



Lenders tap new tools to speed REO sales

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With a foreclosure crisis spreading across the nation, a growing tide of properties are ending up back in lenders' hands. Several technologies have emerged to help REO asset managers minimize their losses.

Leveraging online auctions

In late 2007, Fast Home Auction launched an online auction site real estate professionals can use to buy and sell defaulted and foreclosed properties via an online merchandise auction concept.

It's designed to benefit REO agents, asset managers, buyers and sellers. The company described the site as a response to the surge in defaulted and foreclosed properties.

Traditionally, REO asset managers have posted properties on their own Web sites, but most people don't know how to find them, noted James Case, Fast Home Auction's president.

"These guys are dying, and carrying assets on their balance sheets is a huge liability. The longer they hold them on their books, the worse it is for them."

Online auctions, he said, give buyers an efficient way to acquire foreclosed property from REO asset managers.

"Usually, by the time a property goes to auction, it has been listed for a few months with very little or no activity," Case said. "When the sellers of real estate list their property for auction, it doesn't mean that they're desperate, it means that they are motivated -- and this is usually the buyer's best choice for attractive pricing."

Case, an investor, started the site in 2005 to get rid of his own properties.

"We found out it worked pretty well," he said.

The site serves both consumers and investors, although most traffic will be investors. Case expects the number of investors entering the market to explode in 2008.

Lenders such as Omni Bank are putting more properties on the site, and large numbers of REO agents are coming on board, according to Case.

"An asset manager will contact us. They'll say they have maybe 50 properties in a specific area they're trying to move * in Georgia, for example. We'll put our IT department together with their IT department, get all their information and then go talk with the real estate agents on the ground."

Those agents then get training on how to use the site

To ensure those users get the best exposure possible, Fast Home Auction cross-promotes with about 13 other sites, including Google and Yahoo. It also ties into investor databases around the country.

The FastHomeAuction.com site includes a searchable Realtor directory, and postings are submitted to all major search engines. Postings are available for virtually all types of property, from single-family to commercial and raw land.

Bringing transparency to asset managers

Another company is using the Web not to streamline the auction process but to give REO asset managers more market intelligence on how their properties are performing.

The ForeclosureFeedback.com site offers a way for REO real estate agents to communicate with asset managers. It automates the showing feedback process and is designed to get agents more REO listings and referrals to their other asset managers.

Lenders can log in and see the feedback from all the showings that have taken place on their properties. Through their agents in the field, they can monitor what's going on with each of those properties.

After a showing takes place, the agent receive an e-mail from the company asking for feedback * there is a default survey with six questions.

According to Rick Bengson, founder of HomeFeedback.com, which offers the site, more than 70 percent of agents fill out those requests.

"Usually the most important question is, 'Is the property at or above market value?' That's your pricing question. Asset managers' job is to get as much as they can for a property, but you still need to know what to do in order to liquidate it," Bengson said.

Suppose 80 percent of showing agents offering feedback on a property say the price should be lowered. The site gives asset managers that statistical analysis to measure the market and act accordingly.

"Now you can hit one button to e-mail every agent who's shown that property and say, 'XYZ Bank told me we need to get an offer. We're dropping it \$10,000. You showed it to your client * now is the time to bring in an offer,'" Bengson said.

"It's the best tool out there to price that property accordingly," he added.

The system is typically paid for by the real estate agent, but the bank could also buy it.

"Our clients are typically real estate agents. We're showing them how they can use this to get listings from asset managers," Bengson said.

More than 10,000 clients are paying for the service today.

"We made this feedback process transparent," Bengson said. "Now the asset manager can see exactly what's going on out there, whereas before, they were relying on that agent to get to them or call that agent, and that agent has to call the other agents."

The service costs \$20 per month, which includes up to 100 active listings.

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