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FORCE

# Secrets to Real Estate Success in REO

Keeping up with industry changes is critical to excelling in REO.

**T**he REO market has undergone significant changes over the past few decades, ranging from the number of agents in the market to the reduction of available properties and the ongoing impact of advancing technology.

Keeping up with change can be a headache, but it can also provide opportunities for success for those who are willing to put in the work and constantly reassess how they do business.

The ongoing COVID-19 pandemic has impacted every corner of the economy, and the housing market is no exception. With unemployment skyrocketing and historic numbers of homeowners entering into forbearance agreements, an uptick in foreclosures is almost inevitable in the months ahead as the moratoriums conclude and many Americans struggle with the financial fallout of the disease.

Change—and the need to adapt to it—may be inevitable, but according to the REO professionals we spoke to, the best practices for running a successful REO business can survive through even the most turbulent times, and often come down to simple common sense.

## Lines Of Communication

Kelly Cummings, Owner of the Cummings Company in Mobile, Alabama, has been around real estate his entire life—and her son is a third-generation agent. He said that honesty, communication, and accessibility are significant



contributors to his success.

“One of the best business practices is to be honest, regardless of how the truth is going to sound. Because when you go to an REO property, every one of them is different. Asset managers sit in an office out-of-state and they rarely, if ever, see the property so letting them know about an issue on an asset inspection and asking for advice on how to proceed, is just the biggest thing,” Cummings said.

Communication, whether the information is good or bad, is a critical component of building a

relationship and rapport with asset managers.

“You must paint a picture for the asset,” Cummings said. “I send detailed pictures of any deficiencies of the property. You’ve got asset companies that buy a portfolio and every one of them is different—all the contracts are different—their guidelines are different. Some require earnest funds in a personal check, some require earnest funds in a cashier’s check, and some will allow you to wire the money. Communicating with the local agent who doesn’t do this every day, to

walk them through the process so the contract won’t get rejected in the first or second round, to speed up the process of getting it to the table and closing, is essential.”

Lisa Lopez of Home Alliance Realty, who has 20 years’ experience in Manahawkin, New Jersey, also stresses the importance of communication in building REO business relationships.

“Communication is a necessity in the real estate business overall, even but more importantly in the REO side because there are so many things going on with the property,” Lopez added, “You must stay on top and continue communications with your client and follow through on expectations.”

Cummings also spoke of the importance of remaining as accessible as possible, as often as possible.

“When I was getting involved in the REO world, the agents that were in the field were relatively inaccessible,” he said. “You couldn’t get them on the phone, you couldn’t get an answer, they would rarely return your call or email. So, I am always available—my phone is always on. I’m always willing to help answer questions at any time of day.”

## Beyond Communication: Building Relationships

Lopez also spotlighted the importance of surrounding yourself with a capable and competent team.

“Having a great team of affli-

(continued)

ates like lenders and contractors of various trades, and to address the unique issues that are crucial for the areas you service, is so important. For example, we have underground oil tanks still here in New Jersey, so having a contractor that can test the soil and make sure there's no contamination is critical," she said.

Strong relationships within any business are a vital element of standing the test of time. In REO, keeping clients informed about what is going on in their state and the areas they serve is key to keeping connections alive.

For example: "In Alabama, there is a one-year 'Right of Redemption' law. Because of that, you need to know when the house foreclosed and how much the buyer will need to protect their money by purchasing a bond to cover the spread if the property gets redeemed," Cummings said.

Cummings added, "Also, to be competitive it is vital to put together a team of contractors and agents in the office who do the paperwork to give me the time to work on contracts, showings, and asset inspections. I have a multitude of contractors I can call that will react quickly. You can't do it by yourself."

#### Innovative Ways to Stand Out

It can be expensive to run an REO business. Finding innovative ways to stand out amongst the competition while remaining budget-conscious can be tricky. As many broker/agents do, Cummings and Lopez both advertise on Zillow. In addition to that, Cummings' biggest marketing effort is providing education and information through a blog.

"We write a blog covering the reserve mortgage foreclosure process. I receive three to five calls a month from agents all over the country," he said.

Though Lopez is conservative on her marketing overhead, her company tries to excel and remain innovative by using social media, Zillow, and relator.com. "If you're marketing the benefits to a property, even the ones that have so much negative against it, and you're

creating good marketing pieces on it, you're going to get inquiries—you're going to sell it," Lopez said.

