

# Strategies for Effective REO Disposition



Moderated by  
Jane Kennedy Winters  
SVP Sales, LandAmerica



# Panel

**Cary B. Sternberg**

*Vice President, REO*

*Indymac Bank*

**Jeff Frieden**

*CEO & President*

*REDC*

**Dean C. Williams**

*Chairman & CEO*

*Williams & Williams*

**Shawn Miller**

*CEO & President*

*Arch Bay Capital, LLC*

**Christopher M. West**

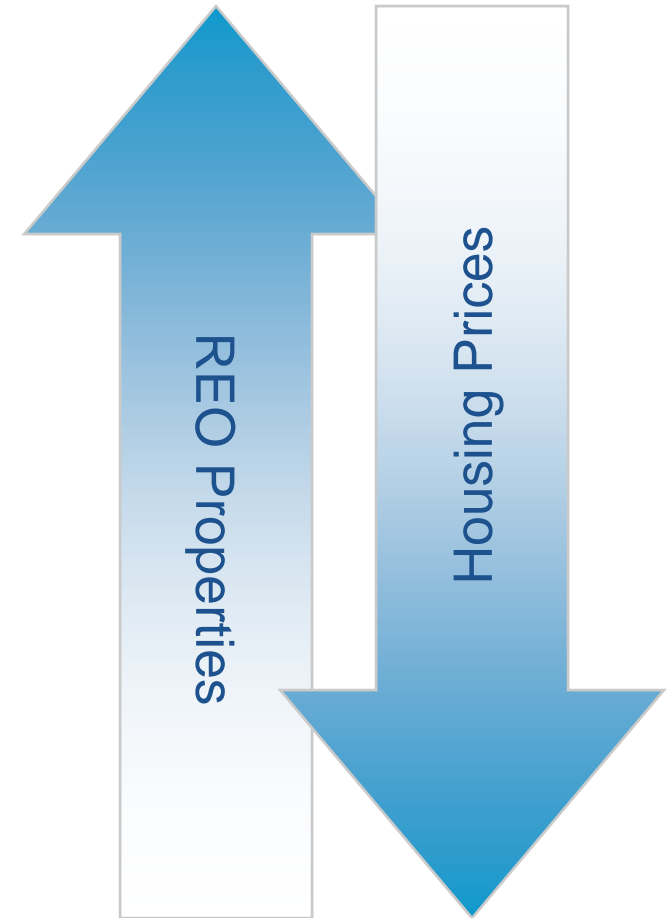
*President*

*Green River Capital, LC*



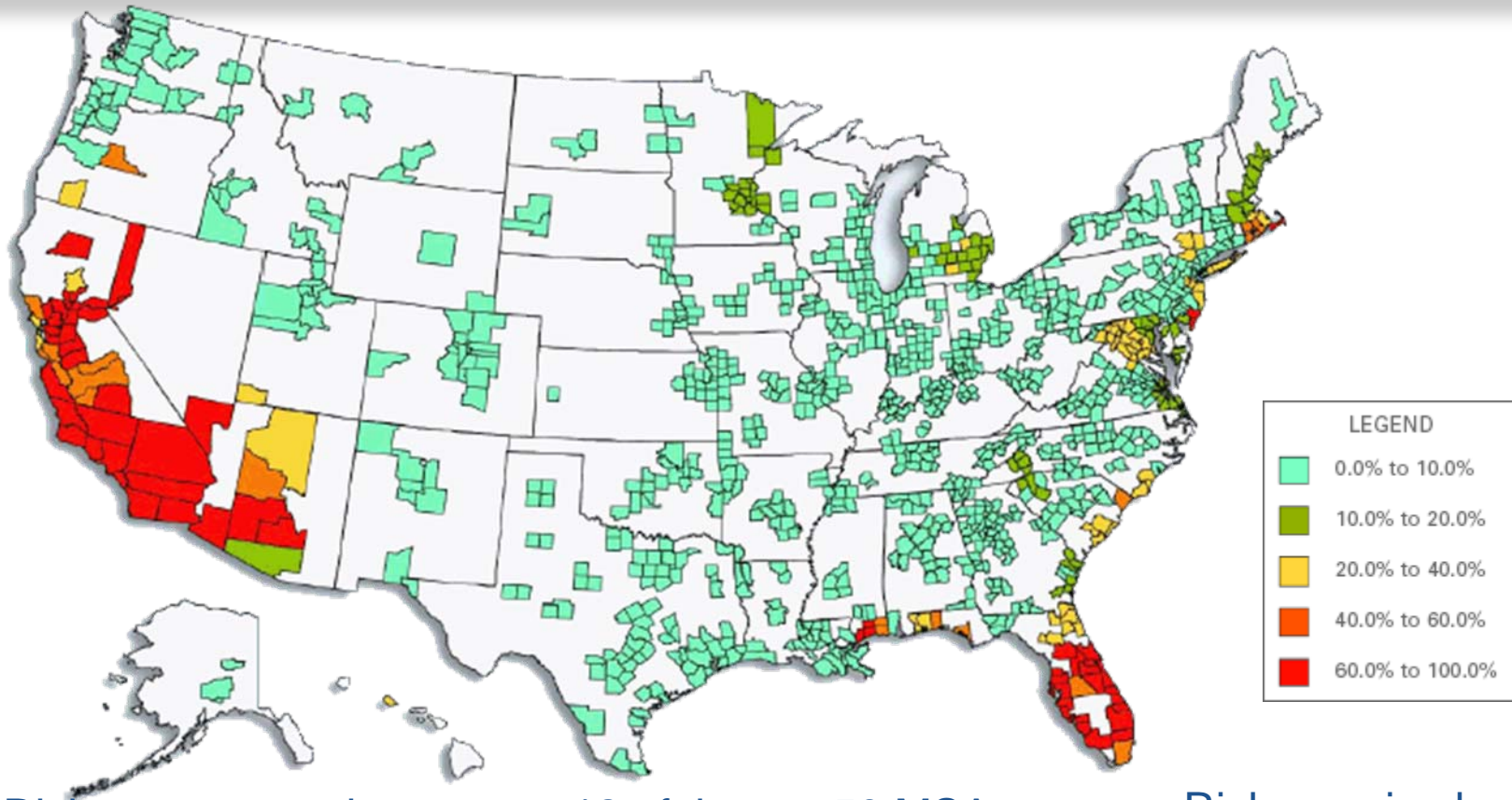
# Effective REO Strategies

- Primary Concern: Increasing number of REO properties in a declining housing price market during a time where credit is tightening.
- Discussion: With REO properties flooding the market, what can a Servicing Manager do to reduce losses and increase gains in the sale of real estate assets?





