Online Technology to Manage the Real Estate Owned (REO) Process

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ABSTRACT

The WinREO real estate management software provides a case for extracting business intelligence benefits for a small/medium-sized business systematically as part of other business functions. The software was developed by breaking down the complex REO sales business process into a series of data points, which can then be captured from users as part of a workflow engine. These many tables of data are used to construct tailored workflows and combined to produce meaningful reports for various users inside the organization. Tools for collaboration on the basis of shared data, performance measurement and knowledge management bring additional business intelligence benefits to a small- or medium-sized real estate office through continuous collection of data in various sections of a the software suite. This document details the software’s functions, noting the various instance and implementations of data collection for these purposes.

Keywords: Collaboration, Performance, Real Estate, Reporting, Workflow Engine

INTRODUCTION

In 2007 the real estate market started showing clear trends of falling prices. After years of rapid growth of both sales and new homes, the market shifted. Falling prices coupled with high unemployment led to many homeowners being unable or unwilling to continue to pay their mortgages. Eventually, many of these homes went into default and became property of the lenders behind the mortgages (Financial Crisis Inquiry Commission, 2011; Holt, J., 2009). These properties are known as Real Estate Owned.

The sale of real estate owned (REO) properties, known among those not in the industry as foreclosures, has little in common with a traditional sale. An activity typically associated with subjectivity and things like charm—the selling and purchase of a home—becomes much more methodical with considerations made by individuals with only a financial, not an emotional, stake in the property.

Listing Agents have responded to this change from the standard client by developing more methodical and systematic approaches themselves. Some have turned to technology to assist in the process, from record keeping to workflow management.

In my own experience, existing solutions were lacking. While there were industry-specific software options available to REO Listing
Agents that were advertised as workflow/task managers, many came up short as they sought to solve the problem of variance within the industry with simple tools that typically served the same function as a calendar reminder.

Motivated by my background in computer science, we sought to develop a better solution that went the other direction. It would be one based on an abundance of data points, with capturing these data points being the first goal of the software. The data would be structured by a workflow designed to tackle every step of the process with tasks that required only as much as needed to advance the process but capable of capturing much more. And, to address that problem of variance, the workflows and tasks would be adaptable to an office’s clients or own preferred practice through logic rules and customized orders (that is, the order in which tasks occurred). We called it WinREO.

In developing WinREO, my team and I took a data-centric approach to the REO process. We believed that focusing on the data and not just a prescribed series of actions, we’d have a product that could support many brokerages. This followed the realization that while the Listing Agent was seeking to accomplish certain tasks, their primary goal was to capture certain data points that could be conveyed to their client or used to facilitate the next action. We did understand that capturing that data required a framework that was user-friendly and staggered. So while the end result is a workflow of tasks, what we feel makes our approach different is that we developed our software by seeking out the data points, then worked backward again to shape the tasks to be, first-and-foremost, aggregators for these data.

To create WinREO, the end-to-end REO process was deconstructed into a series of tasks collecting a specified array of data with distinct stakeholders invested in its completion. This paper reviews that deconstruction and the approach taken in developing the software.

The REO Process, Briefly

The REO Process entails all tasks and actions associated with the “securing and assessing [of] the property, developing a marketing strategy for the property, [and] executing the strategy from sale to closing” (Theologides, 2010, p.79). That is, it covers every step from the moment the property is known to its transfer to the new owner.

For the Listing Agent, the REO Process begins upon property assignment from the Asset Manager—an individual from either the bank/lender or entity acting on their behalf—to Listing Agent. The property can be delivered either vacant or occupied, a condition often not known at the time of assignment.

If occupied, the Cash For Keys (CFK)/Evictions process begins. The Listing Agent may be instructed to offer financial compensation to the occupants in return for their voluntary departure from the property—commonly referred to as “Cash for Keys”—to the occupant, and/or the attorneys may proceed with the formal eviction process.

Once vacant, the “property preservation” process begins. Initial services and repairs are completed in order to address any local code requirements or security/safety concerns and bring the property to marketable condition.

The Asset Manager will then provide the Listing Agent with a Listing Agreement, and the agent will begin to market the property. If the property is priced well and/or otherwise attractive, offers will come in from interested buyers, which the Listing Agent will submit to the Asset Manager.

The Asset Manager will accept an offer, and, once contracts have been signed, the property will go into “Closing”, or escrow. Once all documents are signed and the closing process is completed, the property will be officially recorded as sold, thus completing the REO process.
An Overview of Cognition Roles in Decision-Making

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