Lopez added: "We're looking to exploit the best features of a property so that we can find the buyers that would connect with those features best."

#### Keeping Up With The Times

Lopez also advises that agents and brokers work to stay up to date with technology and on top of market trends.

"We do a history workup on every asset," Lopez said. "That means researching the property to try to understand what its challenges may be. Everything affects the overall value. We have forms we send towns and HOAs for information, to try to gain an understanding of what the challenges may be for a

*"We don't like surprises right before closing. If we can know about it ahead of time, it can alleviate headaches and costs later."*

—Lisa Lopez, Home Alliance Realty

property. We don't like surprises right before closing. If we can know about it ahead of time, it can alleviate headaches and costs later."

"As innovation has evolved, I've had to evolve my best practices to stay in pace and provide the best service I can. I've also learned over the years that you can't be a surface dweller. You need to take a deep dive into information and understand it wholly to best help your client."

# Why Mentorships Matter

Industry leaders discuss why it is important to surround yourself with people that will influence your career.

If you want to be like a Fortune 500 company, then do as they do. Join a mentorship program, either as a mentor or a mentee.

Why? Because investing in leadership capability pays off in performance, productivity, and innovation according to the 71% of Fortune 500 companies who use mentoring programs (as reported by the Centre for Workplace Leadership in 2016).

Quality mentoring enhances the chances of success. The process can be a catalyst for growth in so many areas. Mentees are promoted five times more often than those not in a mentoring program. Eighty-four percent of CEOs informal mentoring programs became proficient in their roles faster, and 69% say they were making better decisions because of them, according to the Harvard Business Review in 2015.

#### Finding a Mentor/Mentee Relationship

Matthew Revitte of Pro Realty Old Town in Greeley, Colorado, said, whether we realize it or not, we all have mentors in our lives.

These are "those individuals in our industry, who we respect, admire, and—I suspect, in many ways—aspire to be like and emulate. There is a reason these individuals have survived and thrived in this profession for as long as they have; perhaps they may know a thing or two," Revitte said.

Identifying strong mentors in your field is a good way to set yourself up for significant career transi-

tions. The guidance provided by a mentor, especially an experienced person in your own company, an educational institution, or someone in the same professional surroundings is a good place to start. Look around. Who do you admire? Who could you learn from?

Scott Harvey of Scott Harvey Real Estate in Olathe, Kansas, found a small independent real estate broker through a Dale Carnegie Course he took.

"The mentorship relationship between her and I was very close and detailed," he said. "She really got to know me and my style. Then she worked to help me figure out processes and systems that would work with my style and still accomplish all the goals and things that we had to do."

"Her knowledge base was incredible," he added, "and she shared it."

#### The Value of a Good Mentor

Revitte said a true mentor is the consummate professional, and therefore all too willing to give you their attention, their tutelage, their earned wisdom, and their wealth of experience.

"These individuals have paid their dues in spades. Look around within our industry; surely, we can find that grizzled appraiser, loan officer, title examiner, home inspector, agent, and the like," Revitte said. "These professionals have survived the buyers' market, the sellers' market, double-digit mortgages, and double-digit unemployment-

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ment. They have made it through 9/11, the 2008 financial crises, to our present-day coronavirus, and everything in between. There's a reason they're still standing."

The takeaways from a mentorship collaboration can be vast and unique to each relationship. Harvey's mentor taught him to view each transaction through a multitude of perspectives.

"She made me think about the perspective, from the buyer's representation to the selling agent's perspective, and what might assist that selling agent. That was a huge revelation to me. By doing that, I'm a little bit more successful as a communicator and maybe a little more efficient," Harvey said.

#### Mentors' Benefits

One might think that the mentor does all the work without any return. However, a successful

*"Gratitude is golden, and expressing appreciation for any help your mentee gives you is invaluable. Whether you learn a little or a lot, every little bit helps along the path to building a successful career."*

—Matthew Revitte, Pro Realty Old Town

mentor-mentee relationship will offer benefits for both parties. To name just a few examples: being able to lead and shape an upcoming colleague in the area they care about, building the community, extending their network, and the pure satisfaction of helping others.

Revitte said a true mentor pays

it forward.

