Webinar with Rob Minton and Frank Patrick

Rob: All right, should we get started?

Frank: Yeah it looks like we're close to our number of folks that have registered.

Rob: Well that's good. I'm Rob Minton. For those of you who do not know me, I'm a real estate broker in Cleveland, Ohio. And in my business I specialize with investors and I talk a lot about reinventing your business and selecting a target market and then just specializing in that market.

And today I have the honor of hosting a webinar that's going to be led by Frank Patrick who specializes in listing and selling bank owned homes. Correct me if I'm wrong, but you've been specializing in bank homes for about eight years now Frank?

Frank: That's correct. We just celebrated our eighth anniversary.

Rob: And the joke you've told me before is that you were doing it back when it wasn't popular.

Frank: It wasn't cool in 2000 but at the time it was the only business I could get.

Rob: And now it is cool. So as of this morning we had had I think it was around 338 real estate agents and brokers register for our webinar. It sounds like you said there's a few lines open, which is good because the last time we did a webinar we had over, I think it was over 500 agents register and we had some folks that were at unable to get through, which was frustrating. But needless to say we're going to move forward.

Frank, as you've probably heard, has a business located in Kansas City, and he's got a ton of experience as you'll soon hear. We're lucky to have him, and we are going to try to open the call up at the end for questions and answers? With all that said, I'd like to hand the call over to you Frank.

Frank: Yes, and just as soon as we get through this little presentation here Rob. I'm going to invite the moderator on and they'll give everybody instructions on how they can ask a question.

Rob: So as you're going through take any notes if you have any questions for Frank. We'll open the lines up at the end.

Frank: Thanks Rob. I appreciate it. Once again, my name is Frank Patrick. I have a small real estate brokerage in Kansas City, Missouri. In fact, we only have four licensees with a total of five team members here. And we specialize in listing and selling bank owned homes.

I'd like to start with a little bit of a national snapshot about what's happening in the real estate market from my perspective because I do pride myself in being an expert on the foreclosures. That's all I do everyday - eat, drink, breathe and sleep bank foreclosures and what's going on in the industry.

Rob: Lucky you.

Frank: Yeah. Well there's a boom going on in the real estate business. It's just not the same one that we had two years ago. In fact, more than 938,000 home loans were in default in the fourth quarter of 2007 and that was certainly a boom. It was a record number. It was two percent of all outstanding home loans in the nation. Over 3.6 million were past due and were in foreclosure proceedings across the country during the final three months of last year. And of those, over 381,000 entered foreclosure in the fourth quarter. It's another record. It's kind of depressing but somebody's got to sell these properties to free up the bank's capital so they can continue to make new mortgages for new buyers.

As of March 1st 234,000 properties were in foreclosure, which represented one in every 538 U.S. households. New homes sales have plunged to the lowest level in 16 and a half years and the median price of a home had dropped by 13 percent from the previous year. So it was the biggest one-year price decline since July of 1970. So we're setting all kinds of records.

On top of that, Credit Suisse, one of the world's largest banks (I believe they are now the second largest banking organization in the world) published a study that they'd done on the industry just about three weeks ago. Inter study they are predicting 6.5 million American homeowners, that's one out every eight that has a mortgage will end up in foreclosure over the next five years. Pretty dire predictions as to what's going on now.

I've been accused of being a pessimist, but I'd like to consider myself a realist. This is where we're at currently. In fact, if you want to look up Credit Suisse's published report, it's called Foreclosure Trends: A Sobering Reality. You can find it on the Internet. But other key points in the report indicate that housing prices will likely fall another 10 percent in 2008, five percent in 2009 and then begin to grow by three percent in future years. Unfortunately they didn't tell us which year.

As you know, I'm an avid real estate investor and I'd kind of like to know when they're going to start going back up. But their report really echoed what I have been saying out here in the field, which is that the falling prices and the resulting negative home equity is the primary driver of default. And a lot of folks are just walking away. But they likened the foreclosure crisis to a baseball game and they quoted, "We're at best in the third inning. The global real estate investors are in the early stages of a meltdown."

So a lot of people ask me, "Frank is it too late to get started?" Absolutely not. What I want to show you now is a screenshot of a pool of Washington Mutual loans. This is a group of 1,765 loans originated back in July of 2007. So these loans aren't even a year old. And if you look in the far left hand column where it says, "February," scroll down you can see that a little over six percent are delinquent by 30-days. Four percent are 60-days delinquent. Three and a half percent are delinquent by 90-days. Almost 12 percent are already in foreclosure. So a little over 11 out of a hundred homes in this pool are already in foreclosure. Three and a half percent are already REO. That means they've already gone through the entire process, and the hoe owners must have never made the first payment. And 60 percent are 60-days late or 22.6 percent are 60-days late and 18.7 percent are 90-days late. Horrible stats.

But here's the interesting thing; if you go down just a little further you'll see that the average credit score was 704.

Rob: This is much different than I would have expected.