# Geographic Distribution of House Price Risk

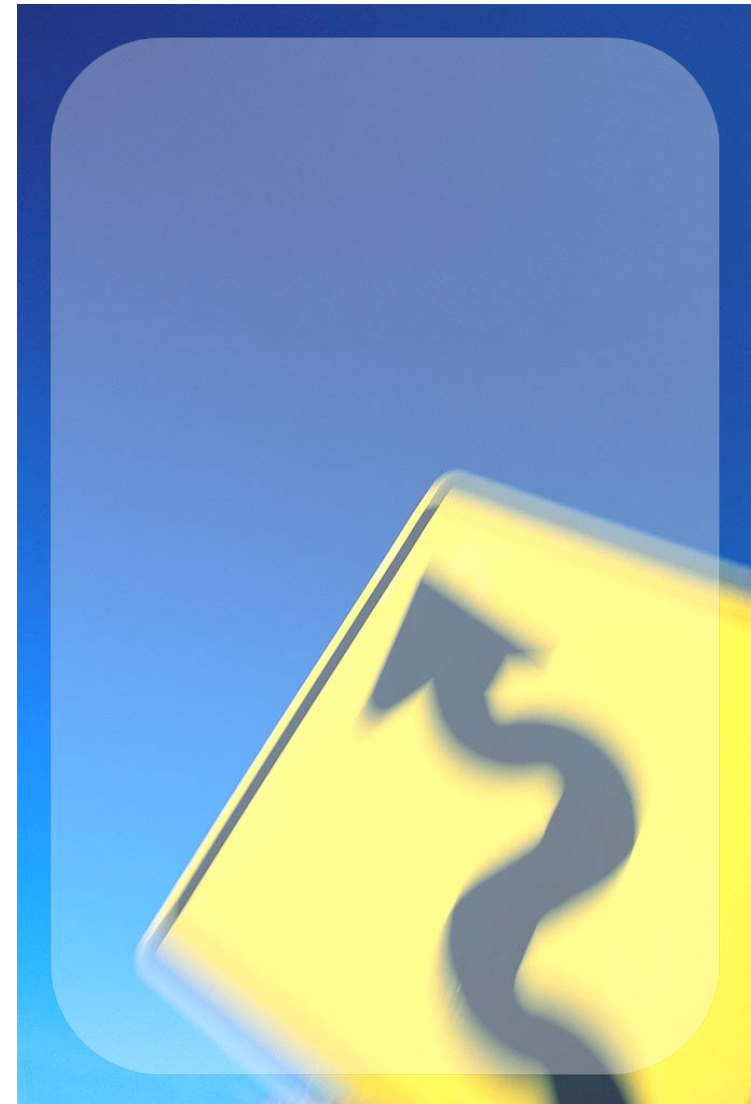


- Risk scores translate directly into an estimated % risk that home prices will be lower in two years.
- 12 of the top 50 MSAs are in PMI's highest risk rank with a greater than 60% chance that home prices will be lower in 2 years.
- Risk remains largely concentrated in the following MSAs:
  - California
  - Florida
  - Las Vegas, NV
  - Phoenix, AZ



# Liquidation Strategies

- How soon is too soon when it comes to liquidation strategies?
- What are some of the road blocks surrounding liquidation before or during the foreclosure process?
- Is there an unwillingness in the industry to explore liquidation when the borrower does not want to stay in the property?





# Liquidation Strategies



- Solving the fundamental problem of the inability or unwillingness to liquidate property for settlement
  - No borrower solution = no borrower contact / agreement
  - No time definiteness = no solution
  - No transparency = no agreement



# Liquidation Strategies



Take loss pre-foreclosure to avoid increasing REO inventory

- Accept short sales or short payoffs
- Deeds In Lieu
- Modify loan to keep loan cash flowing and borrower in the home

Take control of property marketing during foreclosure period

- Offer waiver of deficiency, cash for keys, discharge of debt to borrower to control pre-foreclosure marketing of property



# The Issue of Price

- When to value the property
- Goal is to determine worth of home at future sale date
- Forecast methods
- Price depreciation by zip code
- Risk by zip code
- Appraiser/Broker understanding of assignment





