

Asset Manager Anecdotes



FEATURING **SCOTT VALLETTI**,
KEYSTONE ASSET MANAGEMENT

With upwards of 15 years' foreclosure, bankruptcy, and REO experience, Scott Valletti knows how to get an asset moved. Currently a team lead at Keystone Asset Management Inc., he joined the company in October 2007. Prior at Keystone, Valletti worked at Cenlar as the default manager for CBC/INNOVIS with GMAC Residential Mortgage. In earlier years, he served as the foreclosure manager at Select Portfolio Servicing, also known as Fairbanks Capital Corp.

Q: In the face of recent challenges that have hit the default servicing industry, what new practices have you implemented (or what practices have you phased out) to handle the rise in foreclosures?

A: In the case of Keystone Asset Management, what we have done to handle the influx of foreclosures in the industry is to expand office space and grow our staff. We have been able to handle the increase in flow with a high-level, well-versed, and well-rounded staff. With a strong management staff, we are also able to get our greener asset managers up to speed rather quickly.

With the ever-changing market, there will eventually be a drop in the number of foreclosures across the company. Even now, many banks have chosen to place three- to six-month moratoriums on all foreclosures. This allows the banks to provide their existing customers with an opportunity to save their home from foreclosure through various loan products.

Q: In what ways can agents and brokers help you get in touch with borrowers who are having problems making their payments?

A: As an outsourcer, in most cases we will not deal with the borrower until foreclosure has taken place. In some state-specific cases, there are redemption periods where borrowers still have the right to redeem their foreclosed mortgage prior to being evicted. In most redemption states, the borrowers have up to six months to redeem, and in some cases up to a year.

If an agent/broker is made aware that there is a potential redemption by a borrower, than normally what would happen is the agent would contact their respective asset manager. The asset manager can then notify his or her client that the borrower has intentions to redeem. Most of the time, the client would rather see the borrower redeem the property instead of taking the property and beginning the marketing process. The upkeep of an REO property,

especially in distressed neighborhoods across the country, is overwhelming at times. Banks lose money when they actually have to take the property.

Q: In your opinion, what is one of the most challenging aspects of being an asset manager?

A: Being an asset manager is very competitive, challenging, and rewarding. Working with an agent/broker, there are many details that need to fall into place to get the asset closed and closed on time without a problem or delay. Asset managers don't have the time in their day to teach agents how to service their REO properties or explain how we want things done.

Ideally, I would think an asset manager would want to deal with experienced agents that have references. There are many agents that portray themselves as seasoned REO agents with years' experience, but are actually just getting started in this specialized field. Many new agents see REO properties as a steady flow of easy listings. An asset manager wants an experienced agent for all his properties, an agent that respects the deadlines imposed. A business relationship can be affected immediately with an agent that overpromises and underdelivers.

Q: Many investors would like to know if discounts are available for wholesale purchasers. How many properties at one time would an investor need to buy to be considered a wholesale buyer?

A: Discounts are generally given for bulk purchases, as it is usually a way for the seller to unload a portion of its nonperforming assets and help the immediate cash flow. However this would depend on the servicing company/seller and its requirement. Some of the factors/requirements to consider include liquidity, location, type of properties, status of the loan, and market conditions. If the bulk sale encompasses just vacant REO properties, it is a much easier calculation to determine what the discount will be based on projected total expenses and proceeds, since it will be based on interior values.

If the bulk sale encompasses properties in various stages of the foreclosure process, then the discount calculation will not be as easy to project, as the seller will need to consider how many loans will project to become REOs, the projected timeline, and expenses for those properties. One factor to consider, especially in today's market, is the location of the properties. If it is a bulk purchase in a concentrated area, then the local market conditions will be a major factor in determining the pricing of the bulk package, as some parts of the country are depreciating much more rapidly than other areas. The seller in this instance might be willing to discount the bulk sale even more.

There isn't a magic number per se for how many properties a buyer needs to purchase in order to be considered a wholesale buyer, but I would think it would normally involve several million dollars. Less than a million would probably be considered a mini-bulk sale.