U.S. REO PARTNERS

PRTNR MAGAZINE

THE OFFICIAL PUBLICATION OF U.S. REO PARTNERS

WINTER 2017 / VOLUME 1 / ISSUE 1

ARRANGING THE PIECES

We Need to Succeed In The New Year

INAUGURAL ISSUE

The Publisher's Note

Welcome to PRTNR, the new official publication of U.S. REO Partners (USREOP). This magazine is a new space for our members to share their expertise and promote their businesses for what we at USREOP already know they are: market and industry-leading solutions for the issues faced by mortgage servicing and asset management companies in chronic need for the right—you guessed it—PRTNR.

It's not that we think "vendor" is a bad word, necessarily. But on these pages you'll get a deeper look at how we as an organization operate, and that's as a partnership. Because we understand how relationships are built, how business gets done, and how industries are moved forward—and that's done together, in partnership with one another.

For this inaugural issue, we worked on market-specific market-making contributions from brokers across the country, from Washington State to Washington, DC (well, next door in Virginia). And our law firm members contributed updates on new laws affecting REO sales in Ohio to HOA assessments and their impacts on closings in Florida.

We sat down with first-time author and broker Melanie Gamble to discuss her new book, "Unintended Consequences: The Great Recession's Impact on Communities of Color". Our discussion dove into issues such as marketing, successfully making your business service-oriented, and how to start the publishing process.

We've also rolled in some organizational updates you might have missed and other news about volunteer opportunities and what we're doing to better promote your business to current and potential clients. As always, thank you for reading. We hope you'll reach out to our contributors and that you'll give us the opportunity to highlight your business and expertise in a future issue of PRTNR.

Board of Directors
U.S. REO Partners, Inc.

USREO PARTNERS

U.S. REO PARTNERS PRTNR MAGAZINE

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ABOUT PRTNR MAGAZINE
For contributor or advertising opportunities, contact us at PRTNR_Magazine@USREOP.com

PRTNR Magazine is a quarterly, digital publication by U.S. REO Partners, Inc. (USREOP). Publishing in PRTNR Magazine is an exclusive members-only opportunity available to USREOP members. Non-member advertisers may purchase ad space at premium, non-member pricing. Reprint permission by request only.

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HOW TOO LITTLE Inventory IS IMPACTING THE PACIFIC NORTHWEST

A Market Maker Update
By Ed Laine

USREOP UPDATES

New Member Publications
U.S. REO Partners is excited to launch a new quarterly digital publication, PRTNR Magazine, along with new featured blog posts at USREOP.com, and a new series of e-blast legal updates.

Members can contribute to PRTNR Magazine at no charge. Consider these regular sections:

LOCAL LAW - SPOTLIGHT
Law firm members of USREOP can submit a 750+ word article on a recent legal development in their states. Specific topic to be pitched by contributor.

MARKET MAKER - FEATURE
Broker members can submit a 1,750+ word feature article on their market area. Specific topic to be pitched by contributor.

MEMBERVIEW - FEATURE
Broker, Law Firm, or Vendor Members may be chosen by PRTNR Editors to be featured in this high-value interview format. Published articles are 1,750+ words.

TRENDS - FEATURE
Broker, Law Firm, or Vendor Members may be contribute a feature-length article (1,750+ words) on a trend, issue, or solution targeting client needs and objectives.

New USREOP.com
We've launched a brand-new website to centralize all of the new things we're doing on behalf of our members. Check it out online at USREOP.com and learn about a handful of new features and benefits below.

NEW QUICK ZIP CODE SEARCH
Clients can now find our broker, law firm, and vendor members with a simple zip code search right at the top of new USREOP.com header. The search will automatically populate members within a 30 mile radius of that zip code. Clients can also search by other address features, name, or member type.

NEW CONTENT BLOG
Between PRTNR issues, we'll be updating and posting unique cotnent on USREOP.com via the websites new homepage blog. We'll be posting all of your service area, personnel, product and service, and related business development updates here so your news is displayed front and center.

REFRESHED CONTENT AND MEMBERS-ONLY PAGES
We've refreshed all of the content on USREOP.com and our members-only portal. You'll find updated resources and content across the website now. Please send us suggestions at Membership@USREOP.com if you have ideas for the new website.

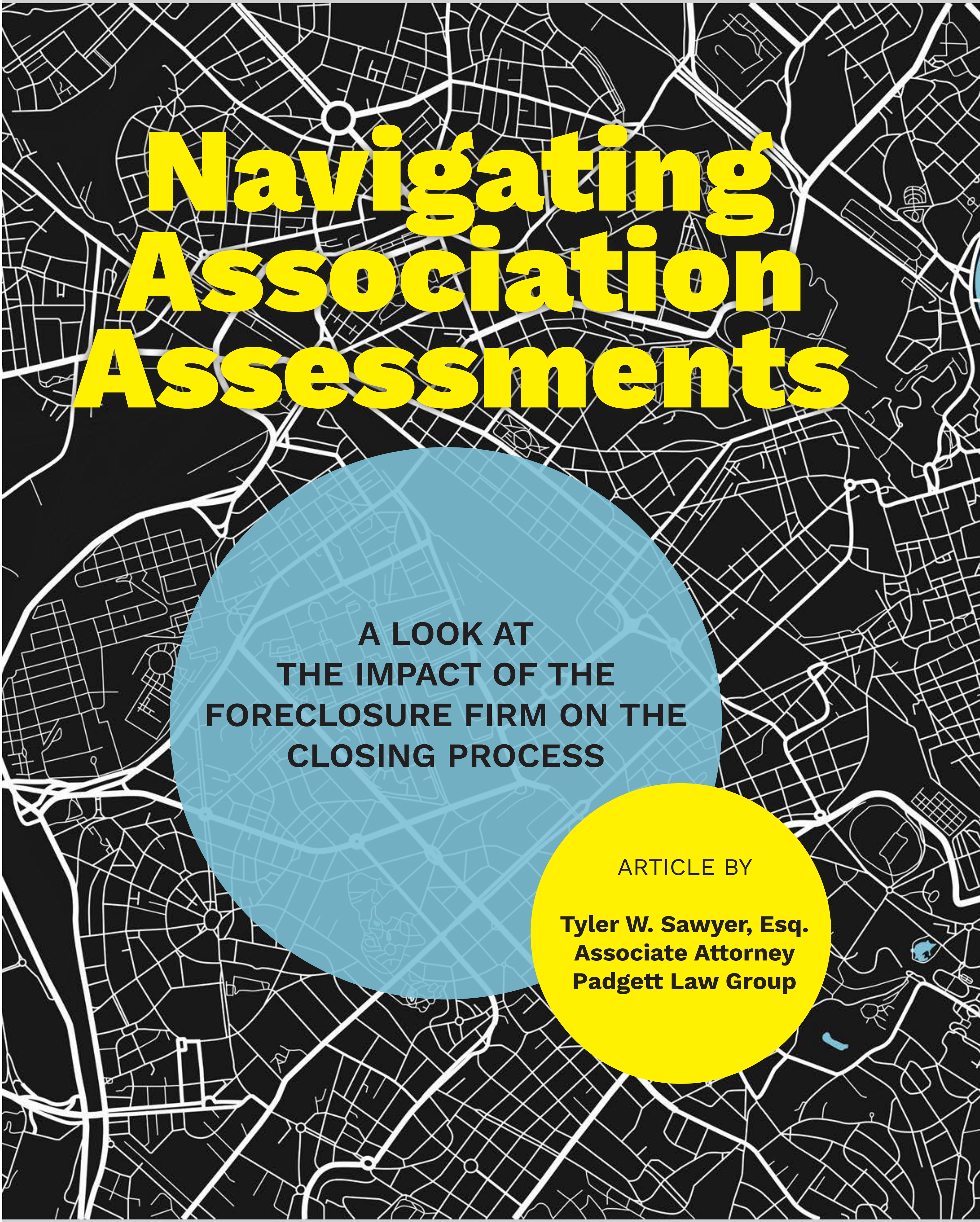
New Members
We're pleased to welcome these new members to the organization over the last quarter:

NEW BROKER MEMBERS
Angelica Suarez
Zena Dakroub

NEW LAW FIRM MEMBERS
Clunk, Paisley, Hoose & Co.
Padgett Law Group
Felty & Lembright
Heavner, Beyers & Mihlar
Frankenberg, Lavinthal, & Stern
Stern & Eisenberg

New Regional Representatives
Thank you to everyone who showed interest in volunteering as a Regional Representative beginning in 2018. To our outgoing Regional and State Representatives, we thank you for your volunteer service over the course of your term. Stay tuned to your USREOP emails as new Regional Representatives will be announced in early January 2018.


Let's build
something,
together.