# The Issue of Price

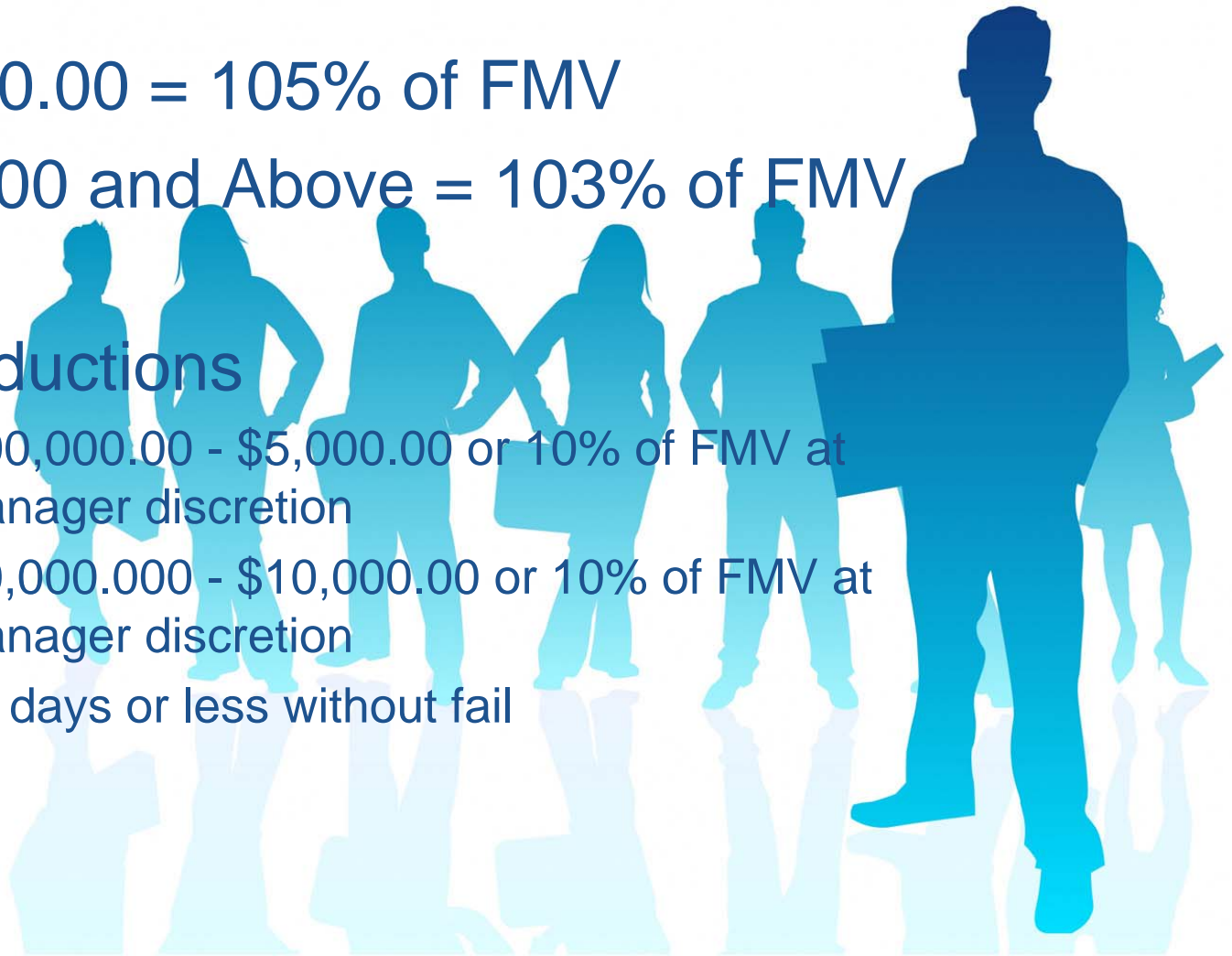


- Set price at or below market to increase interest
- Delegate authority to asset managers
- Develop price reduction guidelines for aging inventory.
- Ensure BPOs and appraisals are current and prices are reduced accordingly



# The Issue of Price

- 1-100,000.00 = 105% of FMV
- 101,000.00 and Above = 103% of FMV
- Price Reductions
  - Under 100,000.00 - \$5,000.00 or 10% of FMV at Asset Manager discretion
  - Over 100,000.000 - \$10,000.00 or 10% of FMV at Asset Manager discretion
  - Every 30 days or less without fail





# The Real Costs of Real Estate Speculation

- Why no one knows, or wants to know, what real estate is really worth
  - Inherent speculation in asking prices
  - A tale of two markets – occupied vs. vacant
  - Who moved the cheese (collateral risk)





# More Strategies



- Incentive Broker to sell quickly
- Incentive asset management company to sell quickly
- Finance REO purchase
- Enlist the help of an auction company
- Consider bulk sales



# Retail REO vs. Auction Sales



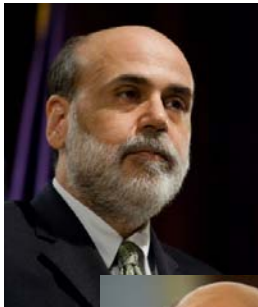
How do you determine which assets to Auction?

- Retail REO Sales versus Auction Sales:
  - Pros and Cons
  - Values versus Volumes
  - Asset Management Companies Partnering with Auction Company to offer additional services



# Consumer Response

- Oversupply of inventory, reduced interest rates and decreasing prices creates opportunity for home buying



## The Consumer Confidence Press Release

Please visit the [Consumer Research Center](#) pages to learn more about:

- detailed consumer confidence data
- additional consumer information
- benefits of center membership

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

### The Conference Board Consumer Confidence Index Declines in January *January 29, 2008*

The Conference Board Consumer Confidence Index, which had improved moderately in December, gave back the gain in January. The index now stands at 87.9 (1985=100), down from 90.6 in December. The Expectations Index declined to 69.6 from 75.8. The Present Situation Index, however, increased to 115.3 from 112.9 in December.



The Consumer Confidence Survey is based on a representative sample of 5,000 U.S. households. The monthly survey is conducted for The Conference Board by TNS, the world's largest custom research company. The cutoff



**“Auctions thrive because they resolve ambiguity, establish value [...] and arrive at economic consensus among participants.”**



- **9,101 total registered bidders**
- **An average of 80 visitors walked through each home**
- **43,536 total walk through traffic**



# Conclusion

Is the business of REO open to new ways of doing things?

Being flexible for your clients and keeping capacities under control is the key to SUCCESS!

Often investors feel that servicers could be taking more risk, while at the same time servicers feel that they are restricted by investor guidelines –  
Do we have an accountability /ownership issue when it comes to taking action?



# Question & Answer

- The floor is open for audience questions
- We thank you for joining us today and welcome your questions!

Q&A