

Enhancing Teamwork

While it may seem like a novel concept, utilizing national and local field service companies to handle property preservation isn't a newfound approach. It is a trend, however, whose popularity is making its mark with major momentum. On one hand are the advocates: lenders, servicers, outsourcers, and some agents and brokers. Topping their "pro" list is cost control. These property preservation professionals offer flat-fee service plans, service bundles, and in some cases, revenue sharing. Agents and brokers are no longer forced to carry large receivables, and they can get back to doing what they do best: Selling real estate. Imagine one-stop shopping, timely service, single vendor invoice management, and cost control in an all-in-one package. Does it get any better than this? On the other hand are the adversaries—ironically, those who promote the use of these companies (lenders, servicers, outsourcing companies, and this time, most all agents and brokers) have a proportionate "con" list. Lack of viable vendors on a nationwide basis and a vested interest in timeline management and property condition/value are two of the sticking points. Another huge issue for agents and

brokers, though, is the absence of perceived accountability in communication and quality of service provided by field service vendors.

A Delicate Balance

With the double-digit growth in defaults, foreclosures, and ultimately REOs, an enormous task has been placed on those

REO—some experienced in the nuances of property preservation and repairs and, more commonly, some who are not. So the question still remains: As an industry, how can we leverage the highest and best use of both industry professionals—agents and brokers poised to market and sell and field service companies ready to maintain, preserve, and repair?

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managing and marketing this influx of inventory. Regardless of the volume, the goal remains the same for all parties involved: Sell the property at or close to fair-market value in the shortest amount of time. With this goal in mind, lenders, servicers, and outsourcers have turned to national property preservation companies for assistance. The increase in volume has also increased the number of agents and brokers marketing and managing

with evictions, winterizations/dewinterizations, handle lawn cuts, manage bid preparations, etc. The time that an agent or broker previously spent on coordinating property preservation services with local vendors can now be spent on completing market plans in a more effective and timely manner. If an agent or broker employs a staff, they also can spend more time assisting with the marketing of the property, instead of using valuable time

Bevy of Benefits

On the upside, property preservation companies can take an enormous burden away from agents and brokers. When a property preservation company is assigned a property, they are able to provide all of the necessary services to protect and maintain the property. They can provide occupancy checks, re-keys, place lockboxes, do board-ups, assist

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tracking down vendors to provide bids, re-keys, etc. Also, less time is spent on preparing reimbursement forms for these expenses. More importantly, agents and brokers aren't responsible for the cost of the property preservation services. This means they no longer need to carry the expense associated with these duties.

Best of all, agents and brokers don't put any of their own money at risk. For example, say an agent or broker has an REO property listed for \$200,000 and it eventually sells for \$190,000. During the marketing process, they spend \$15,000 for preservation and repairs. The listing agent or broker earned a gross commission of \$5,700 (3 percent of sale price, before broker and referral fees). In this case, the broker fee would be \$2,850 and referral fee would be \$1,710. This would leave the listing agent with a net commission of \$1,140. From this example, it doesn't make much financial sense to put \$15,000 at risk to make \$1,140.

Most property preservation companies have the resources, a database of contractors and vendors, technology, and streamlined operations to deliver cost-effective solutions for the upkeep of REO. Although initially it may take longer for an agent or broker to list the property from the day of assignment, the overall days on market and average total days in inventory are significantly lower when a property preservation company is used. Using current data from an outsourcer that uses a mix of property preservation companies and agents and brokers for property preservation services, the average days to list was 21-percent higher with a preservation company. However, the average total days in inventory and average days on market were 14-percent and 17-percent less, respectively, with a property preservation company. In real numbers, the average total days in inventory were 81 with property preservation companies and 94 without; and the average days on market went from 66 days to 55 days when a property preservation company was utilized.

Bemoaning the Minuses

On the downside is the argument made by agents and brokers, which is both valid and noteworthy. There is an inherent breakdown in communication and accountability when the property preservation company is engaged by one entity (lender, servicer, or outsourcer) and held to the standards of performance of another (agents and brokers). This issue has been recognized by all in the industry. However, little action has been taken across the board to resolve the issue. An ideal scenario places the agent or broker and property preservation company as equal partners. By empowering the agent or broker to order services through the property preservation company, the lines of communication are immediately in place. This allows the agent or broker to build rapport with the property preservation company at both the corporate and local levels. Quality standards are more clearly articulated, and there is a decrease in the redundancy of services provided.

Property preservation companies, as well as agents and brokers, must not view the other as opposition. Reasonable minds would agree that if effectively engaged and managed, property preservation companies would be embraced by agents and brokers. To get there, property preservation companies must reach out to the agent/broker community. Agents and brokers may be more likely to encourage their own vendors to join forces with the national companies if they feel there is a sincere partnership. This helps alleviate the concerns surrounding the lack of a vested interest at the local vendor level. This would be a trusted and preferred vendor with an existing relationship with the agent or broker. It could be a true win-win. Lenders, servicers, and outsourcers are protected by preset spending limits and minimum service standards. In the event the task assigned by the agent or broker exceeds these limits, the property preservation company would bid the work and communicate this to all relevant parties.

As one may surmise, incorporating a property preservation company into the marketing and managing of REO properties is a work in progress. As such, there are always snags and unforeseen circumstances that could arise. Nothing is perfect, but there are ways to do things better.

All Together Now

In today's REO market, property preservation companies are needed to help effectively manage and market properties. With better communication and a streamlined process implemented, marketing timelines can be significantly reduced and REO inventory can be effectively managed. However, to successfully manage and market REOs, each vested party (lender, servicer, outsourcer, agent or broker, attorney, and property preservation company) has to ensure they have provided the highest level of service. They should all understand the REO processes and timelines from foreclosure to sale. They should all be aware of the client's expectations and goals. They should also understand that they are not the only ones who have a stake in the asset. In terms of agents, brokers, and property preservation companies, each will be better served if they keep one another informed of any changes to the property, such as vandalism, break-ins, etc. The sooner a property preservation company is made aware of any issues with the property, the faster it can respond.

As the real estate and mortgage industry continues to grapple with the increasing inventory of REOs and a soft market, more efficient and cost-effective methods must be put into place to dispose of these assets in a timely manner. The efficiencies are not only attained through technological advancements, but also through proper timelines and distinct lines of responsibility and accountability. With the proper infrastructure, agents, brokers, and property preservation companies will complement each other and ultimately impact the industry in a positive manner. **DS**