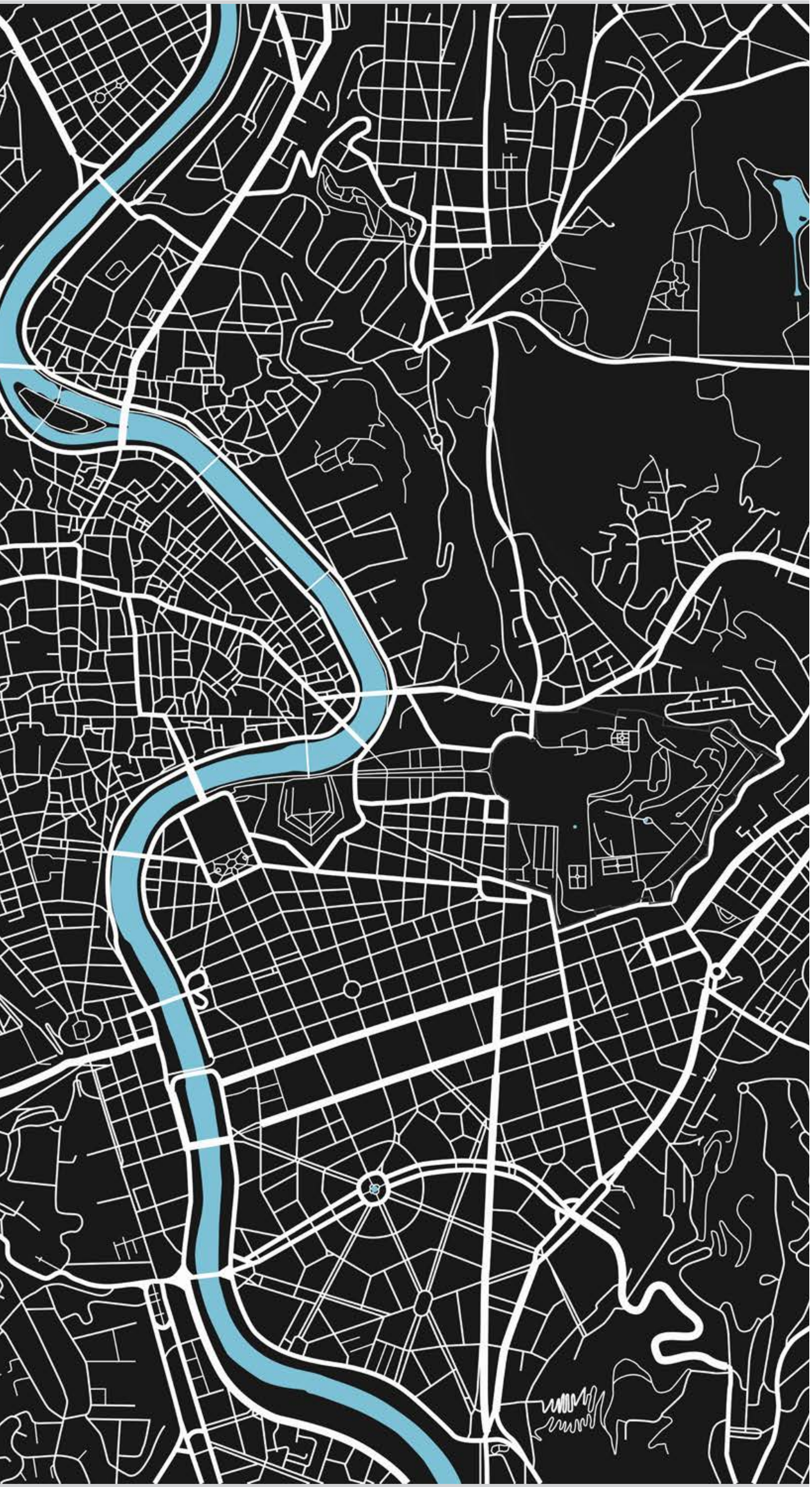


Navigating Association Assessments

A LOOK AT THE IMPACT OF THE FORECLOSURE FIRM ON THE CLOSING PROCESS

ARTICLE BY

Tyler W. Sawyer, Esq.
Associate Attorney
Padgett Law Group



As part of the sale of any property subject to a Homeowner's Association ("HOA") or Condominium Association ("COA"), title insurers and closing agents require estoppel certificates evidencing the amount of past due assessments owed in order to ensure all liens are cleared upon closing and the appropriate prorations are made on the closing statement. Often times, however, estoppel letters provided by the associations will overstate the amount owed, causing needless delays in the closing process when negotiating the payoff amount which ultimately hurts the lenders bottom line. In this pervasive climate of association overcharges, the partners of USREOP can benefit greatly when their default services counsel protect their legal rights on the record through the foreclosure and closing processes. This in turn provides closing agents much needed leverage to negotiate lower payoff amounts, with greater efficiency, which ultimately avails lenders to thousands of dollars saved at the closing table.

Homeowners Association Assessment Liability

The extent of assessment liability imposed on holders of a first mortgage of record, or their successors or assigns, is governed by the Florida Statute 720.3085(2)(c), which, if the association is named in the initial action, limits lender liability to the lesser of 12 months assessments accrued and unpaid prior to the lender taking title, or 1% of the original mortgage debt, if said sums are paid within 30 days of issuance of title. A vast majority of HOA's allege this "safe harbor" protection when named as a defendant in a foreclosure action and again on the estoppel letter, so it has to be correct... Pay the 1% so we can meet our deadline to close, and move on, right? Maybe not . . . Although this analysis is correct in some instances, it fails to account for Florida's interpretation of F.S. 720.3085 prior to the amendment in 2008. Accordingly, if the HOA's Declarations of Covenants and Restrictions ("Declarations") and the mortgage in question are recorded prior to July 1, 2008, then courts within Florida have consistently held the HOA's Declarations control as to mortgagee liability for prior assessments.

This distinction is important because many of the HOA Declarations that were drafted prior to the 2008 Amendment contain "subordination" provisions, such as the example listed below, which are favorable to lenders who take title to their collateral by way of foreclosure or deeds in lieu of foreclosure, as an enticement for lenders to finance sales within their respective associations. Section 13.

Subordination of Lien to Mortgages

The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage which is given to or held by an Institutional Lender, or which is guaranteed or insured by FHA, FNMA, or VA. The sale or transfer of any Lot pursuant to foreclosure of such a mortgage or any proceeding in lieu thereof, shall extinguish the lien of such assessments as payments which became due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

When challenged, these "subordination" provisions have consistently been upheld throughout Florida because the legislature cannot unconstitutionally impair the contractual relationship between the parties, provided that said provisions within the Declarations are unambiguous. See *Coral Lakes Community Association, Inc. v. Busey Bank, N.A.*, 30 So.3d 579 (Fla. 2d DCA 2010) ("We conclude that because of the Declaration's plain and unambiguous language subordinating any claim for unpaid HOA assessments to a first mortgagee's claim upon foreclosure or deed in lieu of foreclosure, it controls and absolves the Bank, as first mortgagee, from liability for any assessments accruing before it acquires the parcel.") See also *Harbour Vill. At Saga Bay, Inc. v. Dahm*, 367 So.2d 1100, 1102 (Fla. 3d DCA 1979) ("Since a lien is a charge on property for the payment or discharge of a debt or duty, it stands to reason that where there is no longer a debt or duty owing, no lien can be claimed").

Consequently, with a property subject to an HOA, it is important to recognize whether the Declarations or the HOA statute applies given the facts of the case in question in order to determine which is more favorable to the clients' interests.

Condominium Association Assessment Liability

The extent of assessment liability imposed on holders of a first mortgage of record, or their successors or assigns, that are subject to a COA is governed by the Florida Statute 718.116, which currently limits lender liability to the lesser of 12 months assessments accrued and unpaid prior to the lender taking title, or 1% of the original mortgage debt, if said sums are paid within 30 days of issuance of title and the COA is named in the initial foreclosure action.