Frank: Your right! These foreclosures are not sub-prime borrowers, as the media would have you believe that everybody who's losing their house is sub-prime and lives in the inner city. These are more affluent folks; in fact the average mortgage amount was $519,000 dollars. And the average loan to value ratio was, let's see, 77 percent. So these people had 700 plus credit scores, put down substantial down payments, and are still defaulting at an alarming rate.

Rob: I didn't know that. That's crazy.

Frank: This is ugly. But this is an actual screenshot from the inside of the industry. The press would have you believe that this is only happening to poor people. But it's not exactly the case. In fact, several members of Congress have stated that they're concerned that at least 30 percent of homeowners in the United States now are upside down. Because the values of their homes have dropped, they now can't sell. In most cases they can't refinance because now they don't have equity, and many of them can't qualify based upon their actual income anymore, or they've now missed a payment and can't get financed because their credit score's dropped. So a lot folks are in a bind.

People on the outside that don't really understand the real estate industry ask me often, "Well why don't they just stay?" Well obviously the whole real estate business is based upon the premise that people can't just stay. According to the U.S. Census Bureau something like 12.5 percent of the population moves every year because they need to. Some of the reasons, of course, are death, divorce, job loss, and illness.

And of course recently what's popular in the news are increasing mortgage payments because of the adjustable rate mortgages.

And then of course you've got the speculators that came in towards the end of the new construction boom and were speculating on housing and buying $750,000 dollar homes hoping the valued would go up to $850,000. And unfortunately when the music stopped there were not enough seats left for everybody to sit down.

These factors were all present back in 2000 and that's why I was still selling a hundred houses a year, every year, up until last year when this big boom in the foreclosure market happened. There have always been foreclosures. In fact, most experts will tell you an average year is somewhere between six and 800,000 foreclosures a year. So there was a lot of business before this current market. It just wasn't popular business because it was easy to get traditional buyers. It means most agents didn't want to put up with the extra work that I was doing for the banks.

But right now it seems to be the majority of the business. In fact, in San Francisco right now 23 percent of all listings are bank owned. I don't have the numbers for every city or every state, but I can tell you just from being out there that I'd have to guess that probably 20, 30 percent of the business being done everywhere is on foreclosed properties. So these homeowners that need to move call an agent, the agent comes over, shows them the comps, and they figure out that they're upside down. Most of them just quit making their mortgage payment and walk away. And they don't respond to any efforts from their lender or offers of help even though a lot of lenders will modify your mortgage right now.

In fact, just last week on Thursday I got home from work and my wife said, "Hey U.S. Bank called. They told us that our adjustable rate is up again, but not to worry about it. They're going to go ahead and just extend us for three more years. We don't even need to sign anything." Two years ago when it adjusted up it went from it went from 6.25 to 9.25 and I called them and said, "Hey this isn't going to work. I'll have to refi." So they sent me documents FedEx. I had them the next day, signed them, they gave me another two years.

Well now that two years is up and now I don't have to sign anything. They're just begging people to stay in their houses. I'm making my payments so the last thing they want to do is push their luck. But most folks are looking around, they see what their neighbors are selling their houses for, and they're deciding that they're upside down. So if they need to move they just go. I guess the good news is in almost all 50 states mortgages have no recourse. So the lenders will just take the house back, sell it for a big loss. Of course it's going to hurt your credit, but they don't sue you for the difference. It's not like if you owe $20,000 on your car it gets repossessed, they sell it for 10, they sue you for the difference and they garnish your wages. They don't do that with mortgages.

So these people are just walking away from their house, and they're renting. In fact, Washington Mutual says 17 percent of their mortgagees are walking away. So it's a ton. And this has a devastating affect on the market because the more people that walk away and the more foreclosures that happen the further the prices are going to fall. It's kind of a downward spiral. And this affects everybody's ability to get a mortgage; even people that are paying their mortgage on time now that would like to buy an investment property are having a more difficult time. They have to put more money down.

So as the foreclosures rise and these lenders sell them off for huge losses they have to tighten their lending standards, which makes even fewer people able to qualify. And there's very little equity in the secondary market right now. Fannie Mae and Freddie Mac have gotten a little pickier than they used to be, and they don't want to buy these hundred percent mortgages anymore. They don't want to buy mortgages that have been made to folks with credit scores of less than say 750. They're trying to be a little safer with their money right now.

Most people don't know this, but lenders are taking a hit on these bank owned properties when they sell them as much as 57 percent. So by the time they get their money back they're only going to get back 43 percent of what they have loaned out in the beginning.

Rob: When all is said and done.

Frank: Yes, less than half. So when one goes bad were not talking about losing 20 or 30 or $50,000 dollars. They lose $35,000 dollars on average just to get it back in legal fees, forced placed insurance, taxes, Homeowner's Association fees, title policies, you name it - all the things that go into getting it back. They've lost $35 grand before they sell it. Then they lose $150 dollars a day to hold it, not to mention the fact that each bad mortgage is tying up the bank's capital and stops them from making five new mortgages. So every time a home gets foreclosed on not only do they lose all this money on that property but it stops their ability to make five new mortgages. So this is what's screwing up the market.

And in many areas of the country only 30 percent of the licensed real estate agents had a closing in 2007. I just came from Florida where it's worse. I did a show of hands. I couldn't see the people that didn't have their hand up. I had to do it the other way around. Depending on where you are in Florida most people tell you about 17 percent had a closing.

