important facts that getting the property inspected and researched can help with, also. "Aged properties may have been rezoned or may be eligible for repurposing the existing use (single family residence to multi-family residence). If the home is simply being rehabbed, step

"If the home is simply being rehabbed, step back and ask yourself what incremental costs will yield the greatest return on investment."

DOUG ROBERTS, DOUG ROBERTS REAL ESTATE

back and ask yourself what incremental costs will yield the greatest return on investment," advises Doug Roberts, Owner, Doug Roberts Real Estate.

Once inspection has been completed, weigh the projected repair cost with your expected return value. "Aged properties can often be money pits! Make sure you have an expert team (contractors, etc.) to help guide you on your decisions," says Roberts. This will help you get a realistic idea of what offer you should make. Consider the demographics of the area and confirm that your plans for the home match the local market. You do not want to sell a home when the local market consists mainly of renters, and you may have problems keeping a rental

occupied if the area is compiled of mainly homeowners. You're a Homeowner! Once the sale is finalized, you will need to take inventory, and make a list of all repairs that are needed. It is a good idea to begin with the largest, more time-consuming repairs. This will allow smaller repairs intermittently, and not leave you scrambling at the end of the process. Remember to complete all repairs before inviting tenants into the home. It is much more difficult to make repairs around people than when the home is vacant.

Let's Fix This

There are certain problems to watch for when purchasing an older home. These damages can be extensive, and costlier than first expected.

- » **Slanting Floors:** When the floors in the home slant, it could be a sign of foundation damage, which can become very costly, very quickly.
- » **Plaster instead of drywall:** Since plaster has generally been replaced by drywall, it can be extremely difficult to find a qualified repairman.
- » **Lead and Asbestos:** Though these materials have for the most part been removed from homes, there are still an occasional few that contain flooring with asbestos and lead paint on the walls or lead pipes in the plumbing. If you find your prospective home contains either of these, reconsider

Rehabbing and Managing Aged Properties—Keeping It Simple (Con't)

the purchase. Excavation for these two problems can cost upwards of \$200-\$400/hour.

- » **Mold and Mildew:** These two problems can usually be taken care of with bleach water and a hefty sponge. However, an abundance of either of these can lead to excavation crews that can cost anywhere from \$500 to \$5000 for removal.
- » **Radon Gas:** Ideally your home should have below 2 pCi/L, but anywhere below 4 pCi/L is deemed livable. Any measurement over this can be extremely dangerous to your tenants, as Radon gas has been deemed the second leading cause of lung cancer. The removal process for this issue can set you back an average of \$1,200.
- » **Outdated Appliances:** While this may not seem like a huge issue, multiple appliances breaking at once, or trying to repair or replace them with occupants can be a difficult process.
- » **Electrical Systems:** The problem occurs when the home has fuses instead of breakers, which can cause both repair and code issues. This can be a costly problem to fix but will definitely be costlier if put off.

Remembering the Good Times

Aged properties have their good points, too. There are many qualities you can find in an older home that just can't be found anywhere else. Most aged properties are very centrally located, which is usually a good quality in a rental home. The craftsmanship in the flooring and cabinetry is also not found in today's homes.

Get Out There

One idea that many don't consider until the final days of the rehabbing process is marketability. "Driving demand will ensure that holding costs are kept at a minimum once work is completed," explains Roberts. Marketing a property in a timely manner can not only save you money from non-occupancy but can also save valuable time and energy from upkeep and maintenance. There are many benefits to balance out the hardships of rehabbing or managing aged inventory, but the key is to weigh the cost against the return. Careful planning and timely execution can mean the difference between a dream home and a nightmare situation.

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Agent Growth

To Renovate or Not to Renovate?

WHEN IT'S TIME TO SELL, HOMEOWNERS MAY WANT TO FRESHEN UP A FEW OF THEIR HOME'S DETAILS TO MAKE IT MORE ENTICING TO POTENTIAL BUYERS, BUT WHICH INVESTMENTS ACTUALLY GET A RETURN, AND WHICH ARE NOT WORTH THE TIME AND MONEY? IN THE HOME-SELLING PROCESS, KNOWING WHICH HOME UPDATES WILL ACTUALLY REAP RETURNS CAN BE TRICKY. INCREASING CURB APPEAL MAY ATTRACT MORE BUYERS, BUT OTHER PROJECTS MAY SIMPLY BE WASTED MONEY. A FEW OF OUR EXPERIENCED MEMBERS OFFERED THEIR VIEWS ON WHICH RENOVATIONS ARE WORTH THE INVESTMENT AND WHICH ARE NOT.

