THE TOP 5 OUTSOURCING TRENDS
WHAT YOU NEED TO KNOW NOW
THE LIFE OF AN REO PROPERTY
In Search of a Better Future

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EXCLUSIVE TO REO MAGAZINE

EVERY HOUSE WAS ONCE SOMEONE’S DREAM HOME. It may have been the person who built it, the young couple who made it their first home or the retirees who worked their whole lives to settle in it. But along the way, many of these dream homes become a nightmare.

Unexpected circumstances lead to strained finances, which in turn lead to neglected maintenance of the property. The loss of a job or a costly illness result in windows not repaired, pipes unfixed and eventually bills unpaid. Despite the best efforts of the lending institution, the home is foreclosed and left vacant.

Such is the life of an REO property—dropped into the hands of someone who never wanted it in the first place.

Stage One
Let’s consider this property and its lifetime in our possession. During the first few months, the property sits vacant. Just yesterday, the listing price was dropped. The previous occupant, upon being evicted, chose to dump garbage in the backyard on his way out. The house has been winterized by a field services firm, but like any organic structure it decomposes just a little every day it is not inhabited. Vines have grown on the exterior, the grass on the lawn has died, and insects have obligingly taken over residency of the home.

Each day that it deteriorates, this home loses value. Despite the best efforts of the REO asset manager and the listed Realtor, the home cannot find a buyer.

Stage Two
Another month or two goes by, and we find the home has been vandalized.

As any law enforcement officer can tell you, vacant homes attract crime. As the house sits vacant, the value of the surrounding homes declines—further devaluing our house. The back door has been kicked in and fixtures removed from the house. The Realtor drops the listing price yet again, attracting a few nibbles but no bites.

The average person who looks at the house now sees little value in it—it would seemingly cost more to demolish this house than it is probably worth, and the fact that it hasn’t sold must mean there is something really wrong with it. The wait continues.

Stage Three
Thirty days later, there is a crowd at thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd at Thirty days later, there is a crowd atThirty days later, there is a crowd at

Today’s auctioneer is entrusted by the owners of other high-dollar items to get fair market value for their property, and today he has come to sell this house that won’t go away. The auction begins as do the bids. The people who have come to this auction have done their homework. Many are investors; some are looking to buy a home for themselves, and some are just neighborhood residents drawn out by curiosity.

Through competitive bidding, the house is sold in less than five minutes. Five minutes earlier it was a house that would not go away. Now, in the time it takes you to brew your morning coffee, the home has a buyer.

Searching for Value
Through transparent competitive bidding, the fair market value for this house was established in the same way that fair market value is established for other types of valuable property every day around the world. Now it will have an owner. It will not continue to deteriorate. It will not attract crime. Regardless of his or her intended use for the house, someone will have a stake in its maintenance. Without a vacant house as a neighborhood eyesore, the surrounding homes see an increase in value.

As the REO industry continues to grow, we may see more houses just like this one. While they certainly do not make up the majority of the houses an REO asset manager will handle, they do monopolize the manager’s time and energy. By increasing the liquidity of their owned asset and operating within a time-definite framework, REO asset managers can free themselves of all those unwanted houses and perhaps give someone else the home of their dreams.