So I could tell you what's happening – they agents are getting jobs. You can't go a whole year without income.

Rob: So you're seeing a lot of agents leave the business?

Frank: A lot of agents are leaving the business. They still have their licenses so when you look at the numbers from The National Association of Realtors it's not that bad. But walk into a real estate office and see how many agents you can find. Most of them are working. And that never appealed to me - the whole job thing. I had one for 13 years, I didn't like it after the first year, and the last 12 I was looking for a way out.

Rob: You've quit and just didn't tell anybody right?

Frank: Yeah, exactly. I quit 12 years in. The agents that are making it now have found a niche because there's still business being done. And I think, moving forward, if you want to thrive in the real estate business, then you've got to find a niche. And there are a lot of different niches out there. Of course, probably one of the easiest ones to pursue would be short sales. Right? It's easy to find prospects for a short sale right now. That's like anybody that's bought a house in the last five years that wants to move. There's your short sale prospect.

Investors are back. I have agents that I'm working with all across the United States that are REO agents. They're telling me they're getting multiple offers on their bank owned properties. In fact I've got an agent in the DC area that told me she got 22 offers over the weekend. I've got one in Stockton, California that told me he entered in 17 offers yesterday, he presented 17 offers on his bank owned properties yesterday.

Rob: The bad market's good news for real estate investors, that's for sure.

Frank: Yeah, yeah. Fortunes are made.

Rob: Big time!

Frank: I remember seeing Robert Kiyosaki live, and they asked him if he thought the bubble was going to burst, this was back I think in 2005, and he said, "I sure hope so because last time I got wealthy."

Rob: Is that what he said?

Frank: Yeah. He says that he made all of his money in '91 when the market crashed in the Phoenix area. That's when he acquired everything. So yeah fortunes are made when the markets reverse.

Another great niche would be property management right now. Where do you think 6.5 million people are going to go live once they're foreclosed on? They can't all move back in with Mom and Dad. Most of them are going to rent a house or an apartment.

And of course our government is always going to do what they can to stimulate affordable housing. And we've seen that recently with the FHA loan limit increases. They've changed the way that they appraise FHA property or for FHA loans now. For a long time, if you were missing doorknob or if there was rust on a water heater, you couldn't get an FHA loan. Now as long as there's not a big hole in the roof, it'll be good. If there are stairs leading into the house and the door it'll go FHA. I'm getting FHA on almost all of my foreclosed properties that are selling now. Two years ago they wouldn't even look at an FHA offer.

Rob: This is a lot different than my FHA sales from a few years ago.

Frank: Now even if the house is missing carpet, we can do an FHA loan.

Rob: Wow, I wouldn't have believed this would have happened with FHA loans.

Frank: So things that you just hadn't imagined are happening. So working in that affordable housing sector or the other end, the affluent market has been largely unaffected. I was talking to some agents from Aspen, they're telling me that the average price per square foot is $3,000 bucks a foot and increasing. It's got to be the only place in the nation prices are going up, that and Amarillo, Texas. So the ultra high-end, probably the oil company execs, I'm not sure. Somebody's still making a lot of money out there. So the ultra high-end hasn't been affected at all.

And then of course there is my niche, a REO listing agent. When I stopped being a generalist and chasing every buyer or seller my income went up. My expenses dropped. I stopped working evenings and weekends and I finally became a competitor. I became a big fish in a small pond. Last year was my best year ever in business. And it was arguably one of the worst years on record in real estate. In fact I had my best month ever. I closed 23 transactions back in April and made just under $70,000 dollars. Now I know that's not a lot of money in Ohio but here in Missouri that's a pot load of money.

And I don't tell you this to brag because I know there's people out there making a lot more money than I am, but for the agents on the call that are discouraged because of what's happened in the market I think it's important to show them there's still an opportunity to make money right now.

These are some of my clients – I specialize in listing and selling the bank owned properties after the foreclosure occurs, after ownership has reverted back to the lender. I'm selling properties for Fannie Mae, Nova Star, Citi Finance, Bank of America, Chase, everybody on this list and this is just a few of the companies available to have properties to list. Anybody that's made a mortgage in the last five years has REO properties to list right now.

I've only been in the business since 2000. I got involved in REOs in the very beginning and decided to focus on them. It's a niche that's been very good to me. I averaged over a hundred transactions every year. Had my best year ever last year, my best month ever last year and then last year I had so many people calling me wanting help that I started my own training company to help other agents get started in the REO business.

So here at the office now I have become part-time or less and the office is really run by Linda, Elizabeth, Melissa and Scott. So four people and we're still cranking out a couple hundred transactions a year. Like I said, I'm really part-time. The majority of my time is showing other agents how to get in.

But we list and sell single-family bank owned homes up to four plexus, the biggest thing we work. We don't work evenings or weekends. Basically if the title company's not open we're not open. We do very little advertising. We use one advertising service where we list our properties. Then they disseminated them on the web for us. So I just enter it one place, put them on the MLS, which puts in Realtor.com. We don't make flyers or virtual tours or anything like that. In fact, we don't do any marketing or prospecting for listings. Were not taking any new clients this year and we're still looking at coming in somewhere between 250 and 300 transactions this year.