Small Renovations with Large Rewards

"Anything you can do to give your home good curb appeal pays dividends," says Steve Heathman with Hometown Realty in Atoka, Tennessee. "When buyers see well-groomed green grass with no weeds, they feel the inside has to be well-maintained." Another small investment, or sometimes just a simple task for a homeowner looking to sell, is organizing the closets. "Closet space has always been a big selling point," Heathman says. "If your closets are neat and tidy, it goes a long way in convincing a potential buyer that they will have room for their stuff. Closet organizers pay and make your closet appear neat and able to hold more."

Value in Kitchens and Floors

For somewhat more involved renovations, Heathman says, "Kitchen, bathroom, and storage always pay off in that order and tend to reap the best returns." Heathman says the updates can be minimal—fresh paint on cabinets, a tile backsplash, and perhaps upgraded appliances. Additionally, "If you have linoleum flooring replace it with a nice tile," Heathman says. Jeremiah Collins with Coldwell Banker Legacy in Albuquerque, New Mexico, agrees that flooring can be a worthwhile update. Be Wary of Bland Repairs On the other hand, Collins says bathroom renovations and other amenities may not always get returns. "It depends on what the competition has, ultimately," he says. Travis Cox, with Associated Brokers and Consultants Inc., in Grand Junction, Colorado, also warns against any renovations that take away from a home's character. He recommends "keeping the home's character and not going vanilla." Consider Repairs for FHA Financing Another important consideration, especially for bank-owned homes is updating a home to qualify for FHA financing. Any FHA lender-required repairs are worthwhile, according to both Cox and Collins. "Sometimes \$500 will open up 25 percent of the market for you," Cox says.

From Abandoned to Appealing

How to Market Vacant Properties

IT APPEARS SERVICERS ARE PROCESSING THROUGH THE NATION'S ZOMBIE INVENTORY AND TRANSFORMING THEM INTO REOS, WHICH MAY MEAN SOME LONG-VACANT PROPERTIES WILL BE HITTING THE MARKET SOON. REO AGENTS ARE ADEPT AT DEALING WITH VACANT PROPERTIES, BUT THOSE THAT HAVE BEEN VACANT FOR AN EXTENDED PERIOD OF TIME CAN POSE A CHALLENGE FOR EVEN THE BEST AND MOST PRACTICED REO AGENTS. WE'VE REACHED OUT TO A FEW EXPERIENCED FORCE MEMBERS TO SEE HOW THEY TURN ABANDONED PROPERTIES INTO APPEALING PROPERTIES AND CARRY THEM THROUGH TO CLOSING. GERI WESTFALL SAYS IT IS IMPORTANT TO MAKE THE HOME FIT THE NEIGHBORHOOD AND TO MAKE SURE IT DOESN'T LOOK ABANDONED. IF IT LOOKS LIKE IT'S BEEN ABANDONED, POTENTIAL BUYERS WILL ANTICIPATE COSTLY REPAIRS AND UNWANTED SURPRISES, AND MAY LOSE INTEREST QUICKLY.

Work on curb appeal.

Both Roy Trent and Geri Westfall emphasize the importance of curb appeal. "Landscape packages are cheap, around \$300, and worth it," Westfall says. Trent also tries "to get the client to spring for at least a small landscaping budget to improve the curb appeal of the property," he says. At a minimum, he makes sure the lawn is cut.

Clean, Carpet, and Color

Trent advises to always "make sure there's been a thorough sales clean." "Replace old used carpet, and a fresh coat of paint does miracles for re-sale," says Tina Torres. Trent and Westfall agree.

Hire a Professional Photographer

Appealing photos are important, and Westfall says her photographer has the skill and the equipment to capture small houses and rooms without making them appear even smaller than they are. At just \$100 per house, Westfall feels it's well worth the price.

Get Rid of Foul Odors

"Smells are huge," Westfall says. "A lot of times properties will start to smell if they've been vacant a long time," she says, but when people walk in and detect a stench, "people start to

imagine worse reasons they smell." Westfall uses an ionizer to combat foul smells. It helps sell the home, and property owners and banks really appreciate it, she says.

