

## An overview

As the wave of defaulted properties hit the U.S., its wake leaves a vast number of REO properties for lenders to manage. It's not an easy task.

Even so, if you know how REOs are managed you can benefit by having relationships with a few good REO listing agents. And in this issue, we share insight into that process.

## What happens when a property becomes an REO

Once a lender receives title of a defaulted property it becomes Real Estate Owned, an REO. It then needs to be assessed, managed, listed and sold.



So, the lender contracts an Outsourcer to manage that process. In turn, their Asset Manager contracts real estate agents to establish the properties value by writing a Broker's Price Opinion (BPO). Then they contract an agent to manage, list, and sell the property.

### NOTE

- Writing the BPO does not guarantee the agent will get the listing.
- Some agents have written BPOs for a year before getting their first REO listing.
- Asset Managers have a stable of agents per market
- A listing with one Outsourcer doesn't guarantee a listing with other Outsourcers. Hence there could be dozens of REO Listing Agents per market.

***It's tangible, it's solid,  
it's beautiful, it's artistic ...  
and I just love real estate.***

~ Donald Trump

## 5 factors to listing REOs

1. The agent's zip code should match the REOs.
2. A history of quickly selling REOs
3. A history of quickly, accurately writing BPOs
4. The agent's marketing skills
5. An established dbase of investors & prospects

## 3 traits of a listing agent

1. **Patience:** Knowing Asset Managers are overloaded with REOs, it could take months for the agent to get listing instructions. Yet they still manage the property and pay the bills.
2. **Nerves of Steel:** Agents deal with angry people, vandalism, and thieves. Imagine evicting a family on Christmas Eve with children asking *why are we being kicked out of our home?*
3. **Team Player:** Agents must successfully balance relationships with Asset Managers, vendors, investors, and municipalities.



## The agent's "to do" list

- Agents accompany the Sheriff on evictions
- They secure & re-key the property
- Check the property weekly
- Secure storage of homeowner's belongings
- Utilities are transferred into the agent's name
- In cold climate, they winterize properties
- They coordinate the trash
- They invoice outstanding bills – utility, trash, lawn care, construction, marketing etc.
- They handle thieves, squatters, animals, arson
- They list the property in MLS
- Schedule showings
- Submit offers
- Coordinate all closing details
- Keep all parties up to date



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REO Listing Agents; Your Best Friend

## Let's talk money



### Commissions:

- REO Listing Agents are paid 1.25% to 3% per property.
- The average is between 1.75% and 2.5%.

### Bills:

- The agent pays for repairs, utilities, HOAs, storage, advertising etc.
- Outstanding bills could total \$20,000 to \$100,000, depending on listing totals.
- Reimbursement can take 90 days.
- 2-3 times the staff is needed to manage REOs.

## The REO listing agent; A great resource

1. They are directly connected to the lender.
2. They know the lender's expectations.
3. They have access to upcoming REOs.
4. They feel the pulse of the market.

## The agent won't give you...

1. The lender's contact information; the agent's fiduciary duty is always with the lender.
2. REOs are sold "As Is". The agent is not required to tell you if any rehab was done.

## Find REO listing agents

[www.REOConnection.com](http://www.REOConnection.com)  
[www.REOBroker.com](http://www.REOBroker.com)  
[www.NRBA.com](http://www.NRBA.com)

## Learn about REO training

[www.FiveStarInstitute.com](http://www.FiveStarInstitute.com)  
[www.NRBA.com](http://www.NRBA.com)

## 5 tips to create successful agent relationships

1<sup>st</sup>, Ask the agent if they email their property listings. If so, ask to be put on their dbase list, and make sure their email won't be labeled as spam.

2<sup>nd</sup>, Ask how long they've been an REO agent. If possible, work with agents who've managed REOs for 5+ years; they've worked the trenches, and they've established relationships with Asset Managers and contractors.

If the agent feels comfortable with you they might share insight to REOs that are not listed on MLS.

3<sup>rd</sup>, Tell the agent your criteria  
Do you want to buy a SFR, condo or in bulk,? In what area? Will you buy/hold or flip? If you want the property to cash flow, by how much?

If you want to rehab properties, good agents know good contractors; they'll recommend repairs and help you strategize – *if you spend \$15k here you'll get \$45k back.*

4<sup>th</sup>, Get your finances in order  
Ability to close in 15 days vs. 45 days causes the lender to take your offer seriously especially if it's less than the asking price.

5<sup>th</sup>, Respect their time  
Can't stress this one enough — Ask when is the best time to talk? Call once or twice a month with updates and inquiries. Don't call Friday afternoon or at the end of the month.

Aaron Marshall contributed to this issue. Aaron was the first agent in Utah to get a CREO Certification. He's been an REO Listing Agent for nearly 10 years. To learn more about his services visit:  
[www.SaltLakeREO.com](http://www.SaltLakeREO.com).

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