Rob: So you're not sitting in open houses on Sunday?

Frank: No, no, no. No, some of my members are doing the REO tours.

Rob: Oh yeah that's a great idea.

Frank: But our guys, here at my office, we're just doing everything we can to keep up with what we've got.

Rob: Can I ask you a question?

Frank: Yeah.

Rob: So you have a team. Does an agent need a team to get started with REOs?

Frank: No, actually I just did that because I was a little tired of doing all the work myself. But most of my members, and I say members, I've got about 2,000 people across the United States that I've helped get into the REO business. Some of them are doing just BPOs, and they work from home, and they don't have any listings. So they don't have any expenses but they don't have listings. Some of them like to list the REO properties and they do it on their own. I've got some husband and wife teams and then I've got some folks in the last eight months that have built teams even larger than my own. I've got one guy right now that's got 38 properties pending and he's got a team of four people. So certainly it's not necessary, but we're in one of those windows of opportunity where a person can make as much money as they want to.

Rob: As they so choose…

Frank: Yeah, they really choose. You can have as big or as small a business as you want right now.

Rob: Okay.

Frank: As you mentioned earlier I'm located outside of Kansas City. I'm in a small town. It's 48,000 people. We're near Kansas City and we work in the entire Kansas City area. Our average sales price here now has fallen to $128,000 and believe it or not Missouri is only ranked number 23 for number of foreclosures. So it's not like I'm from California or Nevada or Arizona or Florida where there's just a ton of them. There's enough here.

Now if you're considering REO here's some reasons why you should think about it. Number one, I have given up prospecting a long time ago. There are still very few competitors. It's an inexpensive and relatively simple business to get started. Notice I didn't say easy. There's a lot of hard work. But it's been good. There's stable, predictable production regardless of the market conditions. And I think we got a five to six-year run where things are just going to be incredible.

One of the things that I've enjoyed is I do a high number of transactions for a small number of clients. One of my clients, Fannie Mae, I think I did 43 transactions for them last year. It's a lot easier to keep one person happy than it is to keep 43 people happy.

Rob: Without a doubt.

Frank: I got one guy, I call him everyday and as long as I keep him happy we'll sell another 43.

Rob: Wow that is engineered just like my business! I focus on selling one investor multiple homes. You get one client and list 43 homes for them! One client leads to multiple future sales!

Frank: Better yet, I have very low overhead. Like I said I don't have blimps or billboards or any of that stuff. And my transactions are less drama than they used to be because my sellers, I mean, to them this is just a business transaction. They know they're losing money and they're not emotional about it. I still have a few private sellers that I sell properties for every now and then and for them it's a really emotional time because they're all losing money. Some of them have to bring money to close. So there is a lot more drama with my private sellers.

One of the things that I've enjoyed is the leverage because a lot of the work can be done by other people in the REO business, which has allowed me to focus on other business opportunities, like broker price opinions. I don't type them up. I don't go out and take pictures of properties or deliver signs or any of that stuff anymore. You can if you like, you just don't have to. And your clients have financial and legal motivation to sell. Banks can legally own real estate. They have to be actively selling it. They can't keep it.

Right now, like I mentioned, is the best inventory. There's a high demand for bargain priced properties. For anybody that is in the market to buy right now, their number one fear is that they're going to buy something and lose money on it. Then best of all it's estimated that there's going to be two and a half million foreclosures this year and all of them got to get sold.

Now there are some myths that I hear and these are common because I hear them at every city I speak. Somebody always raises their hand and says, "Yeah but I hear you have to know somebody to get REO listings." Well when I got in this business eight years ago I didn't know anybody in the real estate business. I didn't know anybody in the banking business. They wouldn't even let me in most banks. In fact I still don't know anybody because it's not the way the business works. Out of the people that I do business with, I've only met one of my clients ever in person.

Rob: That's nice.

Frank: And that was just kind of a fluke thing. We both happen to be at the same meeting. Two my clients I've worked with them for eight years now and I've never met them.

Rob: All over the phone and fax huh?

Frank: Yeah, it's all over the phone or the fax. They have no idea what kind of car I drive or what kind of clothes I wear or any of that. It's just what I do to take care of their properties for them. I hear a lot that if you go talk to an agent in your market that's doing really well in REOs they'll probably tell you that it's not profitable to sell them. Obviously, they're just trying to discourage you from getting in. Banks do not have all the agents they need. If they do today they won't tomorrow. The inventory levels are just skyrocketing.

I was down in Phoenix doing a class for First American Title and they're telling me that in Phoenix proper, so just the metropolitan area in Phoenix, they were opening up 1480 title policies a week on foreclosed properties.

Rob: That is simply crazy.

Frank: That's just one title company. There are probably 10 title companies down there. They've actually opened up two offices dedicated just to opening titles on foreclosed homes.

Rob: Wow.