Befriend the Neighbors

Westfall likes to chat with neighbors, so she can get a feel for what they are going to divulge to potential buyers about the property and the former occupants. Sometimes, a negative story will give a buyer a bad feeling, and they will walk away. When a neighbor starts to tell her unflattering stories about a property, she will jokingly say, "Well, let's not tell people that. We don't want to scare off buyers. We want to find you a really good neighbor who is going to stay this time."

Market to Investors When Necessary

"If there are no funds allocated for repairs and the property is really rough condition, I will market the property as an investor special and suggest the client list on the lower end to garner interest and get the buyers into a bidding war," Trent says. The way I would market these kinds of properties is by putting a commercial on local cable TV," Trent says. Because TV is expensive, Trent also relies on traditional advertising avenues such as newspapers, flyers, and online advertising.

A Chance Of Thunderstorms

Experienced FORCE Agents Offer Their Best Advice for Protecting Properties from the Threats of Summer.

SUMMER IS APPROACHING, ALONG WITH ITS UNIQUE SET OF CHALLENGES FOR AGENTS AND BROKERS. THE SEASON'S HEAT AND HUMIDITY CAN HAVE DEVASTATING EFFECTS ON UNOCCUPIED HOMES WITHOUT PROPER PREPARATION AND MAINTENANCE. LANDSCAPING CAN BEGIN TO WILT UNDER THE HOT SUN WITHOUT ENOUGH RAIN, DIMINISHING CURB APPEAL. WHILE AFTERNOON SHOWERS DO BRING RELIEF TO THE GREENERY, LINGERING HUMIDITY CAN SEEP INDOORS, SETTLING IN THE HOME, AND EVENTUALLY LEADING TO MOLD AND MILDEW.

Thunderstorms and tropical storms can also leave behind excess debris that can clog gutters and drainage systems—threatening the structure of the gutters, downspouts, and even the roofline itself. Pools pose additional challenges, requiring

extra attention to proper filtration and cleaning during the summer. Of course, high temperatures can also lead to excessive electricity bills if HVAC systems are not running properly or windows and doors are not properly sealed.

With these challenges and more facing REO agents this summer, experienced FORCE

members offer their top tips for keeping properties in top condition during the summer heat:

Summer is approaching, along with its unique set of challenges for agents and brokers.

KEEP POOL MAINTENANCE UP TO DATE.

If a home has a pool, proper maintenance is essential. Without working filtration, frogs and mosquitoes can become a nuisance, according to David Azimi, a California-based real estate agent with Intero Real Estate Services.



WEATHER SEAL WINDOWS AND DOORS.

Not only will properly-sealed doors and windows save money on air conditioning during the hot summer months, but also, they will ensure humidity does not linger in the home leading to mold and mildew, according to Cristian Tramontozzi, Florida-based owner of Real Time Realty Group at Keller Williams Realty.

A Chance Of Thunderstorms (Con't)

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ENSURE THE HVAC SYSTEM IS RUNNING PROPERLY, AND CHANGE FILTERS REGULARLY.

Maintaining air circulation throughout the home can also prevent mold and mildew. Additionally, HVAC maintenance will prevent water damage that can occur from overflowing water pans, according to Nuvia Rivera, principal broker and owner of Virginia-based Nuvia Rivera & Associates.

REMOVE WEAK TREES AND ENSURE PROPER DRAINAGE OUTDOORS.

While removing weak trees that could fall during a windstorm is always a good idea, it is even more important during the summer in tropical, hurricane prone regions. Ensuring proper drainage in tropical zones with heavy rainfall is also important, according to Tramontozzi.

CLEAN GUTTERS AND DOWNSPOUTS.

With heavy summer rains, debris can collect in gutters and downspouts, which can lead to damaged roofs or eaves, according to Rivera.

INSTALL A RADIANT BARRIER FOR THE ROOF AND STRONG INSULATION.

Harold Carter, owner of Harold Carter Realtors in Plano, Texas, recommends radiant barriers and strong insulation to keep the home as cool as possible during the hot summer months. A radiant barrier reflects radiant heat, keeping it from penetrating the home, while strong insulation also prevents outdoor heat from permeating the home.