"Thirty-five years after getting into this business, I, at times, get to wear the hat of a mentor. I am truly honored," Revitte said. Answering common questions such as 'how do I get started?', 'how can I build up a referral base?' and 'how do I handle this objection?'—these are but

variations of the same questions I asked my mentors when I was first a newly minted licensed real estate agent. In the scheme of things, the basics never really change."

#### Mentorship Etiquette

Both sides of mentorship have an unspoken code of behavior—guidelines to the dos and don'ts of this unique professional relationship.

Number one on the list is to respect the mentor's time. Some mentors might prefer a set schedule to meet once a week, either face-to-face or over a phone call. Others, like Harvey experienced, offer unlimited access.

"My mentor offered some structured training on scheduled days, but it wasn't like a Monday, Wednesday, or Friday—it was, 'I'm available. Here's my phone number. You call me at 10:00 at night if you need me.' She wanted me to succeed. That made all the difference in the world," Harvey said.

Mentors need to understand the mentee's career goals and expect the mentee to move towards those goals, not just those of the mentor. Also, the mentor should not automatically offer advice or criticism, only suggestions and feedback.

Mentorship is not about being told what to do, necessarily, and mentors need to understand the energy and character of the mentee. Not all people work exactly alike, so giving guidelines, ideas, and suggested tips can prove to be a winning approach.

It is recommended that mentorships should not move too quickly into a personal friendship (if at all). The commitment should unfold over a minimum of six months, but there is no maximum. Some mentorships last a lifetime, depending on the two parties. Harvey's experience was not necessarily typical.

"It's been a good relationship that has lasted 15 or 20 years, and it's been extremely valuable."

Discussing the heart of true mentorship, Revitte reminds us of this lesson—a quote by Saint Francis of Assisi: "Remember that when you leave this Earth, you can take with you nothing that you have received—only what you have been given: a full heart enriched by honest service, love, sacrifice, and courage."



# New Members, New Faces

Each quarter, the FORCE features some of its new members in its newsletter. Here are some of the agents we've recently welcomed to our network.

## Virgilio Arreguin

**Remax First Realty  
Elmhurst, Illinois**



Virgilio Arreguin is here to serve by providing fast, reliable, and accurate services to

asset managers to remove the assets of the investor's books in the fastest and most profitable way. Arreguin has a team ready to provide preservation, remodeling, and listing services with a like-minded personality to "serve".

## Richard Hernandez

**The Omni Group Real Estate Division  
Oxnard, California**



As an experienced realtor with a background in marketing and administrator, Rich

Hernandez brings a unique perspective to the real estate business. He puts his high energy, outstanding communication skills, and track record of success as a Real Estate practitioner to work on every transaction. With over \$1 Billion in sales.

Hernandez has built a knowledgeable, productive sales team from scratch. Being skilled in brand management, competitive intelligence, and account management has served him well and allowed him to exceed over the last 30 years in sales.

Rich has served as the president of the National Association of Hispanic Real Estate Professional Ventura County Chapter, and most recently, serves as a National Board member for NAHREP, and National Advocacy Committee Regional Director. As the Co-Owner along with his wife Tina Marie of The Omni Group, they have built the largest minority-owned Real Estate Brokerage in Ventura county and the top 5% in Orange County... But this doesn't compare to his biggest accomplishment... The Family

## Jerry Gerritsen

**Luxury Real Estate  
Gulfport, Mississippi**



Born in Whittier, California, Jerry Gerritsen took over the family business (a small construc-

tion company) at a young age and successfully ran it for years before relocating to the Gulf Coast. During that same period, he sold real estate in the Los Angeles market by day and went to law school at night, graduating with Moot Court honors (JD).

He now resides in the Gulf Coast area where he specializes in the luxury residential real estate market. After graduating from the University of Alabama with a Master's degree in business administration (MBA), Gerritsen launched a successful local boutique luxury real estate company to offer his expertise and unique skills to the local Gulf Coast community.

## Edwin Acevedo

**Lotus Group Real Estate  
Downey, CA**



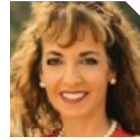
Edwin Acevedo began his Real Estate career in 2008, weeks after the market crash.

He worked with a team under a Steven Padilla, a well-respected REO Agent, and learned the process of REO CFKs, Preservation, BPO, Rehabbing, Listing, Escrow, etc.

