

A LIGHTHEARTED LOOK AT THE MODERNIZATION OF REO ASSET MANAGEMENT

From "Oregon Trail" to Operational Efficiency

BY MIKE CHEW



Growing up, most of us can relate to the concept of the “awkward years” - the years when your body seems to grow faster than your sense of style. Braces, bad haircuts, short-lived fads, and strange clothing choices come to mind. However, most don’t recognize such awkwardness when it is happening. Awareness usually occurs years later when you revisit those old school pictures, the ones that cause you to laugh, cry, or in extreme cases, toss those photos in the trash. While reflecting on the past is sometimes cringe-worthy, it does offer perspective.

For REO Asset Management companies that have been around through the years, revisiting the awkward past is a badge of honor. It means that the company has modernized to meet rapid changes affecting its institutional asset owners, vendors, realtors, savvy home buyers, and investors. So, what does the modern REO Asset Management company look like?

While there are countless ways asset management has evolved, there are three general categories that are worth highlighting.

NEW PROPERTY AND MARKET DATA SOURCES OFFER REAL-TIME FEEDBACK

Looking back at those old school pictures, you might ask yourself why you tucked that Motley Crew t-shirt into your jeans. And why didn't your friends ever check you? This brings up our first point of reflection: In the past, asset strategy decisions were based solely on information obtained by two core valuations products: home appraisals and broker price opinions (BPOs), both of which remain a trustworthy source of property intel today. However, when a property value was questioned, the asset manager would need to order a second or third report and do manual research. Today, asset management companies no longer rely exclusively on these two report types. Instead, they are fed an abundance of local market analysis and property data intel with a simple click.

Many modern REO asset management companies, like our own, have integrated property valuation services and analytics that offer automated, data-driven market reports, desktop valuations, and hybrid valuations in addition to the traditional BPO and appraisal. Data modernization and simplified access impacted REO asset management by enabling greater clarity regarding the most effective asset strategy, reducing risks, reducing costs, and increasing operational efficiencies.

Back in the day, asset marketing timelines could get excessive if additional reports, value reconciliations, and bids were required. In many cases, the modern REO asset management company can get an idea of neighborhood and market performance before anyone sees the property.

MODERN MARKETING METHODS ARE SLIDING INTO YOUR AMS

During those "awkward years" you at least had a few tech gadgets; a Gameboy, Walkman, or mobile "brick" phone in a carrying case that more resembled a suitcase. All these items seem obsolete now, as technology has made tremendous advances over a relatively short period of time. Point number #2 has to do with the advent of innovative marketing tools and methods, which allow modern REO asset management companies to market the asset more effectively than in past decades.

Some things in real estate marketing remain tried and true: realtor representation, location, curb appeal, and "good bones," to name a few. What HAS changed? To start with, the audience. In the awkward years, REO asset management companies knew precisely who would buy an REO asset (primarily

investors) and how to reach them (realtors). While investors still make up a significant portion of REO buyers, the "REO is only for investors" stigma has lifted, and not so "traditional" home buyers are willing to consider the REO asset (especially now in this low-inventory/high-demand market).

The broadening of the REO audience has created a shift in how asset managers market and sell their properties. Consumer demand for convenient digital experiences continues to grow, and prospective REO asset buyers are taking the "search" process into their own hands before ever reaching out to a realtor. While technology is placing more power in the buyer's hands, REO asset management companies have thousands of modern tools (email, SEM, ad retargeting, etc.) designed to attract those buyers.

Some of our favorite go-to marketing tactics include

real estate marketplaces such as auction platforms; visual and virtual marketing tools, such as 3-D tours; and social media, applications and real estate networking sites. There are a vast number of real estate networking apps, platforms, and websites that are highly targeted toward experienced and “new” REO investors. Shout out to the REI INK Referral Network, which is a great example of a highly targeted networking site geared toward the REO community.

FROM OREGON TRAIL TO OPERATIONAL EFFICIENCY

Do you remember sitting at an oversized desktop computer playing Oregon Trail? It wasn't until

recently that Oregon Trail was re-launched and modernized. Fortunately, for REO asset management companies, the emergence of modern asset management systems and technologies started quite some time ago and continues to improve year after year.

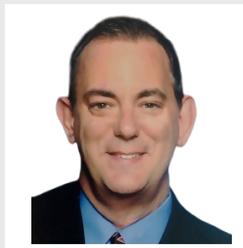
Some of the more seasoned REO asset managers will remember green screen REO systems, manual reporting functions, and excessive amounts of data entry. Those days are gone. Today's modern REO Asset Management companies have access to innovative workflow systems, integrated digital services, OCR technology, AI, and automation. These solutions have hugely impacted back-office

operations, creating value for all major participants in the REO asset management, marketing, and disposition process.

Modern REO asset management systems and digital solutions offer effective and efficient ways to maximize REO partnerships, processes, and asset strategy. The systems of today often consolidate the various functions of REO and automate time-consuming tasks, enabling asset managers to focus on strategy rather than data entry or system troubleshooting. A modern REO Asset Management company will likely have staff trained on multiple systems. Because these systems are well-designed and easy to use, there is a

short adoption and training period. Modern systems also allow REO asset management companies to complete a wide range of transaction types such as short sale, REO sale, rental property management, and bulk portfolio sales.

By reflecting on the awkward past of REO asset management, we gain an appreciation for the modern tools and techniques of today that enable REO asset management. As we move forward to the future, it is important to keep an eye on emerging trends such as the democratization of real estate, crowd-sourcing, and other new business models affecting institutional asset owners and investors. ■



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