MAINTAIN THE LANDSCAPE WITH REGULAR MOWING, TRIMMING, ETC.

Keeping the landscape manicured with a mowed lawn, trimmed trees, and attractive plants in the flowerbeds improves curb appeal and can help sell a home, says Rivera. Following these tips will not only keep a property from deteriorating during the summer but will also ensure it remains attractive to capture the interest of potential buyers.

Weathering the Winter Act Now to Protect Vacant Properties from Damage

DURING THE FALL AND WINTER MONTHS, AGENTS HAVE THE POTENTIAL TO LOSE HUNDREDS, IF NOT THOUSANDS OF DOLLARS IF THEY DO NOT PREPARE FOR THE CHANGES IN WEATHER THAT THE SEASON BRINGS. WHEN A HOUSE IS VACATED, AGENTS MUST DO WHAT IS NECESSARY TO PREVENT WATER DAMAGE, BROKEN PIPES, OR ANY OTHER HAZARDS RESULTING FROM FREEZING TEMPERATURES AND WINTER STORMS. WHEN A HOUSE IS LEFT UNMANAGED AND NOT WINTERIZED, WATER WILL COLLECT IN THE PIPES. IF THE WEATHER GETS COLD ENOUGH, THAT WATER WILL FREEZE AND EXPAND, CAUSING PIPES TO CRACK AND BREAK, WHICH CAN BE A COSTLY REPAIR.

The winterization process includes removing the plumbing system of water. This means emptying the water heater, draining all of the piping, and filling the various fixtures with an anti-freeze solution. When finished, the home will be left with no working utilities. Agents must keep in mind that when a potential client wants to see the property, you must de-winterize, and then re-winterize after the inspection. It is always best, as an agent, to winterize if you have a vacant property in cold weather; follow up with vendors and check on the property.

Don't Wait for Winter

Responsible FORCE agents know time is of the essence when preparing properties for winter. "Do it quickly because you never know when the weather is going to start," says Rebecca Scholl with Coldwell Banker in Colfax, Illinois. HUD generally requires properties to be winterized once per year between October 1 and March 31. However, in some areas of the country, HUD requires year-round winterization.

Trust Your Vendors, But Follow Up

In addition to completing winterization early, Scholl advises other agents to "make sure you have a reputable company doing the work for you." In her small town, Scholl says word of mouth is invaluable in finding reliable companies to perform important tasks. "Get to know the people you work with," she

says. While it is important to work with reliable vendors, Jerry James with Coldwell Banker Hometeam in Branson, Missouri, also advises agents to personally check in with each property and talk with vendors. "This time of the year is a very good time to individually go to each asset, get them ready, and talk with your people that handle those for you to make sure they get those done in a timely manner," James says.

Prevent Water Damage and Bursting Pipes

One of the top concerns for vacant properties during the winter is freezing temperatures leading to bursting pipes, which can ultimately necessitate costly repairs. Kenrick Kissoon with Charles Rutenberg Realty in Plainview, Illinois, emphasizes the importance of shutting off the water supply to vacant properties during the winter. Antifreeze is also commonly applied to water fixtures and toilet tanks. In cases of sump pumps, it is important to keep the electricity turned on to prevent water damage. HUD's general requirements specify water be shut off at the curb and all plumbing and heating systems be drained. Special considerations are required for properties with pools, wells, and propane tanks. Make sure to check with servicers or asset managers and follow any specific guidelines they have for your area.

Downsizing Your DOM

Agents Discuss What Works for Them

EXPERIENCED ASSET MANAGERS KNOW THAT MYRIAD FACTORS GO INTO FINDING A QUALIFIED AGENT/BROKER TO LIST THEIR PROPERTIES. HOWEVER, WHEN AN ASSET MANAGER NEEDS TO PARTNER WITH AN AGENT/BROKER THEY HAVE NEVER WORKED WITH BEFORE, SOMETIMES ALL THEY CAN RELY ON IS AN AGENT'S STATS. WHETHER THEY ARE LOOKING AT YOUR YEARS IN REO, YOUR AVERAGE NUMBER OF LISTINGS, OR EVEN YOUR AFFILIATIONS, ASSET MANAGERS USE YOUR REO STATS TO GET A FULLER PICTURE OF WHAT TO EXPECT WHEN THEY DO BUSINESS WITH YOU.

