

May 5, 2020

FORCE **April Townhall** **Report**

How COVID-19 Is Impacting
Residential REO Agents and Brokers
in the United States

SUMMARY

The Federation of REO Certified Experts (FORCE), Five Star Global's agent/broker organization, held virtual regional Townhall Meetings in early April for the Northeast, South, Midwest, and West regions. These were led by Justine Jimenez Garcia, Broker, Countywide Properties; Jim Hastings, Broker/Owner, Hastings Brokerage; Hernan Castro, Broker/Owner, The Real Estate Company; and Mark Gillespie, Broker, Wise Realty.

These meetings were intended to discuss the impact of COVID-19 on residential REO real estate listings due to a high volume of questions regarding whether it's possible to sustain business during this time. The consensus was that, while it may not be possible at the same level to which agents are accustomed, agents can nevertheless maintain some level of operations—and should be preparing their business for when delinquencies rise as a result of this period. Below, we explore the ways in which listing agents can mitigate limitations put on them during this time.

SEEK A SMALL BUSINESS LOAN

As of April 2, 2020, owners of brokerages can apply for a Small Business Administration (SBA) loan, subject to their local restrictions, by going to sba.gov/funding-programs/loans. Applicants can borrow 250% of their payroll, and if they don't lay off anyone within the next 90 days, they can have the loan forgiven. If owners pay attention to what's being made available to them, they can take advantage of some opportunities during this time. If they have employees, time is of the essence in applying. There is a cap on how many will be offered, and it's first come, first served. SBA loans are the best way for owners to get quick relief as mandated pandemic restrictions such as shelter-in-place, social distancing, and closures that affect the day-to-day operations of brokerages.

We recommend that all agents explore taking advantage of the Paycheck Protection (PPP) program.

Because agents may have had difficulty identifying lenders who are partaking in the PPP program, Credibly, a national lender, has a dedicated application process for real estate agents and is taking applications. Even now, as we all await news of more federal funding availability for the program.

Their real estate-focused application website is offers.credibly.com/real-estate. At their site, agents can also download their step-by-step guide with "helpful hints" on how a real estate agent can apply for the program.

MAINTAIN OPERATIONS ONLINE

In order to maintain operations, agents and brokers can utilize online tools. This includes making networks cloud-based, using high-speed internet such as fiber, and conducting 3D tours online.

If agents have to get out in the field, they still can while taking precautions such as social distancing and providing gloves and masks to [JH1] potential buyers upon entry. Agents will get fined for having open houses [JH2] in some areas, but they can show a house.

Redfin CEO Glenn Kelman says, "Our requests that are for video-chat tours have increased nearly four-fold over the past two weeks, albeit off a low base. Due to some heroic engineering efforts, we upgraded the website functionality for requesting video-chat tours." The National Association of Realtors (NAR) reports that 40% of buyers rank virtual tours as "very successful."

Technology is the way to not be held down in operations. The cloud can be accessed from anywhere. There are still buyers who must buy and sellers who must sell. There is still demand, and agents and brokers are still needed. Realtor.com reports that "mortgage purchase applications are down 24% over this time last year," and that before COVID-19, the housing market was "projected to be down 1.8% year-over-year."

However, "while sales could temporarily drop to similar levels seen in the last recession, many aspects of the economic extent of the virus have yet to evolve, and the new COVID inspired recession may be shorter and less pronounced." Brokers and owners should be preparing their business for market eventualities in order to help with the unfortunate side effects of COVID-19. [JH3]

Some general resources agents can use are Zoom.com, Facetime, and Skype. Zoom.com is a great source to host staff meetings, conduct video showings for potential buyers, and have face-to-face meetings with potential asset management clients. Facetime and Skype can be used for more casual communication with potential buyers and staff.

PROPERTY MAINTENANCE

To prevent squatters, agents should still conduct weekly inspections, staying a safe distance away, and utilizing the local police if the need arises. Agents can also get to know the local neighbors and request that they keep an eye out for any illegal activity and provide them with their number to call if they see anything. Of course, local residents will oblige because they want to keep home values up in their area.

Agents still should work with vendors and work with the securitization of the property. Metal doors and plastic shields on windows are best currently. With things taking longer, there may be an uptick on crime with these vacant properties.

CONDUCTING CLOSINGS AND OBTAINING NEW WORK

Asset managers are being lenient with scorecards during this time, but agents should still be providing the best service they can for lasting impressions. One way agents can close a listing in a better time is to change their prices to match the demand. Reductions of 3%-5% may be appropriate. As a result of some credit lines taking longer than usual, try to find cash buyers when possible.

If agents already have an agreement in place for cash-for-keys (CFK), they should be able to see it through. If it's not asked for, some lenders are saying not to offer it. Other lenders are saying to try hard for CFK because evictions are standing down right now, so it's a way to get previous owners out of a non-performing property.

If agents require a notary, they could use an online notary service like NotaryCam. NotaryCam allows agents to eSign and eNotarize documents online. They provide a secure and legal service to notarize documents in an online session with a licensed notary.

The banks are in the mode of protecting agents and their staff. We are in a life-saving mode right now. We are going to come into a rise in the REO market, but that'll be after this time passes.

FHFA has issued moratorium guidelines for Fannie and Freddie to stand down on foreclosures for 60 days. In some cases, when applied for, they will approve a full year's grace period.

CLOSING

In closing, agents can adapt to the new ways of providing listing services to asset management and home buying communities—by taking precautions when in the field and utilizing online resources. As a nation, we have to address this bigger problem of flattening the curve of COVID-19, and then we can deal with the effects on the market.

If you have any further questions, contact FORCE@TheFiveStar.com. Stay safe, and prepare for the business to come.