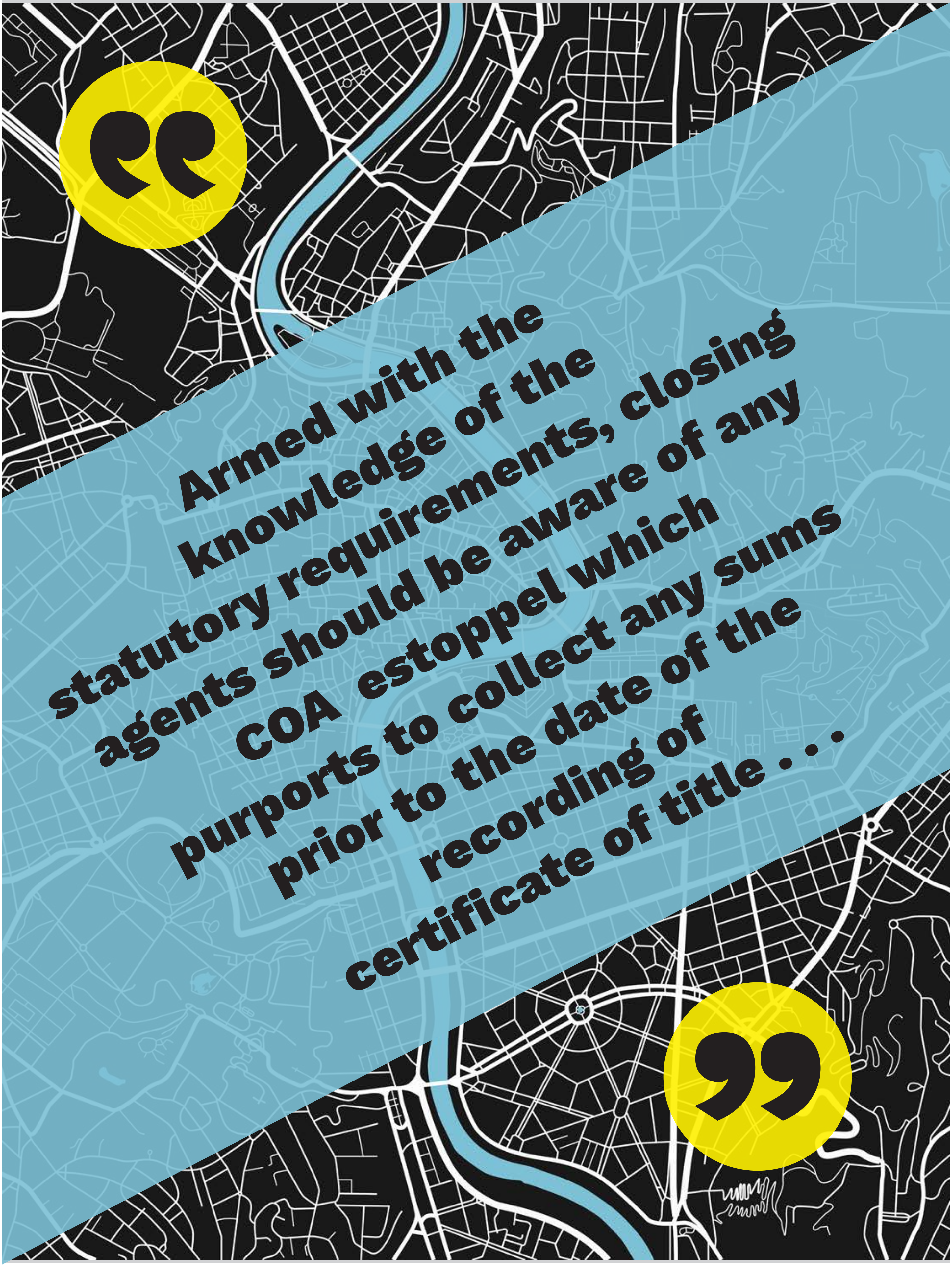
Similarly to the issues mentioned above, a majority of COA's allege lender liability is controlled pursuant to the current statutory requirements, but lenders should be aware that F.S. 718.116 was amended in July 1, 2010 to expand the lender's liability from 6 months of assessments to 12 months. It is therefore critical for a lender's default services counsel to carefully analyze the COA's Declarations to see whether the governing documents include language which incorporates future amendments to the Condominium Act. If the COA's Declarations fail to include such language, then the lenders liability may be limited to only 6 months of assessments, if the mortgage was recorded prior to July 1, 2010.

Armed with the knowledge of the statutory requirements, closing agents should be aware of any COA estoppel which purports to collect any sums prior to the date of the recording of certificate of title, such as assessments exceeding the statutory amounts of 6 or 12 months past due sums or 1% of the original mortgage amount, lien fees, collections costs, late fees, interest or attorney fees, and in doing so, should be prepared to defeat the excessive estoppel amounts.

In light of the complexity of the estoppel process, lenders need competent counsel who can perform the correct, detailed legal analysis necessary to determine the rightful amounts due and owing, both at the foreclosure and closing stages. Ultimately, in the high volume business of REO closings, seemingly small cost savings on each closing combined with ultra-efficient closing processes can translate into the lender realizing a maximum recoupment on its investment.

About the Author

Tyler W. Sawyer, Esq. is an Associate Attorney with Padgett Law Group, a U.S. REO Partners law firm member. Sawyer is licensed in Florida and Kentucky. He can be reached at tsawyer@padgettlaw.net. As your premier, full-service default firm, Padgett Law Group (PLG) is a valuable partner to Lenders, Realtors, and Management Companies in achieving the goals of our mutual clients. PLG operates in Florida, Georgia, Tennessee, and Arkansas. To learn more about PLG, visit us online at PadgettLawGroup.com.



> “Armed with the knowledge of the statutory requirements, closing agents should be aware of any COA estoppel which purports to collect any sums prior to the date of the recording of certificate of title . . .”

Sheriff's Sales Go Digital in State of Ohio

NEW 'PRIVATE SELLING OFFICERS' TAKE REO SALES ONLINE ACROSS THE STATE

ARTICLE BY

By Ethan Clunk, Esq.
Clunk, Paisley, Hoose, Co.

Contained among the many provisions of Ohio House Bill 390, effective since September 2016, is a unique alternative to traditional real estate-owned (REO) sales conducted by Sheriff's offices across the state of Ohio. The new alternative to taking foreclosed properties to sale is includes the online auction of these REO properties conducted by Private Selling Officers ("PSOs"). The process for purchasing REO property has been simplified, in many ways, by this new alternative. A purchaser, whether a buyback or third-party purchaser, no longer needs to be present at the moment a Sheriff's Sale is held. Now, the purchaser can bid from their home, their place of work, even on vacation. Still, the sale need not be done online. The law allows the auction to be conducted in-person and at the property, allowing for a more inclusive purchasing experience.

Properties sold in this manner are advertised in a more diverse, non-traditional manner. While newspaper advertisements and property signs are still used, this takes REO advertisement into the 21st century in Ohio. Properties are additionally marketed for sale on the internet, including social media. Realtors are also involved in the marketing process.

The property can be listed with a multiple listing service (MLS) to include realtors, and holding open houses help provide realtors a chance to show the property to potential buyers in a more traditional, non-REO style purchase.

At the center of this new style of REO sale is the Private Selling Officer (PSO). A PSO is defined as a resident of the state licensed as an auctioneer and a real estate broker or salesperson. The PSO, in essence, performs a similar process to what the County Sheriff performs, but by wholly different means. At its most basic, the PSO sets the time and date for sale, conducts the sale, and conveys the property to the purchaser by way of a Private Selling Officer's Deed. The broad view of the PSO looks very similar to the Sheriff, but it's in the minutiae where the differences become apparent, especially with the use of technology that hasn't been used in REO sales in the state.

The online auction portion of this new law is perhaps the most intriguing part of this development. Purchasers may visit the auction website and make bids. The auction is open for a week; if a sale is not completed, the auction must be opened for a second week shortly thereafter. This is an exciting development for us here in Ohio. Being present (at least by proxy) was necessary to purchase a property by Sheriff's sale. This meant cost in terms of time spent traveling, or hiring a party to bid. Now, remote bids remove that cost.

This moves us to the purpose behind this development – reducing cost and shortening timelines. Cost reduction is simple: less travel, more time to spend on other activities. But shortening timelines might be a greater efficiency to be gained. For one, the hope is that a reduced burden on Sheriffs will allow all properties, whether by Sheriff's Sale or PSO Auction, are now able to be handled more efficiently and quickly. Increasing the number of parties working to get these properties to sale should only improve timelines, and provide each property's sale with more attention and care.

This development of REO sales is still in it nascent stages. The biggest step for PSO Auctions to become ingrained as a more flexible alternative to Sheriff's Sales in Ohio is buying in. Whether by law firms, courts, counties, title agencies, realtors, or their clients, buying in is essential for this system to thrive. In its first year of being law, the buy in has been slow, but meaningful. In an area of law that is often stuck in the past and tied to traditions, it has been refreshing to see parties willing to embrace a new system that leverages technology and flexibility. With time and effort, this could well be the REO law development of this generation in Ohio.

About the Author

Ethan Clunk, Esq. is an attorney with Ohio and Kentucky-based default services law firm Clunk, Paisley, Hoose, Co. Ethan can be reached at eclunk@cphlpa.com. The JDC Family of Companies includes the law firm of Clunk, Paisley, Hoose Co., LPA and Omega Title Agency, LLC, both of which serve Ohio and Kentucky. Learn more online at CPHLPA.com.

PROCESS DETAILS

Purchasers do not need to be residents of OH.

Purchasers may visit the auction website and make bids.

The auction is open for a period of one week.

If a sale is not completed, the auction must be opened for a second week.