One of the most critical indicators of expertise is the DOM—or days on market. Savvy agents and brokers are targeting inventive ways to lower their DOM rate and increase their business along the way.

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THE INITIAL ASSESSMENT

When it comes to lowering your overall DOM rate, it is crucial to assess a property as quickly as possible after acquiring it in your inventory. This will ensure that the decisions necessary to developing a targeted marketing plan for the listing are not delayed; and any obvious problems

with the property, such as easy repairs and security concerns, are addressed. In addition to getting the ball rolling on your property to-do list, early action on the REO can generate much-needed buzz among buyers. Samantha Roper of Team 21 Asset Management, Inc., in San Antonio, Texas, knows firsthand that early assessment can help her meet her asset manager's expectations. "Once the property is vacant, secured, and cleaned, I start sending local investors out to preview the property. This helps get the word out to the investor community [since] news travels like wildfire in our market," notes Roper. With

her 39-day DOM rate, Roper is known in her area for moving properties quickly, and reports that by using the strategy of early action, she usually ends up with multiple offers on the first day the property is listed on the MLS.

PRICING CORRECTLY TO LOWER MARKET TIME

Besides creating a buzz in the marketplace, one of the most important reasons to assess the property early is to use the knowledge gained to set an aggressive, yet well-informed, price point for the listing. Roper notes that when it comes to your overall DOM, getting the initial listing price right is make-it-or-break-it for an agent. "The most recent challenge affecting days on the market [in San Antonio] is the initial list price coming in at 120 percent of the highest value the seller receives. This can make the days on the market increase dramatically because we are unable to submit for price reduction until 28 days on the market," says Roper. "To achieve the lowest possible DOM, I try to accurately value the property, so we can list it at a realistic price," says Louis Parker of Lou Park Realty in Blue Ash, Ohio. "I also market the property with all the resources available to me, such as local advertising, social media, open houses, current investors, and retail buyers." Kentucky Realtor Debbie Richardson of Louisville Home Store Realtors, Inc., who reports an average DOM rate of 67, sees a similar response from pricing her properties accurately for the market. "If a property is properly listed compared to other homes in our low inventory markets we can generally get multiple offers and most times they are over the list price. Since most banks will not view an

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offer until the property it is on the market for eight to 10 days, this also creates multiple offers and insures “Fair Housing.”

MANAGING SERVICER'S DOM EXPECTATIONS

As Roper, Parker, and Richardson note, determining a realistic price point is part of the bigger picture of setting realistic expectations with asset manager, bank, or servicer you are working with. By making sure all parties involved in the sale are on the same page from the get-go, agents can cut down on surprise problems along the way. “I start by setting a realistic expectation about what price the home needs to be marketed at,” notes Parker. “Then, I stay in constant communication with [the asset manager] and keep them updated on how the property is showing. I also communicate all of the feedback that we are getting from showings to accurately advise them as to whether or not the list price is accurate for the proper DOM they are seeking.” Roper agrees, remarking that, “there are going to be some properties that are difficult and the more knowledge we give the seller regarding the property and the current market, the more they will be able to understand our difficulties in meeting the expectations.” Once reasonable expectations have been established with the seller, it is important for the agent to keep the lines of communication flowing throughout the entire listing process. “Weekly inspections, condition feedback, and updated BPOs help keep a market check to ensure that we are marketing the properties competitively,” says Richardson. National, regional, and local market factors will continue to influence DOM rates. But agents can attract sellers that are competitive by employing these realistic steps to tackle the challenges seen in each stage of property listing.

Accelerating the Short Sale Process

Be the hero and develop a strong reputation in your community as the short sale expert.

A SUCCESSFUL SHORT SALE IS A COMPLETED SHORT SALE. MANY SHORT SALES DIE BY ATTRITION, THE PROCESS SIMPLY BECOMES STALLED AND PARTIES LOSE INTEREST. YOUR DIRECT INVOLVEMENT IN THE PROCESS HAS THE POTENTIAL TO ACCELERATE THE TIME FRAME FOR A SHORT SALE APPLICATION AND REVIEW PROCESS. SUCCESSFUL SHORT SALES MINIMIZE THE TIME FRAME IN WHICH A SHORT SALE CAN BE COMPLETED. AGENTS AND BORROWERS INVOLVED IN THE SHORT SALE PROCESS FACE A TEDIOUS CHALLENGE OF ANSWERING MULTIPLE QUESTIONS AND PROVIDING PROOF OF INCOME, BANKING AND ASSET STATEMENTS TO COMPLETE THE SHORT SALE PACKAGE. BANKS OFTEN DO NOT STAFF THE SHORT SALE DEPARTMENT IN A WAY TO FACILITATE AN ACCELERATED PROCESS.