Frank: There's got to be more than one title company doing it. There's at least a couple thousand a week. That's just…I can't even fathom that. Kansas City we're doing like 400 a month. Phoenix 2,000 a week. It's crazy.

Advertising is not the best way to get REO listings. You do not have to have REO experience to get into this business. Banks are kind of hard to deal with compared to residential private sellers. But they're not if you follow their instructions. And one thing that banks are good at is they give you written instructions. So if you just go down the list and do what they ask you to do, you're not expected to do anything else. Once you figure it out, they're pretty easy to deal with.

It used to be that you had to spend a lot of your own money maintaining your REO listings. Now 75 percent of the properties that I care for are under service contract with national contractors, which means once they give me the property they also assign it to a contractor that goes out and takes care of the property. He mows the grass. He cleans the thing out. He goes by once a month and cleans it up. I don't have anything to do with it. It's a rare instance anymore where I have to put up my own money to have a property cleaned or work done to it.

Rob: Well that's been a nice change then.

Frank: Yeah. The big expense or I should say the relative big expense is I just have to keep the lights and the gas on. I'm averaging, oh probably $120 to $150 dollars a month for each of my active listings to keep utilities on. But at the end of each month I just turn in my expense reimbursement and they send me a check for it. So I get my money back.

Rob: Yeah.

Frank: And it used to be REO properties were in bad areas, in bad condition. Gosh now they're in every neighborhood. One of my members just sold a REO for $1.2 million the other day. Who's the big ball player, gosh what was that guy's name?

Rob: Jose Canseco?

Frank: Jose Canseco, yeah. Just let his house get foreclosed on, $2.5 million dollar home. I doubt it was in a bad area. Did you see the interview? Did you see what he said?

Rob: No I didn't.

Frank: His financial advisor told him it didn't make sense to keep it because it was worth less than what he owed.

Rob: That's it?

Frank: Yeah. Yep. Yep. So it's pretty interesting times.

Well for anybody that's listening that's interested in getting into the business this is where the listings come from. There are only five places – banks and mortgage lenders – this would be like Bank of America as an example. Bank of America has foreclosed properties. They hire agents themselves. They assign listings to those agents. The agents sell the properties directly for Bank of America.

Number two would be asset management companies. And asset management companies are kind of third party. And they basically outsource, the bank outsources their REOs to an asset management company. An example here would be Wells Fargo. Wells Fargo is one of the largest lenders in the nation. They have tons of REO properties. They don't sell any of them themselves. They outsource them all to a company called PAS. PAS in turn finds a local agent, list the property with them and manages the process until it's sold. And for that, they will get a referral fee from the listing agent. It's generally around 25 percent. And this is where the big growth is right now because most of the companies can't keep up with all of their properties.

In fact Fannie Mae, when I became a Fannie Mae agent three years ago Fannie Mae sold all of their own REOs and then last year they brought in an asset money company. Today I think there are five asset management companies and Fannie Mae, all selling Fannie Mae properties. I sell Fannie Mae properties for Fannie Mae and I sell Fannie Mae properties for two asset management companies. That's how many they have. They can't sell them all themselves.

Rob: Wow.

Frank: Number three would be your secondary purchasers of mortgages like Fannie Mae and Freddie Mac.

And then number four would be the mortgage insurance companies. These guys are getting hammered right now. They wrote PMI Insurance. So people get a 95 percent mortgage and get insurance on that last five or get a 90 percent with MIP or PMI, or whatever. When the loan goes bad these lenders that are stuck with the property are filing insurance claims. And the insurer has the choice to either pay the claim or buy the property. And in many instances they're buying the properties, rehabbing them, listing them with an agent, and ultimately selling them.

And then the last, of course, is to advertise. But the only place you want to advertise is where these banks, asset management companies, secondary purchasers of mortgages and mortgage insurance companies go and look. And that's primarily online. There are a couple of really good directories for REO agents where you can advertise yourself, so when a bank, asset management company or Fannie Mae gets property they can find you online.

Now if you want to get started the way the process works is you register with these financial institutions to become an approved REO agent for them, to get on their list. You start by performing broker price opinions for them, which is like a CMA or a mini appraisal if you will. And then at some point in time you'll prove yourself to them and they'll begin giving you REO listings.

Now along the way you'll also want to advertise in a couple of REO directories. There are two big trade conventions every year that you can attend to network with other brokers and agents and make connections in the industry. That's really it. It's a simple but mysterious business if you will.

But here are my top 10 reasons why I love REO listings.

Rob: This like your David Letterman?

Frank: This is my David Letterman. My wife says I should try to be funny instead of just looking funny. I think she's funny. Number one, they have no pay off. So my clients are never upside down. They can't decide to just keep it. They didn't over improve it so they have no emotional attachment. They didn't pay $50 grand for the pool with the waterfall. They look at that as a place for the mosquitoes to breed, right? They don't care. They're losing $150 dollars each day that it's on market. They won't list it high and just wait until someone who loves it as much as we do comes along. They can't sell it FSBO and they can't rent it out. They never request more flyers and they don't get virtual tour envy.

Some people now have music on their virtual tours and I guess now some agents have purchased helicopters and can give you a virtual tour from the sky.