BEFORE THE CHANGE

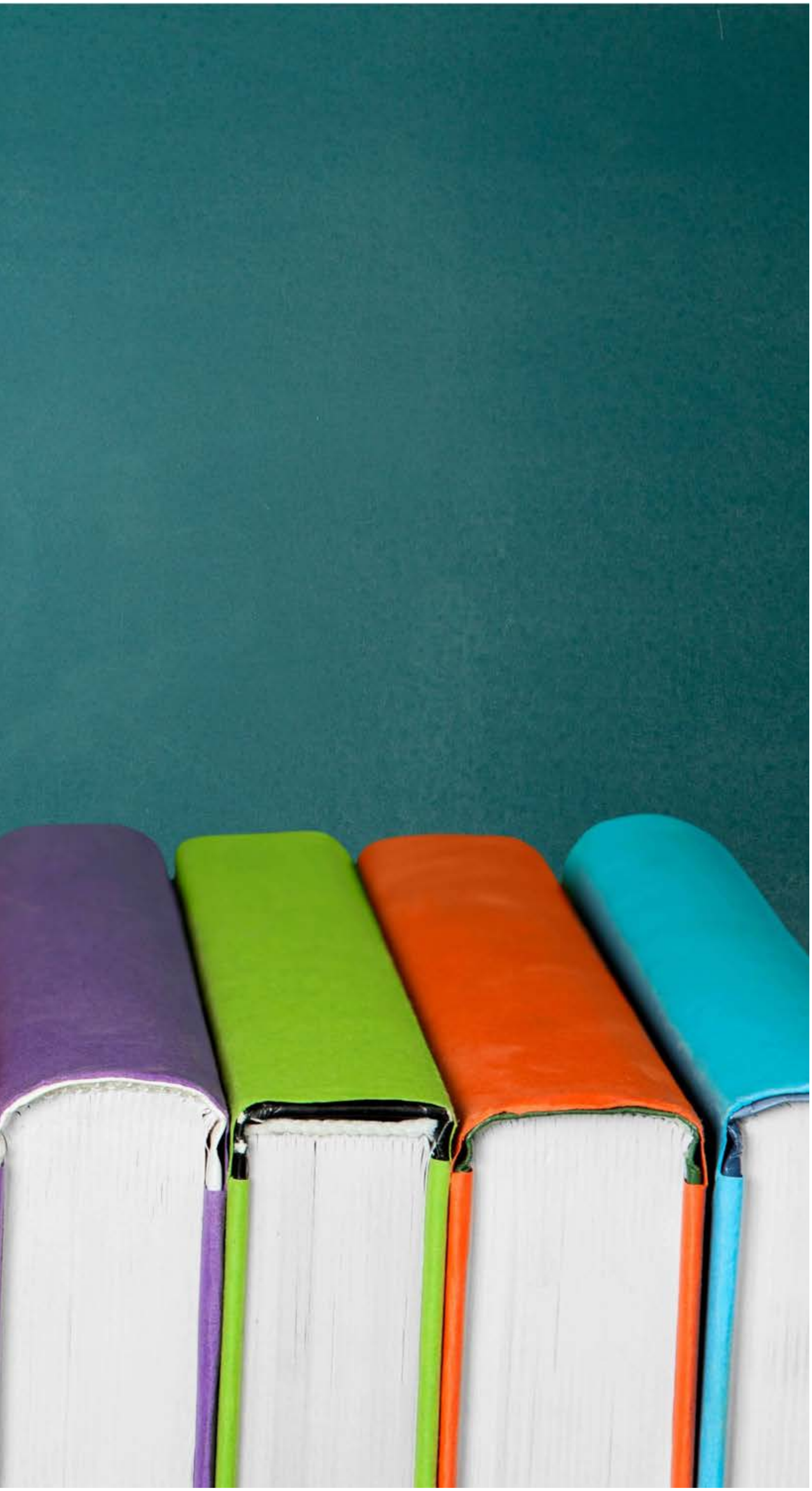
Being present (at least by proxy) was required for Sheriff's sales.

Advertising limited to newspapers and property signs.

Not Every Risk is a Gamble

HOW ONE BROKER'S PASSION FOR SERVICE IS DRIVING THE NEXT CHAPTER OF HER CAREER

Interview by Amber Benson, PRTNR Magazine



Melanie Gamble owns and operates two brokerages, 212 Degrees Realty focused on REO and a RE/MAX office with 17 agents focused on retail sales in the Maryland-Virginia-DC area. Formally educated in Criminal Justice and Public Administration, Melanie started her career as a lobbyist in Grad School for the Florida Black Caucus, but 17 years ago followed a different calling to serve people through the home ownership process. PRTNR had the opportunity to sit down with Melanie for a brief Q&A about her unique background and her endless pursuit to educate people, especially communities of color.

PRTNR: How did you enter the REO market?

Melanie: I dabbled in REO a bit during 2005 and 2006, but at that time, was intensely focused on working with developers and condo conversions. Then in 2009 I was diagnosed with breast cancer, which caused me to sit back and look at the big picture. I call it my sabbatical year. I researched the market and saw short sales and REO's were becoming commonplace but with a lack of local service as agents outside the area were getting the listings. I saw this as an opportunity to better serve my community and help people make a dignified transition.

PRTNR: So what brought you to the book?

Melanie: I always tell people I am not unique in my knowledge, I find I am unique in my desire to share it. In 2015, a family friend found themselves in trouble and facing foreclosure. Another broker had the listing but never considered sharing information about how the homeowner, a friend, could buy back their home. It reiterated the importance of "doing the human thing" and not just the business thing to me. So I started writing the book, *Unintended Consequences*, as an extension of my service.

PRTNR: Tell us about the writing and publishing experience.

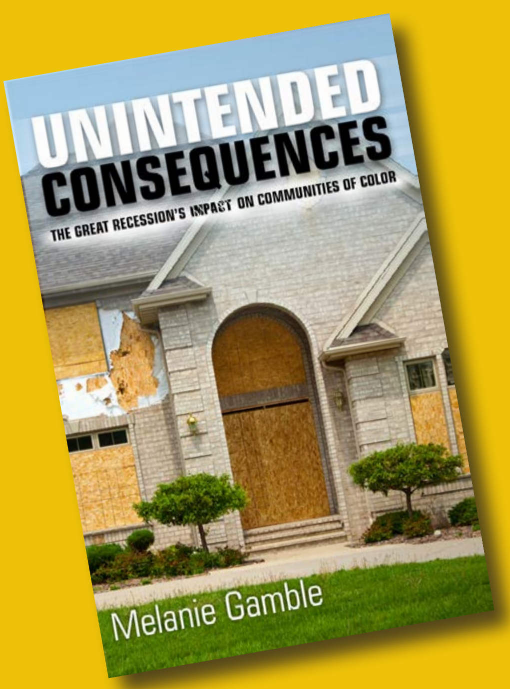
Melanie: It's been exciting and I've learned a lot along the way. My book was officially released in September of this year so I'm still within the first 90 days of release. I've found my relationships with different associations and community leaders to be the most beneficial in promoting the message. For instance, as a member of the NAACP I was able to share my book in an author pavilion at their annual conference, but what really helped was an invitation to participate on a panel where I could connect the content to the book. I've also had opportunities for book signings through my relationships with Toll Brothers and Odyssey, a women's networking group, and local bookstores like one in my hometown of Pensacola, Florida that hosted a signing over the Thanksgiving holiday.

PRTNR: What's next for you?

Melanie: Well I have an incredibly supportive husband and 3 boys under the age of 18 so I am always eternally thankful to be a wife and mom first. That said, I am working on a companion piece to my book, a coordinating workbook. I run a non-profit, Esther's Closet, which donates new and gently used prom gowns and accessories to young women. I'd like to expand that reach to include talks on financial literacy and understanding your numbers. I believe we all have a purpose, and I feel that mine is to educate people, especially communities of color.

Melanie's Book, *Unintended Consequences: The Great Recession's Impact on Communities of Color,* is available from Amazon, www.MelanieGamble.com, and is soon to be released with other retailers. She can be reached at Melanie.Gamble@212degreesrealtyllc.com.

What I Wish I Knew About Publishing Before I Wrote My First Book



IF YOU'RE CONSIDERING WRITING AND PUBLISHING YOUR OWN BOOK, HERE ARE A FEW TIPS MELANIE SHARED FROM HER EXPERIENCE AS A FIRST-TIME AUTHOR FOR PRTNR READERS DURING OUR INTERVIEW.

First, hire an editor or at least a proof reader. That person is instrumental with not only proof-reading but helping to ensure your message flows and the storyline makes sense. Organizing (and reorganizing) the structure of the book is a tough task. Melanie says chronological order may make sense in your head, but a pro will advise you to jump around sometimes if it's in the interest of better storytelling.

Self-publishing with Amazon is fairly easy, but not without pitfalls. With Amazon, there are no inventory concerns, it's all printed on-demand. However, authors only receive about 50% of the sale price. This might sound low to a novice, but remember that you're not committing to purchasing a huge inventory upfront that you then have to sell. This strategy lowers your start-up costs, but also cuts into profits down the road. Amazon will also assign "experts" to walk you through the process but you need to conduct your own research so you know the right questions to ask.

A ranking is not always a ranking. Toughest lesson Melanie learned, and is still struggling to understand, are the details of making an Amazon Best Seller list. If you choose the self-publish through Amazon route, make sure you have a clear understanding of the Pre-release and Release requirements to maximize your ranking on the Best Sellers lists. Doing this, Melanie says, will help you down the road as you can then promote your book as a "Best Seller" or Top-ranking book on the site.

This all boils down to one concept: Do the **HUMAN** thing when it comes to business, family and life.

Melanie Gamble

HOW TOO LITTLE Inventory IS IMPACTING THE PACIFIC NORTHWEST

BY **Ed Laine**

Here in the beautiful Pacific Northwest, while we have not "tucked" anyone in yet, we are still dreaming of a White Christmas. If you are in real estate, you are also dreaming of an end to the white-hot 2017 Real Estate Market.