Your attention to detail, involvement, and communication with all parties can make the difference between a successful short sale and one that falls apart. Establish your credentials as a short sale expert. In a short sale, the lender takes a financial loss, but perhaps not as large a loss as it might if the property were foreclosed. A short sale can truly create a win-win situation for all parties and your expertise has the potential to make it happen.

Your attention to detail, involvement, and communication with all parties can make the difference between a successful short sale and one that falls apart.

Tips for Short Sale Success

Time is of the essence for a successful short sale. Once a short sale agreement is reached it is not uncommon for the lender to require closing in as few as twenty days. Certainly, in a short sale situation, the buyer must be

pre-approved and be ready to close. Financing the property with the seller's bank could work as an advantage for the buyer. By using the homeowner's bank's familiarity with the property, its conditions and terms would exist. Expediting the

loan application process benefits all parties—the bank resolves a delinquent account, the seller moves on with their life and the buyer finds their new home. Authorization Letter Obtain an authorization letter from the homeowner (typically notarized) authorizing the lender to discuss the mortgage with you. Most banks have their own letter format. This authorization will allow you to move the seller along the process and facilitate an agreement. A seller's bank approval is mandatory in a short sale when a bank is requested to accept a sale price less than the mortgage amount. The bank must engage in their fiduciary duty to verify that a short sale complies with their short sale criteria as demonstrated by the homeowners' documented hardship situation.

Qualifying Rules for HAFA Short Sale

The Home Affordable Alternative Program (HAFA) established streamlined short sale rules with incentives for the homeowner and lenders to work together to avoid foreclosure. Under HAFA, borrowers receive pre-approved short-sale terms from the lender before putting the home on the market. Lenders are specific regarding acceptable price and terms. To be eligible for HAFA, homeowners must first apply for a loan modification through the Home Affordable Modification Program (HAMP). Owners who do not qualify for a loan modification or miss payments during the initial loan modification period qualify for HAFA.

Accelerating the Short Sale Process (Con't)

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Short Sale Offer in 30 Days

According to HAFA rules, lenders must offer a short sale in writing to the borrower within 30 days if the borrower does not qualify for or complete a loan modification. Borrowers then must respond within 14 days to the lender's short-sale agreement. Be prepared to negotiate. The bank may reject your first offer. The broker's price opinion (BPO) should identify all defects and potentially include costs to repair. Purchase Offer within Three Days When a purchase offer is made, borrowers must submit the sales contract to the lender within three days, along with the buyers' mortgage preapproval and the status of negotiations with other lien holders on the seller's property.

Ten Days for Lender to Deny Contract

Finally, lenders must approve or deny the contract within ten days. HAFA rules also state that lenders must release borrowers from the obligation to repay the difference between the sales price and the loan amount. No deficiency judgments are allowed for a first or second loan.

Keep the Seller Involved

Keeping the seller involved in the process is crucial while the bank is reviewing the documentation. Once the seller's paperwork has been submitted, check with the bank's officer to be certain it is actively in line to be reviewed for completion. Ask whether there are any deficiencies in completion. For example, a divorce decree may not be certified. Step in, spend the one hour to have the document certified and pay the five-dollar fee, if this will move the process forward! The seller's paperwork represents the foundation of the short sale. The bank must confirm the seller is unable to pay the difference between the home's market value and the bank's loan amount and cannot remain in the home. The seller's

financial condition will be scrutinized to determine these facts with supporting documentation that can at times be tedious in terms of having the right documentation and the right forms properly completed and signed. A signed sales contract contingent upon the lender's short sale approval should be signed by both parties with a specific purchase price. Banks generally consider short sales when the homeowner has a 90-day delinquency in mortgage payments. Sellers are required to document the circumstances including certified copies of divorce filings, evidence of job loss, delinquent accounts, utility shut-off notices, car repossession paperwork, last two years' tax returns, recent pay stubs, and recent bank statements.