Rob: You're not doing that?

Frank: No.

Rob: That's good.

Frank: They don't care what kind of car you drive. And they won't try to negotiate your commission at the closing table. Best of all, legally, they're required to sell the property.

Now if there were a downside to this, it would be that I have to provide more service for my corporate client because they're in Texas and I'm in Missouri. I'm the obvious person to go over and check and see if someone still lives there when they get the property back. So we do what's called an occupancy inspection, either I or one of my representatives will go over and see if anybody is still occupying the property. That's just called an occupancy inspection. You don't get paid for that because you're getting the listing. That's just one of the things that you have to do.

Now if someone lives there we tell them what has happened. Often times they're shocked. They didn't open their mail. There's usually a pile of mail there like three feet tall from the law firm of Millsap and Singer. It couldn't possibly be good news, right? If it's from the law firm of Millsap and Singer you know it's bad. Plus there's also a big orange sticker on the front of the door from the eviction attorney. They're surprised and we want to help them move. So the banks now are offering them money to help them relocate. This is called relocation assistance or cash for keys.

So basically it goes something like this, “Hi my name’s Frank. I’m a real estate agent. The bank’s hired me to sell this house now that they’ve foreclosed on it. Are you planning on moving?” They all say, “Well no.” And I say, “If we gave you some money would you move?” And they say, “How much?” Usually were offering them about one percent of the value of the property. So $200,000 dollar house were offering them $2,000 dollars to be out three or four weeks. And if they say no, then they get what’s behind door number two, which is they get a referral to the eviction attorney. And then I leave, just report the property as occupied. They won’t move and the eviction attorneys take care of everything.

So then I’ll get a call that the property is now vacant. I’ll send the locksmith over, usually the one that the bank has an account with or the bank’s contractor. They’ll change the locks, board up any broken windows, they’ll winterize the property, clean it out. If there are any repairs that need to be made in order to preserve the property like maybe they stole the skylights out of the roof. I’ll get a repair bid for the bank and send it in and let the bank decide whether or not to do it.

I do a broker price opinion and this one I’m not paid to do. This is like a CMA. If they do decide to make any repairs I’ll arrange to let the contractors in. Each month I fill out a monthly report to let them know about activity in the neighborhood, any showings we had on the property, and that kind of thing. I pay the utilities – gas and electricity – and then submit for reimbursement. And then if there are any city fines or HOA dues and arrears I get the information on that and forward it to the bank for payment.

These are all the things that I do instead of prospecting and these things I do from the office between 8:00 and 5:00. So that’s kind of the trade off.

Now if you want to get started here’s what you need to do. You’re going to need to get a copy of your real estate license, your company’s real estate license or your designated broker’s license, the declaration’s page of your arrears and admissions insurance and a list of zip codes that are near your office. And most of my clients prefer to hire agents that are within 15 miles of a property. So just get all the zip codes that are within 15 miles of you and put them on a spreadsheet.

Now you’ll start registering with every company that you can find and there are lists available on the Internet. You can save yourself some money by skipping this part because most of them aren’t any good. But I’ll show you where you can get a list of companies. You’ll register with every company that you can find. There are 600 companies in the United States that sell their own REO properties. There are more banks than that but only 600 sell their own. The rest of them outsource it to asset management companies.

You’ll start by preparing broker price opinions and you’ll be paid for this. Typically you’re paid between $40 and $120 dollars for each report. And you’ll do this for several months. This is kind of the interview process.

Along the way you continue to register with any bank and financial institution you can find, advertise on a couple of directories, network with any REO agent that will help you and usually these are ones that are not in your area. And start building a support network of contractors in case you do have a property that has a water leak then you'll know a plumber.

Now there's two ways to learn how to do something. One is through your own mistakes and one is from the mistakes of others that have gone before you. I have no doubt that everybody on the call could figure this business out themselves over the next eight years just like I did. However, you have to ask yourself how much would it be worth to you to be able to figure it out now?

If you want to learn how now, I have a program for you called The REO Home Study Training Course and this includes two manuals. Basically I sat down and over the course of three months I distilled everything that I knew about my REO business, how it runs, how I got started, and how I helped other people get started. I distilled it into two training manuals. So you get two training manuals and you get two group coaching calls, the list of 112 clients, and it's a kind of a self-paced do-it-yourself home study training course.

I have agents that have taken this exact home study training course and have built listing inventories of over a hundred active properties and are selling over 20 properties a month in eight months. So the information's good. This course is $447 dollars. There's only one way you can get it for that price and I'm going to show you.

When you look at it I got one client that I sold 43 properties for last year. If the average sales price in your area's $200,000 dollars and the average listing commission is 2.5 percent you could make $5,000 dollars on just one REO sale. That's over 10 times the price of the home study course or three times the price of the coaching course. And the home study course comes with a risk-free guarantee. You've got a whole year to try it. If it doesn't work for you after 12 months you just send it back, we refund your money.