I know that sounds counterintuitive, because if you're in real estate wouldn't you always want it to be white-hot? The reality is, when inventories are this low and the market is this "out of balance", it is an Unhealthy Market.
In any negotiation the ultimate goal is to find a win-win solution for all parties. But, when inventory is measured in weeks (as I will analyze below), rather than months, there are no winners. Not even the sellers. Yes, the seller may get more money than they should have expected realistically, but they also get more stress, more harassment, more unsolicited inquiries, and a lot less sleep.

I have retail sellers that are choosing not to sell for two primary reasons: 1) they have no idea where they are going to move to, and 2) they really just don't want to deal with selling, and all the stress that goes along with that.

Don't get me wrong, we have plenty of examples of sellers benefiting dramatically from the market that we have been enjoying for nearly 2 years now. They have been able to sell homes in a condition that you wouldn't even want to set foot in, while also capturing the top of the market price. But, there are also sellers in this market, who have been drunk with the lust that is created in this kind of market, and they don't have a strong enough agent to advise them on what they should do. So, they end up overpricing. In fact, right now, in King County (the heart of the Seattle Metropolitan Statistical Area and home to the 2 largest cities in the state of Washington – Seattle and Bellevue) 25% of the total inventory that is active and available on the market, has been on the market for over 90 days. So how is this possible? Well, we are in a year where "escalator clauses" and "delayed review of offers" have become commonplace (even among retail sellers, not just Bank Owned Assets). Oftentimes those approaches are being used by brokers who have only sold a couple of houses in their entire career, so it often gets mismanaged. You tend to get a "blind-leading-the-blind" sort of syndrome.

Example:
Seller One puts his home on the market for $700,000, because it needs some work and he wants to sell it fairly quickly. Its market value is somewhere around $725,000, but he knows that he has to "sweeten the deal" for a buyer to take on this project. He ends up getting eight offers! Some are cash, most have escalator clauses and he ends up selling his home for $800,000.

Seller Two (who lives next door to Seller One) sees this phenomenon and decides to put his home on the market. His home doesn't need any repairs and should sell for more than his neighbor's. So, he puts his home on the market for $825,000. Seller Two gets zero offers. After 30 days, frustrated, he lowers the price to $815,000 (because his house is "way nicer" than Seller One's and there is "no way" it should sell for the same amount that Seller One got!) Another 30 days go by with no offers. He chalks it up to "the market is shifting" and prices it at $799,999. Finally, he gets an offer... for $750,000. He refuses to accept it and won't even respond with a counter offer. Seller Two continues to languish on the market for another 30 days ultimately selling for $725,000.

This sort of thing happens all the time and here's why. Buyers have the MLS in their pocket! Whatever their favorite website is they've got it preloaded and they can search for houses wherever and whenever they want to. And that's a good thing, but it creates a different environment for sellers. Buyers are more knowledgeable, and have real-time access to data. So, when they saw Seller One's house in the example above, they viewed it as a reasonably good deal. And the bidding war was on! But when they saw Seller Two's house, they knew that it already wasn't that great of a deal. In fact, it was overpriced. They also know that on average homes in our market are selling for 100.4% of asking. Or, as far as they know, "all homes are selling for more than what they are listed". And they assume this applies to every house, even though that is not how averages work.

So, they see Seller Two's house at the top end of the market and assume that it is going to sell for even more money than what is currently being asked by the seller. And they think to themselves "well it's not a very good deal to begin with, and it's going to sell for even more. So, I don't even want to get involved!"

And that is why Seller Two's home languishes on the market, unsold for a longer period of time. And buyers know in this market, that any home on the market over 10 days "has something wrong with it" and they're going to be able to "steal it". Let the "lowball offers" start rolling in...

All of this frenzied behavior is due to the fact that inventory is at historical lows. Now, we could get into why it's low and talk about the perfect storm that created this issue: Nady v. GMAC, the robo-signing scandal, the precipitous influx of REO followed by it being shut off in a day, the flood of hedge funds gobbling up distressed properties and so on, but now that we are a couple of years into this it really does not matter how we got here, we just need to be smart about how we deal with it.

> **"We are in a year where escalator clauses and delayed review of offers have become commonplace, even among retail sellers, not just bank-owned assets."**

What matters is that we don't lose sight of what a "balanced market" looks like. A Balanced Market is defined as "a market where there are six months of inventory". By this I mean, if no new homes come on the market after today and we sell an average of 1000 homes per month (in this example). And, there are currently 6000 homes on the market. We would run out of homes in six months and that is a market that is considered to be "in balance". In balance means that buyers don't

INVENTORY LEVEL ANALYSIS

MONTHS OF THE YEAR (2017)	ACTIVE LISTINGS	SOLD LISTINGS	MONTHS OF INVENTORY (KING COUNTY)	MONTHS OF INVENTORY (ENTIRE MLS)
JANUARY	1,885	2,007	.94	1.66
FEBRUARY	1,729	1,779	.97	1.70
MARCH	2,100	2,699	.78	1.30
APRIL	2,281	2,634	.87	1.47
MAY	2,568	3,380	.76	1.37
JUNE	3,055	3,652	.84	1.44
JULY	3,465	3,462	1.00	1.62
AUGUST	3,329	3,571	.93	1.55
SEPTEMBER	3,693	3,262	1.13	1.70
OCTOBER	3,108	3,174	.98	1.52
NOVEMBER	STATS NOT YET AVAILABLE			

have any leverage over sellers and sellers don't have any leverage over buyers. Unfortunately, we have had less than one month of inventory for most of 2017 (in fact there have only been two months all year where there was a full month of inventory, July and September).

Finally: Rising Inventory

The rise in interest rates will affect buying power for buyers. This will begin to apply a downward pressure on values as buyers are now no longer able to afford as much as they previously had been qualified. This is going to spark concern in the minds of sellers about "missing out on the hottest market in decades". So, you will start to see a rise in the influx of new inventory coming onto the market beginning in the spring. Our inventory is so low, that it literally will take a couple of years for us to get back to a balanced market and even that might be an aggressive forecast (meaning it could take longer). As those homes enter the market the velocity at which they go under contract and close won't keep up with the influx of inventory coming on so this is what will drive the inventory levels up.

This is a much healthier trend than the market we have been experiencing, but it's going to be a long haul.

So, what should buyers and sellers be thinking as we roll into 2018? Well, sellers need to be smart. They need to actually have a List Price Strategy, rather than just throw their home on the market and pray. We like to say in my office that "hope is not a strategy". A good listing broker will know how to predict three different numbers for their clients who want to sell:

1. Market Value (which is not a range but a singular number)

2. Final Sales Price

3. Most Intelligent List Price (that price which you should hit the market with, in order to maximize what it ultimately sells for)

Buyers on the other hand need to be prudent and avoid playing games. All too often a buyer tries to "send a message" to a seller (about their price or the condition of the home) and misses out on the property altogether because there were other buyers competing for that same home. There is no need to send messages through offers. Buyers need, with the help of their agent, to decide what a home is worth to them.

Emotional Premium

There is a concept known as "emotional premium", that makes a lot of sense to buyers. The concept works like this: a home has a specific market value. But that same home could be worth more to me than it is worth to you, because I have relatives in the neighborhood or it's close to a school that I have been coveting for my children. And for that reason, I am willing to pay more for the home. Emotional Premium can also be the product of urgency or opportunity, or just plain frustration from having lost out on your previous six offers. So as a buyer, you want to think this through.

It doesn't mean that you should "overpay" for real estate, but you should decide how high you are willing to go and then write a strong and perhaps creative offer. Work with your broker to try and secure the property for something less, but without losing the home because you didn't show your best cards first.

Escalator Clauses

In my office we teach brokers how to write "Escalator Clauses". This is a clause where the buyer says in the offer that he or she is offering "X", but if that is not the highest offer, the buyer agrees to increase their offer to beat all other buyers by a certain amount. Up to a maximum amount of "Y". We write our escalators so that if the escalator clause is triggered, the listing broker HAS to deliver the competing offer that triggered the clause to us, to prove that the escalator was triggered.

And what sellers need to do, is price their homes so that they appear to be a "reasonably good deal" when that buyer pulls his smart phone out of his pocket and sees the home for the first time. Don't go on a "fishing expedition" looking for a higher number. This will end up harming you in the long run. Sellers who price their homes too aggressively will ultimately sell at a lower price than what they could have gotten had they priced it more reasonably. Don't make this mistake.

As much as 2017 has been a frenzied market, it's also been an educational one. We have learned a lot of lessons and also a lot of new creative tactics in order to help our clients win, whether buying or selling. The next market is just around the corner, are you ready for it?