Since those years, Acevedo has strived to become a successful Real Estate Broker. He currently owns and operates Lotus Group Real Estate, an Independent and Respected Brokerage that consists of 40 agents. He runs a structured business that is big on systems and accountability. He attended the University of Southern California to obtain his master's degree in Business Administration.

## Esther Stepanian

**Stepanian Group  
Irvine, CA**



Esther Stepanian has a team of seven—six are licensed realtors plus one person dedicated to

property preservation. During the last REO cycle in our area (2008-2013), the Stepanian Group listed and sold properties for 10 companies including: Wells Fargo (PAS), Citi Bank, IndyMac, First Preston, and others.

The Stepanian has been listing and selling traditional residential real estate and has 110+ 5-Star reviews from sellers on Zillow and continue to have their experienced REO team together and are ready to handle as many as can be assigned to us.

## Jason Kim

**Umax Realty  
Fullerton, CA**



Jason Kim has been a licensed Real Estate agent / Broker for 19 years and has specialized

in working with buyers and sellers of bank-owned properties, HUD, VA, foreclosures, and bank short sales. Kim currently lists, sells, and provides BPOs on properties with many asset management companies.

Kim's goal is to continue building and expanding relationships with banks and asset management companies across the nation and provide a top-notch system focused on systematic and efficient processes from start to finish on every BPO, listing, and/or property preservation service that his clients may need.

## Alan Hernandez

**White Picket Realty  
Houston, TX**



Alan Hernandez is a Director of the Texas Association of Realtors, a licensed MCE

instructor, 2017 NAHREP Houston President, and the proud Broker/Owner of White Picket Realty with 4 Offices throughout Houston and a team of over 50 agents.

Hernandez started his career in Real Estate by knocking on doors in college and then working as a full-time investor and house flipper after graduation. After flipping houses for over 10 years, he is now focused on building the agents of White Picket Realty. His investment-friendly Real Estate Firm is on a mission to transform the industry through leadership, advocating for financial freedom, and by educating Realtors and consumers about investing in Real Estate and empowering families to become homeowners.

## Thomas Day

**REMAX in Motion  
Pompano Beach, FL**



Thomas Day has been a licensed agent since 2005—a RE/MAX in the same office since 2006.

Since 2008, he has been managing and marketing REO properties for some of the country's largest lending institutions, including properties with values from under \$30,000 to over \$1,000,000.

Day is a Certified Real Estate Pricing Specialist and has completed over 1,000 BPOs. He has also closed many dozens of REO deals as a buyer's agent. He prides himself in accurate valuations, getting tasks done quickly, and getting the tough deals closed.

## Timothy Sojka

**Seetimsell  
Katy, TX**



Tim Sojka is the Co-Founder of See Tim Sell Realty and currently operates as CEO.

He has helped large and small lenders liquidate properties. He is an Accredited Luxury Home Specialist

and holds a Broker's License, the highest real estate certification available.

Sojka is a real estate investor, published author, featured speaker, and radio guest. His chief role is maintaining a learning-based environment for team members and overseeing the high standards that have made See Tim Sell Realty one of the most recognized names in U.S. Real Estate. Recent awards include Texas Monthly Top Agent, Real Trends Texas Top Teams, Houston Chronicle Top Agents, and Keller Williams Premier Top Producing Agent. Tim has sold millions of dollars in commercial and residential property.

## Brian Shelby-Hampton

**Hampton Realty  
Waterbury, CT.**



Brian Shelby-Hampton gives his clients results on an unprecedented level. His ability to analyze market trends and current values of homes in and around the Fairfield County area is distin-

guished among his clients and colleagues.

The personal attention Shelby-Hampton gives to every client is what sets him apart from every other broker. His passion is to provide top-quality service to his clients while pushing himself to keep improving a track record of dedication and excellence.

## Ethan Gregory

**Allison James Estates  
& Homes Elite  
Jacksonville, FL**



As a REO expert throughout the Jacksonville area, Ethan Gregory average over 50

closings per year, and includes weekly property inspections, BPOs within 5% of sold values, and average DOM of 28 days. He is licensed with NAR, FAR and is a member of the NEFAR MLS.