Now, here are some words we received from a real estate professional that invested in the program. He said, "I ordered Frank's course two weeks ago. Told them the webinar was awesome. I received my first REO listing order today." Now I don't know how long that was but it didn't take him long because that was only a couple of months ago. I had a gal that was on my webinar back January the 11th. She's a new licensee, got her real estate license in September. Started with an exit office down in Arkansas in November, was on my webinar on January 11th and by the 29th of January she'd done 30 BPOs and got her first REO listing.

Rob: Wow.

Frank: So you don't have to have years and years of experience and you don't have to live in California, Arizona, and Florida to list and sell REO properties. They're everywhere. They're all over the place. Here's a guy making six to $8,000 dollars a month in BPOs only. He's getting seven to 10 new listings a month. He's only registering half the companies on my list.

The offer that is available, the thousand dollar discount on the coaching program and the $50 dollar discount on the home study course are only available until Friday at midnight. And here's how you order – go to InvestingNewsLive.com. It's www.InvestingNewsLive.com. Order the home study training course. There's a place for a coupon. You type in the word 'renegade' and it gives you a $50 dollar discount.

That's all I've got Rob. I want to get our moderator on.

Rob: If you folks can hear me this is Rob. Frank's getting the moderator so we can take any questions that you might have for him. This is great stuff. I was taking notes. The media actually seems to be helping agents with foreclosure listings.

Frank: Well the press just keeps pressing on. They're making it worse or making it better, depending on what side you're on.

Rob: There's opportunity in every adversity and obviously for some folks it's an adversity. For those of us in the business it could potentially be a lucrative opportunity.

Frank: Well and I think those of us in the REO business will be the first ones to know when the market turns.

Rob: Yeah, that's for sure.

Frank: I bought four houses last year. I'll probably buy another four this year. And when I see the first glimmer of hope I'm going to buy all of them they'll loan me the money for.

Rob: Wow, you're in the right position. You're in the first position for them. So that's fantastic.

Frank: I get this question a lot but we can't buy any of our own listings but I know who all the other REO brokers are.

Operator: You ready for your questions?

Frank: We're ready.

Operator: Okay ladies and gentlemen at this time we will be conducting a question and answer session. If you would like to ask a question at this time please press star zero on your touchtone telephone. Once again press star zero if you have a question at this time. One moment please.

Operator: Okay our first question comes from Sharon. Sharon please state your question.

Sharon: Hi. My question is is a BPO only for brokers because I'm just an agent. Can I do that as well?

Frank: Thank you for asking that question Sharon.

Rob: It's a great question yeah.

Frank: You can. And actually when you list a property as an agent you're always listing it under the broker's name and you're the designated agent. It's the same thing with a BPO. You'll be doing that BPO under your broker's supervision and you still get paid for it just like a broker would.

Sharon: Okay. Thank you very much.

Rob: Good question.

Frank: You're welcome.

Operator: Our next question comes from James. James please state your question.

James: Okay. I'm calling from New York City. I'm a realtor. I own an exit office.

Frank: Oh okay, very good.

James: Great. And I'm trying to see if we can…we do a lot of short sales over here, a lot of modifications but we want to get into the REO scene. I do know all the REO brokers. I'm not going to mention their names but I know most of them in New York. How would I get into this mode because I hear that it's very difficult, it's like they have control of the market?

Frank: That's a common myth. They may have control of the market for local banks but they don't have control of the market for national companies and all the companies on my list are national.

James: Okay, okay.

Frank: It's just like I work Fannie Mae, no one has a relationship with Fannie Mae because Fannie Mae switches the asset managers every year to keep that from happening. So you might be playing golf with them this year and be buddy buddies but next year you're starting all over again.

Rob: That's true.

Frank: So everybody that I deal with is they're national companies. I haven't even attempted to get into any of the local companies here because obviously that's the way the business is run locally. I couldn't go down to the bank at Lees Summit, where I live, because the guy that's the president of the bank of Lees Summit his wife is an agent.

James: Okay. Great. Well listen I appreciate it. It was very informative and I definitely intend to register for that second option, the home course.

Frank: Very good James. Thanks for being on the call.

James: Thank you.

Operator: Our next question comes from David. David please state your question.

David: Yes hi. I live in Spring Hill, Florida.

Frank: Okay.

David: And crazy, crazy, crazy down here. Right now I guess our market is a hundred sales a month, 200 foreclosed a month down here.

Frank: Wow.

David: Yeah. I guess my question is about your home course. Is it easy to follow and to put into effect because I've seen other courses and they give you the information but you just don't connect?

Frank: It's step-by-step and then I do two calls, two instructional calls. I broke it into two manuals. You read one, we have a one-hour conference call. Two weeks later you read the second one, we have a one-hour conference call and then I have one Q&A call. It's an hour long. You can be on there and it's almost always the same, seems to be most of the questions are very similar. So you get three hours of instruction plus the two manuals and it's very simple. I left out all the fluff. It's just here's what you need to do.

I've been accused of being kind of blunt and to the point but I think that's what people want.

David: Okay.

Frank: It should be everything you need to get started. In fact, my number one, most successful member, Kevin Miran, in California, he won't mind me saying his name because he's got over 200 properties right now, a hundred active listings and 38 properties in escrow when I talked to him last night. That's how he got started last year in August.