About the Author

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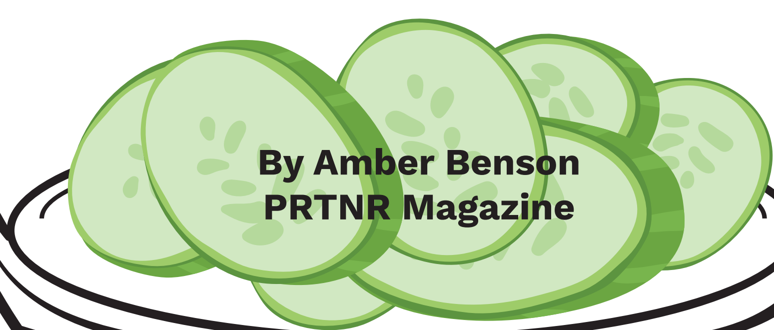
The Pickle

FACING EARLY INVESTORS IN DETROIT'S RECOVERY

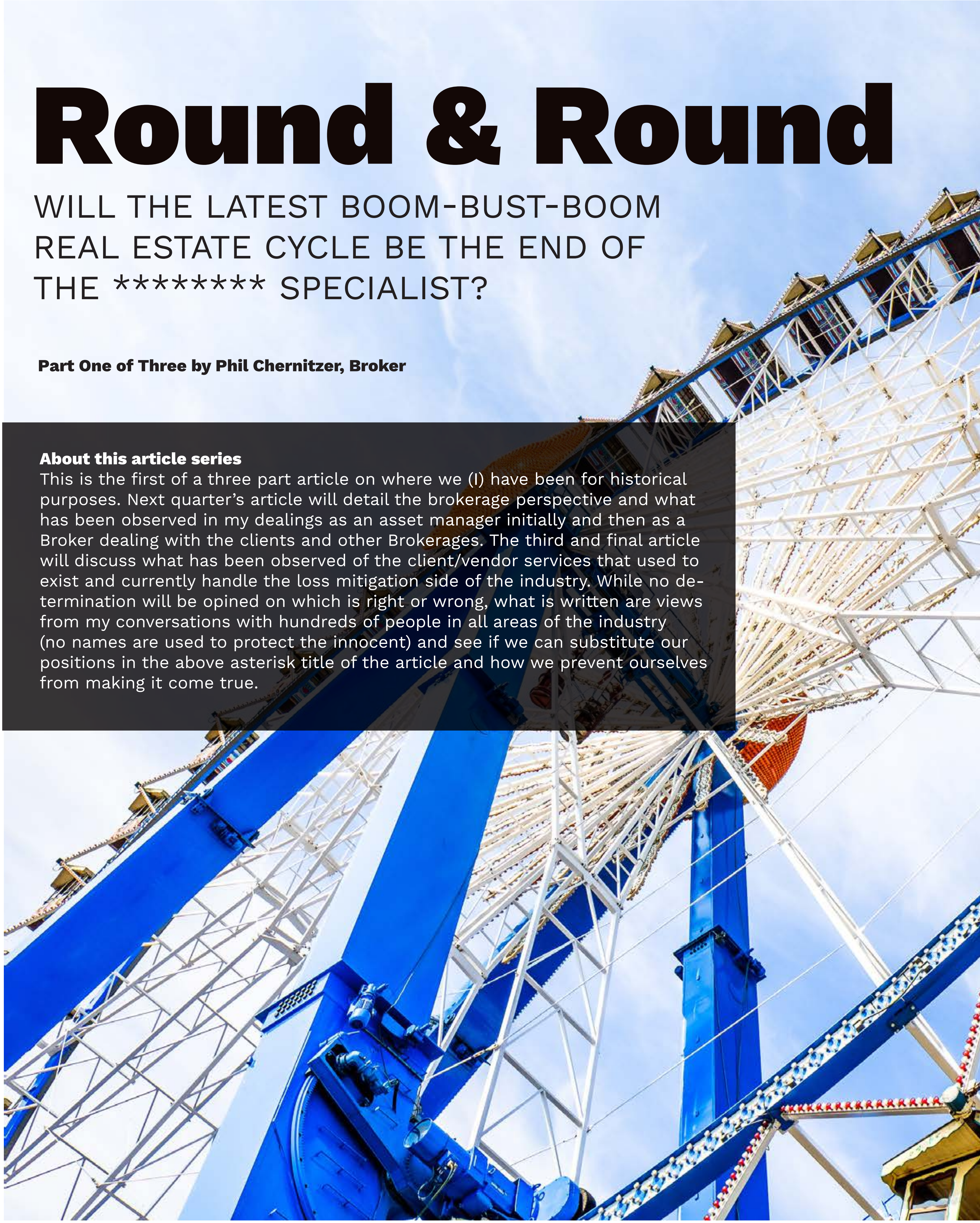
Detroit's housing market is one of the brightest markets in the country. No Detroit may not have inventory issues or record breaking deals, but home values are returning to 2009 levels, which means good things for everyone involved. A thriving art scene, trendy restaurants, and job growth aside, Detroit's housing market is improving. In 2015, median home values increased 21.4% out-pacing the national average by a whopping 13.3% (US Census Bureau). Zillow data predicts value will continue to climb and the online real estate powerhouse expects a rise of about 6.6% within the next year.

PRTNR Magazine spoke with USREOP member Albert Hakim, with Detroit-based City Management Group. Hakim's business attests to that growth. Properties he sold five years ago for $5,000 are back on the market today for upwards of $40,000. That means if you invested in distressed Detroit housing stock as recently as 2012, you could be seeing a 700% return on your investment today. Another Detroit-area broker and USREOP member, Erick Monzo with The Monzo Group (Keller Williams - St. Clair Shores) indicated that "a recent survey of Detroit metro area CEO and CFOs found that real estate was the second most aggressive investment of 2018."

The city's growth is not going unnoticed on the global stage either. Hakim is working with buyers from across the world, meeting with couples from as far away as Uruguay and Argentina while Monzo mentioned investors from Israel to Ireland. And let's not forget about pickles, Hakim says. Apparently they are a pretty big deal in Michigan. According to the Detroit Regional Chamber the state is the No. 1 producer of cucumber pickles in the nation. Michigan provides pickles for every fast-food chain sandwich east of the Mississippi. So pick up a burger (with pickles) and head to Detroit for your next real estate investment.



By Amber Benson
PRTNR Magazine

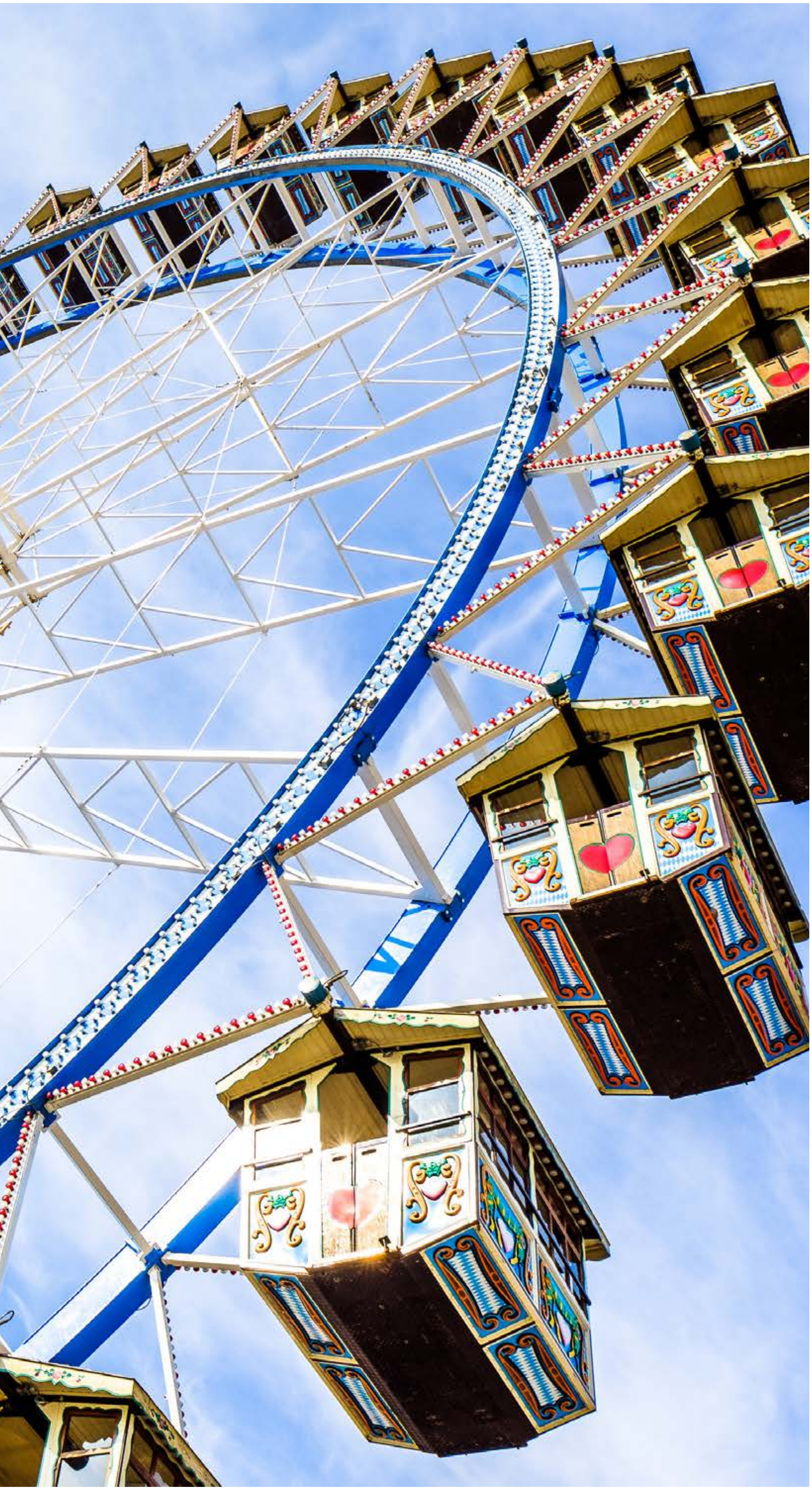


Round & Round

WILL THE LATEST BOOM-BUST-BOOM REAL ESTATE CYCLE BE THE END OF THE ******** SPECIALIST?