Gregory is fully committed to providing top quality service for the important assets he manages that are maintained and compliant with local laws. His extensive market knowledge with 16 years of local sales experience will greatly enhance

the marketing and sales potential for his client's assets.

Before becoming a Realtor, Gregory had experience rehabbing houses and working with contractors on repairs so he is well versed in the ability to manage contractors and ascertain repairs necessary on properties that have been vacant for a period of time or have been damaged heavily. I

## Tamra Lee Ulmer

**Arizona Resource Realty  
Payson, AZ**



Tamra Lee Ulmer has been listing and selling bank owned, REO, institutional and default properties for over 20 years; and, has established herself as a leader in the industry.

Ulmer has successfully sold over 1,000 REO properties and has rehabbed a large majority of those. She has over 5,000 BPO's behind her belt and knows her market areas well.

Ulmer is experienced in construction and preservation and has the working capital to properly manage all assets. She has worked with

over 65 banks, savings & loans, mortgage insurance companies, asset management companies, and other institutions. She and her team are very well versed in all aspects of REO management, short sales, and default property management.

Ulmer is a proud member of NRBA and FORCE which gives her the latest technology, training, and trends. With over 5000 BPO's behind her belt, she knows her market areas very well.

## Eric Perkins

**Edina Realty  
Edina, MN**



Eric Perkins has been a full-time realtor since 2002. He started REO and Short sales in 2008 with smaller local banks.

Perkins negotiated with homeowners with move out dates, changed locks, and did clean outs. He has had a contractor's license in the past, so he knows construction, remodeling, and what is needed. He has contractors lined up, ready if needed, for various project to secure properties.



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# Transitioning from REO to SFR

A new study found renting is having a greater appeal for prospective buyers.

With the economy near full employment and incomes on the rise, more households that wanted to buy homes were able to do so—but that was before the COVID-19 crisis.

Web traffic to real estate portals like Zillow and Redfin have dropped by almost 40%. New listings of homes for sale have dropped by as much as 70% in some markets like New York and East Bay, California. Weekly mortgage applications dropped 17.9%.

Prior to the furloughs, businesses closing shop, and government paycheck protection, renters were likely to account for slightly more than a third of household growth. According to projections, the number of renter households will increase by nearly 500,000 annually over the 10 years between 2015 and 2025—a still robust pace by historical standards.

The US housing market, according to [www.managecase.com](http://www.managecase.com), including the house and apartment rental market were running strong with rent prices rising through the pandemic. Prices did drop for the first time in the wake of the Corona Virus. RentCafe reports a rise in rents, however the 2% increase is the lowest in over 10 years. The shutdown appears to be slowing rents only temporarily.

Transitioning from REO to

single-family rental and investment may be a new viable business for existing REO agents and brokers.

Mark Hess of Real Estate 3000 has been in REO for over 20 years. He bought his first house in 1996 and has built a portfolio of about 100 single-family houses.

“You can make a lot of money selling real estate, but you don’t really get wealthy until you own it,” Hess said.

*“You can make a lot of money selling real estate, but you don’t really get wealthy until you own it.”*

— Mark Hess, Real Estate 3000

“I’ve never been very successful at flipping. I buy and hold. My goal is to pay them off. I have local banks that loan me pools of money—like eight, 10, 12 houses at a time. When the equity goes up, then I drop a house off and I pay the loan down. The cash flow becomes pretty good,” Hess said.

According to an article on landlords penned by Todd M. Richardson, the Acting General Deputy Assistant Secretary for Policy Development and Research

at HUD, “In HUD’s work to address homelessness and provide affordable rental housing for low-income families, landlords play a critical role.”

Landlords are identified by two primary types of ownership: individual investors with about 16.7 million properties, single-family, and duplex rental homes, and business entities owning 25.8 million units, which also include multi-

family rental inventory.

A Spotlight on Rental Market Research produced by HUD’s Office of Policy Development and Research states “Although most multifamily properties are rentals, small single-family properties make up roughly half of the rental housing stock.”

Housing is the largest expense for many low-income households, 70% of whom rent. In 2009 there were 10 million extremely low-income renter households, and only

3.6 million units were affordable and available to them.

Having a supply of rental properties does help the community. Hess said there is a huge housing shortage in Louisville where he works.