David: How much work, I mean I understand it's a lot more work than a normal listing. How much work is it? BPOs don't seem to be too hard. I guess if you go by what they ask…

Frank: Yeah the BPOs, the first one's going to take you all day. Right? Because it's brand new to you. It probably took me three days to do the first one. Now I can do the whole BPO in an hour and that doesn't include going out to the property. So if you've got to drive over to the property, take some pictures, and come back to the office it's going to take you an hour and a half.

David: Now is that using the MLS when you do it or is that using a program?

Frank: Yes, use the MLS.

David: Okay.

Frank: You're not going to get rich doing BPOs but in a market like yours you're going to be able to build up a huge number of REO listings in a short period of time. The problem is you're going to be taking care of a huge number of REO listings for a long period of time before they sell. So the way you survive is on the cash flow of doing the BPOs because you get maybe one person to help you type the things up, a high school girl or a college kid to come by and type the things up for you. You can do four or five of them a day and you live on that cash flow while you're waiting for the REO listings to age because they all sell when the price gets low enough.

David: I see. Okay. So the bank just basically tells you, "Okay drop it $10 grand."

Frank: Every month they systematically and incrementally just lower the price and usually they start selling a hundred to 120 days, the properties start selling because the prices are getting low enough.

David: Right.

Frank: But you just got to make, like I said, if it takes you six months to get your listings and then another three months for them to start selling you need to be prepared for nine months with no money. And that's why we teach you how to do BPOs because every foreclosed property will cause nine broker price opinions to be ordered and paid for.

David: Okay.

Frank: They'll do three drive bys and pay three brokers to do a drive by BPO before they ever foreclose on it. Then after they foreclose on it they'll have three interior BPOs, which pay more money and then if they have it 90-days they'll do a couple more.

David: On that same house?

Frank: On the same house.

David: Wow.

Frank: It's not uncommon for them by the time they've sold it to have nine BPOs done and paid for.

David: Wow.

Frank: So you could make a living doing the BPOs while you're waiting for your REO listings to start selling.

David: I see. Okay.

Rob: Frank we have time for maybe one more question you think?

Frank: We have time for one more Rob.

Rob: Okay.

Operator: Our next question comes from Jane. Jane please state your question.

Jan: This is Jan Smith. I'm calling from Osage Beach. Can you hear me?

Frank: Yes I can.

Jan: Okay. Osage Beach were in a resort market so we have a little bit of a different scenario than a lot of areas do but we are starting to see more and more of the foreclosures coming up. So I've got a couple of the agents in the room with me and our question is is there a standard term or a standard commission rate that you can usually expect on an REO?

Frank: Yes.

Jan: A standard term of contract?

Frank: Yes. And is it Osage Beach, Missouri?

Jan: Yes.

Frank: I know right where you're at.

Jan: Okay.

Frank: I can tell you there's going to be more in your area because I know a lot of builders that own houses, lake homes, and they're letting them go. Here's what you can expect Jan. If you're working straight for the bank and not for an asset management company you're probably going to be working for five percent and they're going to dictate how you split it. It's going to be a two to the listing company, three to the buyer's broker.

You can double in the transaction and get all of it if you can find the buyer yourself. If you're working for an asset management company, which is about 50 percent of the business the bank outsources all their REOs to the asset management company. The asset management company sends you the listing, you're going to get six percent but you're going to have to give them back a referral fee on the listing side.

Jan: Okay.

Frank: 25 to 33 percent. It's a volume issue. I don't mind because I don't have to pay any advertising to get the listings anymore. I just come to the office and get them off the fax machine.

Jan: Okay. And the terms and do they vary?

Frank: The terms are always 90-days for the listing agreement. They can cancel it at any time they wish. The Missouri Real Estate Commission does not like any of the listing agreements that the banks give us and the banks say, "Too bad. We could always quit loaning money in Missouri." So they won't sign your listing agreement most of the time. They send you theirs, which they use in all 50 states. There's nothing you can really do about it but it's a 90-day listing agreement. If you turn in all your paperwork on time during the 90-days they automatically extend you another 90.

After six months whether or not they extend just depends upon your relationship with the asset manager and if you've had any activity on the property. They like to shuffle them up. So usually at six months I lose the property and it's kind of funny because there's like four of us here in Blue Springs. I'll lose a listing, it'll go to Dawn. Dawn will call me, "Hey just lost one to you." We just swapped signs. It's a big joke. Automatically it's going to cause it to sell by taking it out of Frank's name and putting it in Dawn's name in the same MLS.

Jan: Yeah when you're doing the same niche. Yeah.

Frank: Yeah were doing exactly the same thing. But the terms are written to benefit the bank.

Rob: Well thank you for your question.

Frank: Thank you Jan. It's good talking to you.

Jan: You too.

Frank: Rob thanks for having me on man. I appreciate it.

Rob: Thank you very much and I appreciate the special coupon you offered. That website again was http://www.InvestingNewsLive.com and the coupon code did you say was 'renegade' Frank?

Frank: Renegade, R-E-N-E-G-A-D-E, renegade.

Rob: Okay. Well thank you everybody and have a great day.