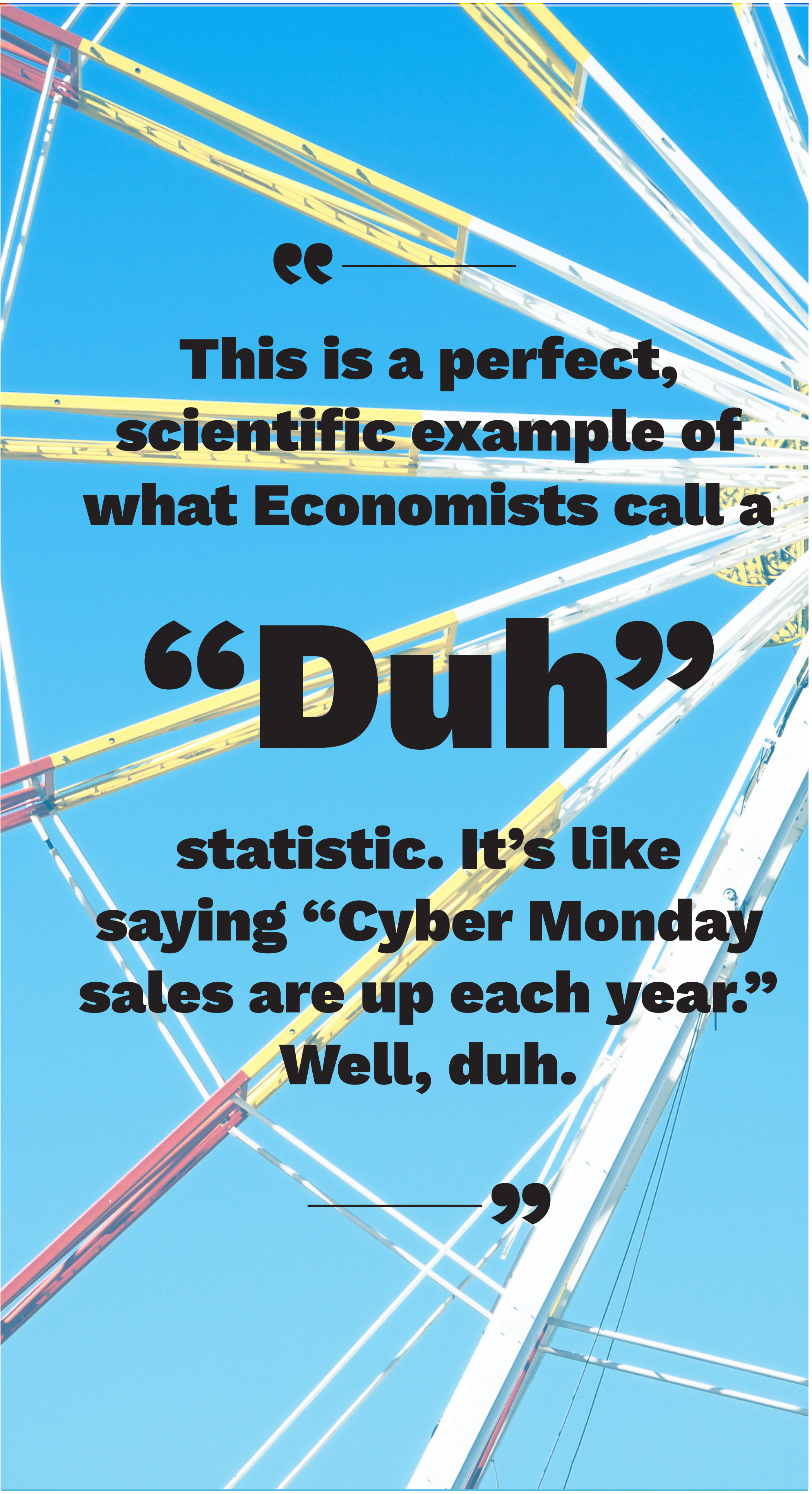
Part One of Three by Phil Chernitzer, Broker

About this article series
This is the first of a three part article on where we (I) have been for historical purposes. Next quarter's article will detail the brokerage perspective and what has been observed in my dealings as an asset manager initially and then as a Broker dealing with the clients and other Brokerages. The third and final article will discuss what has been observed of the client/vendor services that used to exist and currently handle the loss mitigation side of the industry. While no determination will be opined on which is right or wrong, what is written are views from my conversations with hundreds of people in all areas of the industry (no names are used to protect the innocent) and see if we can substitute our positions in the above asterisk title of the article and how we prevent ourselves from making it come true.



If Mark Twain was alive, he would agree, the reports of REO being dead are exaggerated. As long as there are mortgages and the need to service those mortgages, there will be missed payments, collection efforts, modifications and, unfortunately, disposition through the real estate-owned (REO) process. It's been true for decades and it's no less a product of the industry today as it was then. While over the past three decades there has been changes in federal and statutory regulations and policy, the basic tenets of loss mitigation have not changed. As agents specializing in REO, we remain tasked with obtaining the best return possible by using the most efficient process possible and in the best interests of our clients. But are we progressing or just coming full circle? Are we recreating the wheel, albeit faster with new technology, or simply recreating a monster?

Servicing and loss mitigation has been around longer than my three decades-long career in real estate. Over those years, the industry itself has triggered the increased need of loss mitigation and the government has stepped in, re-framing and reforming how loss mitigation and disposition is deemed compliant. As an agent, my career began with the implosion and bankruptcy of EPIC (Equity Programs Investment Corp), which saw the collapse of a large rental portfolio of properties. What began in 1975 as an acquisition of investment properties, ballooned into syndications of over 350 partnerships, 6,000 investors, and over 20,000 homes in 31 states. This explosive growth ended in 1985 as the largest mortgage default in American history with more than 120 thrifts, banks, private mortgage insurance companies, and other financial services companies losing millions of dollars. Part of the failure was attributed to the Reagan Administration's tax reform efforts in the mid-1980s, changes in interest rates, and financial mismanagement.



> **This is a perfect, scientific example of what Economists call a**
>
> # **“Duh”**
>
> **statistic. It’s like saying “Cyber Monday sales are up each year.” Well, duh.**

While one can see the similarities with today’s REO-to-Rental programs and mortgage-backed securities, both industry experts and members of the ratings agencies believe current loan-to-value ratios and capital reserves are sufficient support for any rent loss or vacancy, mitigating concerns around a similar EPIC-style collapse. It is this author’s hope that such safeguards are sufficient, thoroughly monitored, and that historic, external economic events from the recent past are factored into these models. Because these are a new class of asset/security, it’s hard to know if the extrinsic, asset-level factors of the product can realistically be analyzed and economically rated. After all, it was the aggregate of loan-level issues that drove the collapse in the securitization market in the 2007-08 financial crisis.

At the time that I stepped into this corner of the real estate industry, few financial institutions or servicers had developed methods for dealing with loss mitigation, especially REO. Most were approaching default as a collections effort, as it was a minuscule portion of their portfolio and, thus, didn’t need resources to maximize recovery or stand-alone departments and personnel. During acceptable levels of default, institutions can take the write down and dispose of an asset with minimal effect on balance sheets or a need to expend more on cost recovery. With the fall of the EPIC portfolio, the number of affected investors, servicers, and lenders was so large that the bankruptcy plan called for a third party management company as special servicer and asset manager of the portfolio.

As a market response, I was first engaged by a competing, smaller asset management company set up as “boutique” alternative to the plan-created asset management company. The owners had designed the company with various departments needed to manage the portfolio which included, Sales, Property Management, Loan Origination, and Title/Closing. The company worked closely with a local servicer's secondary marketing department to establish a salable mortgage product for the resale of the sold REO loans, essentially providing all of the industry functions of taking a non-performing asset and returning it to productive market use.

Looking back on my career, this time laid the foundation of what the industry is about, easily described as the spokes on a wagon wheel. Each spoke is predicated on the other to make the wheel work efficiently. The industry needs Sales and Property Management which correlates to housing supply and demand. In turn, they need lending and originations for support of their functions. Title, insurance, and closing is required for each of these as well. Servicing is required to maintain the secondary market so funds are available to support the wheel. As far as I have been around, we have not recreated this wheel, nor has there been a need to. However, we have tried to speed up the wheel by manipulating the functions of the spokes in unbalanced ways. Each time this has happened, we either strayed off of the road and path or encountered regulatory speed bumps (or road blocks, some might say) to slow us down.