“I’m known as a very good landlord who takes care of my properties, so I hardly ever advertise even if I’ve got a rental or a vacancy. I get a phone call a day or two that’s looking for a rental. Since I sold my apartments, my average rents are probably \$1,000 a month,” he said.

Investing in a full staff is wise when transitioning REO homes to SFR. Hess has utilized a unique approach to keeping good employees to help him take care of the business.

“In my REO business, I’ve got two to three full-time girls in the office and a full-time field guy for Real Estate 3000. I own my rental company and I run everything through that. I have a full-time manager/maintenance guy that helps me rehab. I’ve got two plumbers on call, two electricians, two heating and air guys. I do automatic deposits with them and they get paid well. They take care of me and I take care of them. I also just hired another full-time guy to help me on rehab in the houses, to help my manager/maintenance guy.”





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# Pandemic Perspective: The Importance of Real Estate Agents

Nearly half of consumers polled in a new survey said having a professional on hand was vital during this health crisis.

The National Association of Realtors (NAR) found in a new survey that 65% of potential buyers who attended an open house within this past year felt comfortable enough with the safety precautions taken to say that they would have no hesitation to do so again.

Additionally, nearly 47% of homebuyers felt that recruiting the help of a real estate professional was even more vital and desired than before the pandemic arose, citing peace of mind as the main benefit. Also, 54% of buyers and 62% of sellers agreed that specifically because of the uncertainty swirling around them thanks to COVID-19's impacts, the extra guidance from an expert was now situated near the top of their "must-have" list.

Six out of 10 buyers and sellers surveyed counted the buying and selling of property to be an essential service. As to which part



of this service was most valued and appreciated, 51% said they found online listings most helpful for providing information, as opposed to searching for it on their own. In

this same vein, 56% of respondents felt that a real estate agent would help them save even more time.

All of this is good news for the industry, which many feared

might suffer even more from the pandemic, especially regarding the possibility of buyers and sellers becoming more hesitant to jump into the market in the first place.

NAR President and Broker Vince Malta voiced his relief at continued buyer interest and also offered hopeful wishes for the future: "The real estate industry—and our country—has endured some very challenging times for several months, but we're seeing signs of progress and we are earnestly hoping the worst is behind us."

Malta also added: "While we celebrate homeownership month, we embrace today's version of homeownership and the unique paths homeowners take to realize their dream. For prospective buyers, the desire to own a home remains strong and the guidance, expertise, and professionalism Realtors provide is more important now than ever."

## Reviewing the State of Mortgage Servicing

In a recent webinar, Five Star Global's Ed Delgado delivered an update on forbearances, delinquencies, and how the industry is prepping for disaster.

The entire world is feeling the brunt of the COVID-19 pandemic, and with many out of work, the mortgage and housing markets are no exception. In a recent webinar, Five Star Global President and CEO Ed Delgado delivered a "state of the industry" update on sales and home price trends, forbearances, and the REO market.

Using data from the Bureau of Labor Statistics, Delgado noted that, due to recent record high

unemployment levels, 12 years of job recovery had been "wiped out." However, he added that things could have been even worse if not for the strong economy in place at the beginning of the crisis. Moving forward, Delgado explained that he is anticipating a "W-shaped" recovery, aka a "double-dip recession" with two downturns leading to final recovery.

"It's not going to be the brief blip on the screen," Delgado said. "I

don't think we're going to be out of this in six months. I think it will be closer to 12."

That anticipated slow recovery will extend to the mortgage servicing market as well, Delgado explained.

According to Black Knight, 3.6 million homeowners were past due on their mortgage at the end of April, up by 1.6 million month-over-month. Approximately 4.5 million homeowners were in

forbearance plans as of May 19, representing 19% of all mortgages.

While some servicers may be receiving liquidity assistance due to the loss from forbearances, nonbanks are still facing shortfalls related to these plans. Ginnie Mae responded by approving a servicer liquidity facility, and the FHFA has approved the purchase of previously ineligible mortgages in forbearance by Fannie Mae and Freddie Mac.

The housing market is expected to be further complicated by the hurricane/wildfire season overlapping with COVID-19. Delgado questioned how the industry playbook for natural disaster response will be impacted by social distancing and the work-from-home environment.

"We haven't felt the full force of the impact COVID-19 has had on the economy, and the recovery will be protracted," Delgado stated.



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