The wheel is not likely to change and each spoke provides a purpose in the housing market. "Servicers" are what we call those that manage the mortgage collection and distribution of funds, but in the spokes example, we are all servicers to someone. Whether we provide brokerage services, title services, lending, trustee, bonds, etc., the basic tenet of what we are supposed to be has to be maintained or we run the risk of rolling out of balance. Part of that is accurate data analysis and being able to provide our clients with correct information – or "inform" them of what is important for their decisions.

It is hard avoid all of the media and marketing about delinquencies and inventory being down. For those that only know the height of the default volume in this past cycle, all reports will obviously show inventory down. This is a perfect, scientific example of what economists call a "Duh" statistic. It's like saying, "Cyber Monday sales are up each year." Well, Duh. Other than acknowledging to clients a need for online exposure and technology increases (which we should know), how useful is this? Are levels really down from "normal" periods? Do we need to be "informed" that we've disposed of high levels of Delinquencies/REO over the past few years? (Great job by the way for those that look for the pat on the back.) Would we be better informed to know how we really compare to historical levels? Statistical noise, whether for political or financial gain, will always be there. The important factor, and everyone's goal as a "Service" provider, is to make sure it's done efficiently and effectively while providing "information" (know what you have) to help us move forward with a plan that fits the goals of the client.

When I started I was told that my job as a REO manager was to sell myself out of a job. What that meant to me was, not only to do the best job possible, but to learn as much as possible (thanks to training by some great industry mentors) to use toward another position, since the industry will not be around forever. I thought it's best to learn different parts of something if you are going to survive. Long term, this was where I wanted to be and short term, it would be as an REO Manager.

As "luck" would have it, the next cycle involved the Savings and Loan (S&L) crisis and I was asked to assist with the dissolution of some of the local S&Ls under the "guidance" of the Resolution Trust Corporation (RTC). Here there were more lessons (industry and life, political and strategical acronyms like SAMDA) on how loss mitigation was being done. Auctions became the new vehicle for moving properties quickly, although not necessarily for the highest return or efficiency but everyone knew what this tool was for. But we also were approved in many circumstances, via written case, to provide other plans, budgets or strategies to obtain higher returns and not follow a "blanket" policy of having just one disposition plan. Another lesson learned.

Like cycles before, the volume that Servicers faced during the past 10 years caused a major bump in the road and resulted in many going off course in their strategies. Now that REO is "down", are they able to right the wagon? What have we seen and learned from the past 10 years? How has the industry reacted efficiently and effectively during the crisis, what are the players doing currently and where are we heading?

Having been involved in most of the areas of Servicing and Brokerage during my three decades of working in the industry, it's interesting to see how each company has handled their process for obtaining highest return on their portfolio. While I won't give specific detail of any particular company, I will provide examples of general practices from both the client/services prospective and the real estate brokerage prospective and how each process has been used over the years in their goals of recovery.

Even with over 30 years experience, I would still not call myself an expert. First, because every day, every asset/loan and every person we deal with is a new perspective and something to learn from, which we all must admit we are able to learn. I have been blessed to survive multiple cycles and meet some extraordinary people who have helped me learn (good and bad) tremendous amounts of information. All useful not just professionally, but in general life situations. And second, the frequent use of “expert”, “certified”, “specialist”, and other misnomer dilutes the pool of, and fails to differentiate, those that have the knowledge of creating true recovery programs from those that paid for an online title, or handled one or two bank-owned properties.

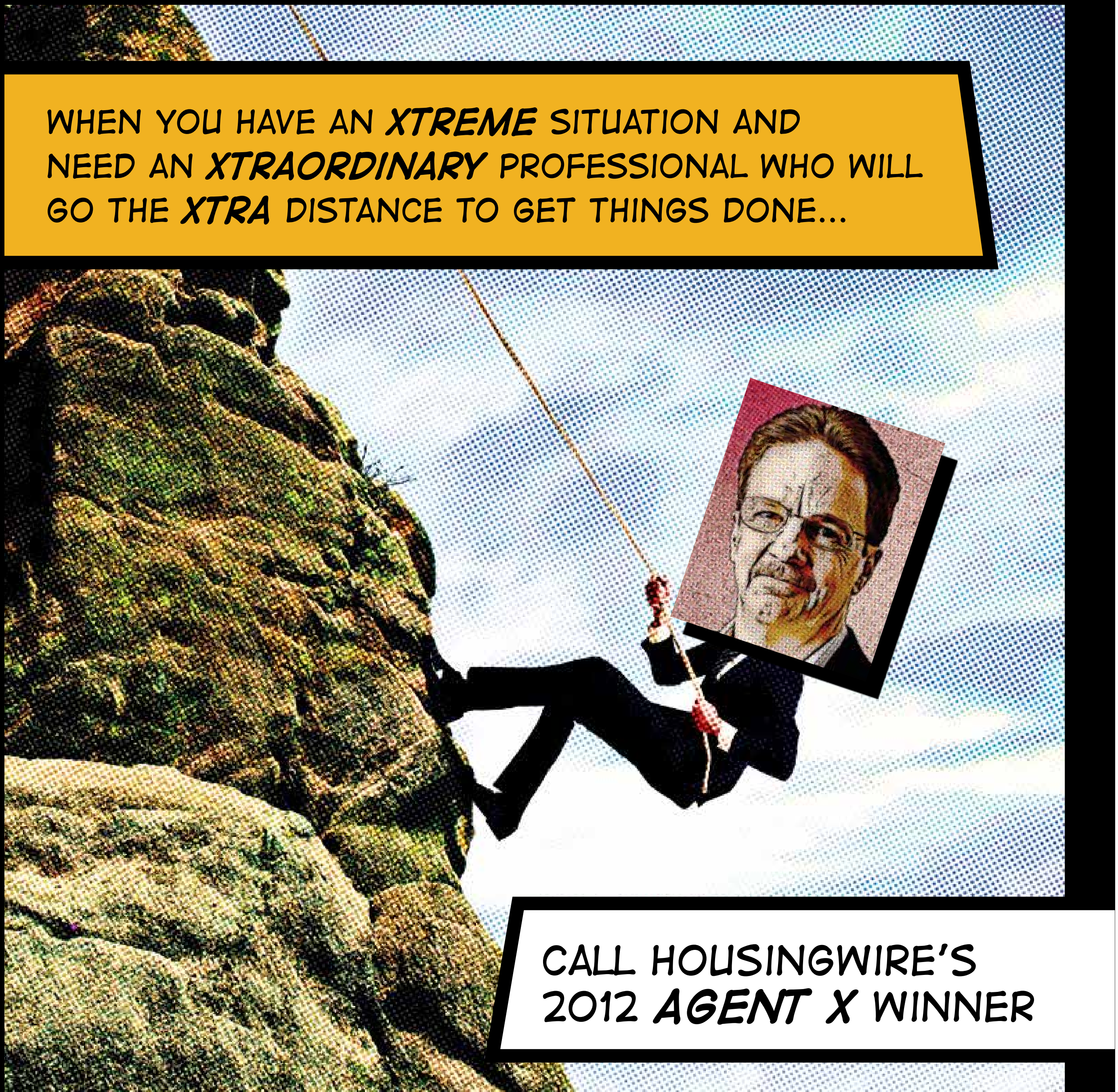
This is not a criticism of continuing education and obtaining knowledge, but the marketing and ancillary profit centers that have come about over the past 30 years in selling certifications or platforms that in the grand scheme of what we are about, do little to better ourselves. The industry has basically created a self fulfilling prophecy of making the “specialist” less of what they were at the cost (and profit) of others. And then having to do additional trainings to “untrain” what was to be a certified, trained specialist.

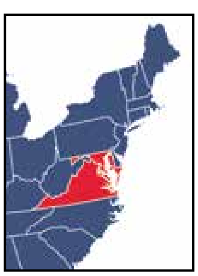
Related Maryland Update

Before buying delinquent loans or portfolios in Maryland (and possibly other jurisdictions) check the debt collection licensing laws. Under the Maryland Collection Agency Licensing Act (MCALA), litigation continues preventing many investors from foreclosing on their delinquent portfolios since each “pool” trust must obtain a license. As of print we have not heard results from the latest November hearing. Readers can contact the author with questions.

About the Author

Phil Chernitzer is a licensed Broker in Virginia and Maryland and has advised more than 200 clients in loss mitigation and disposition of REO both as a Vice President of an Asset Management company, RTC contractor and licensed Real Estate Broker. He is a founding member and Director Emeritus of U.S. REO Partners (USREOP). In 2012, Chernizter was recognized by HousingWire Magazine as winner of the Agent X Award for outstanding and Xtraordinary service. Readers can reach Chernitzer at realhome@rcn.com.





For 25 years Phil Chernitzer has specialized in all phases of loss mitigation -loan mods, short sale, rentals, valuation, title curative and REO sales- selling the most difficult parcels of dirt to multimillion dollar properties and everything in between. *He will even sell the easy properties.*

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