



# The Ever-Changing World of REO



# Panel Members

- Caroline Reaves - Moderator  
Mortgage Contracting Services
- Kevin McCarthy  
McCarthy & Holthus
- Phil Johnsen  
DDN Mortgage Services
- Leslie Bromer  
U.S. Department of Housing and Urban Development
- Bubba Mills  
Financial Asset Services, Inc.
- Steve Paton  
Marix Servicing



# Agenda

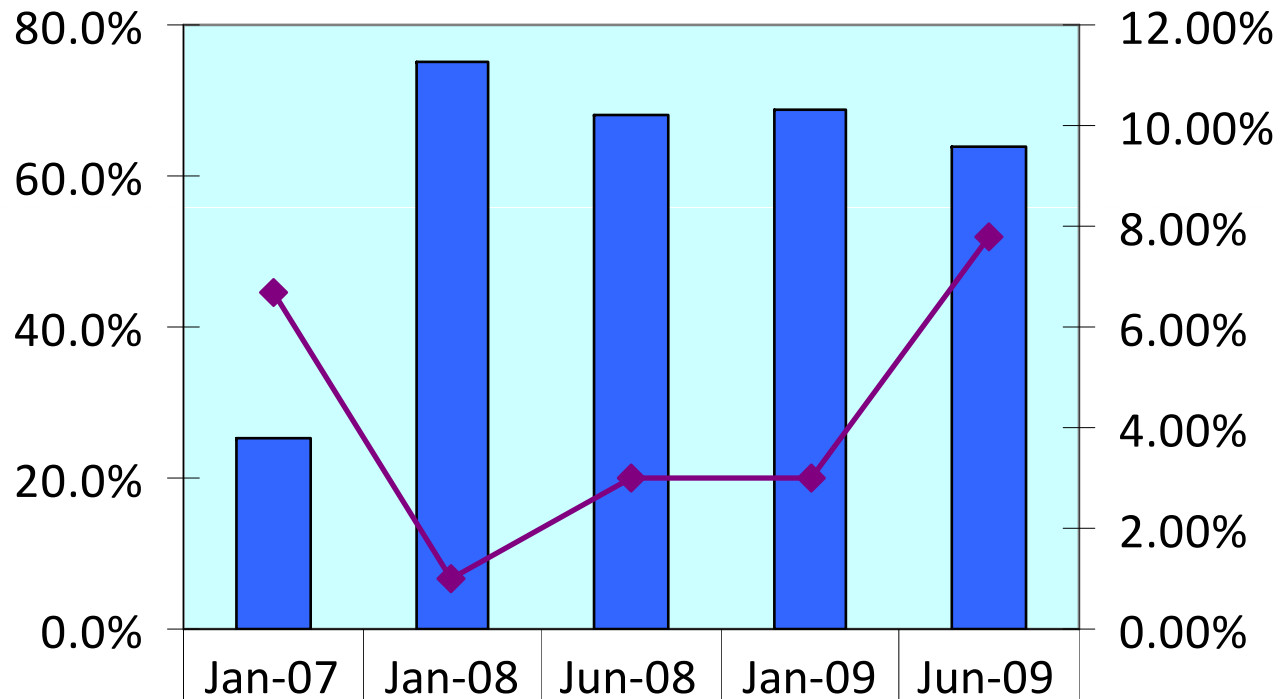
- Industry Statistics, Past Experience, Future Expectations
- Relocation Fees/Cash for Keys
- Tenant Act – SB 896
- Repairs/Maintenance
- City Ordinances/Code Violations
- Effects of Foreclosure Moratoria on staffing/resources
- Methods of REO Disposition
- Affects on HUD





# Western US Foreclosure Trends/Activity (Through June 2009)

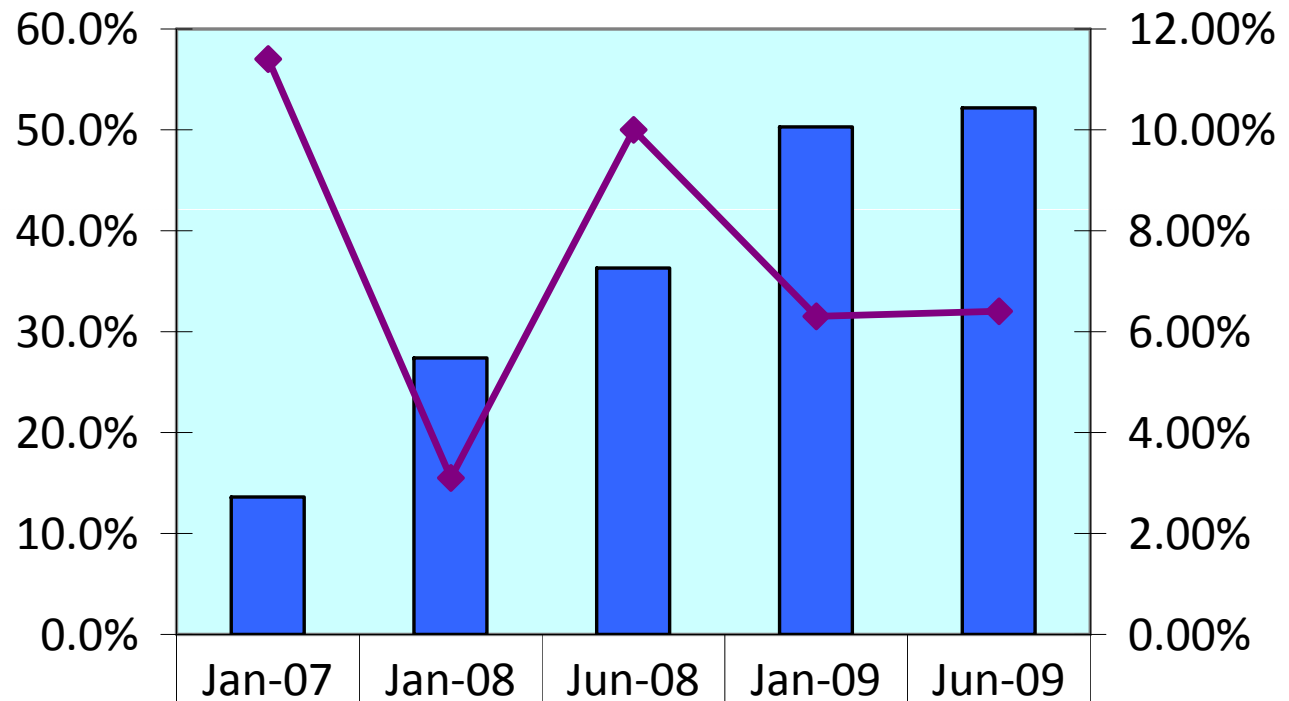
Kevin R. McCarthy  
McCarthy & Holthus  
Quality Loan Service  
Quality Escrow



# Arizona



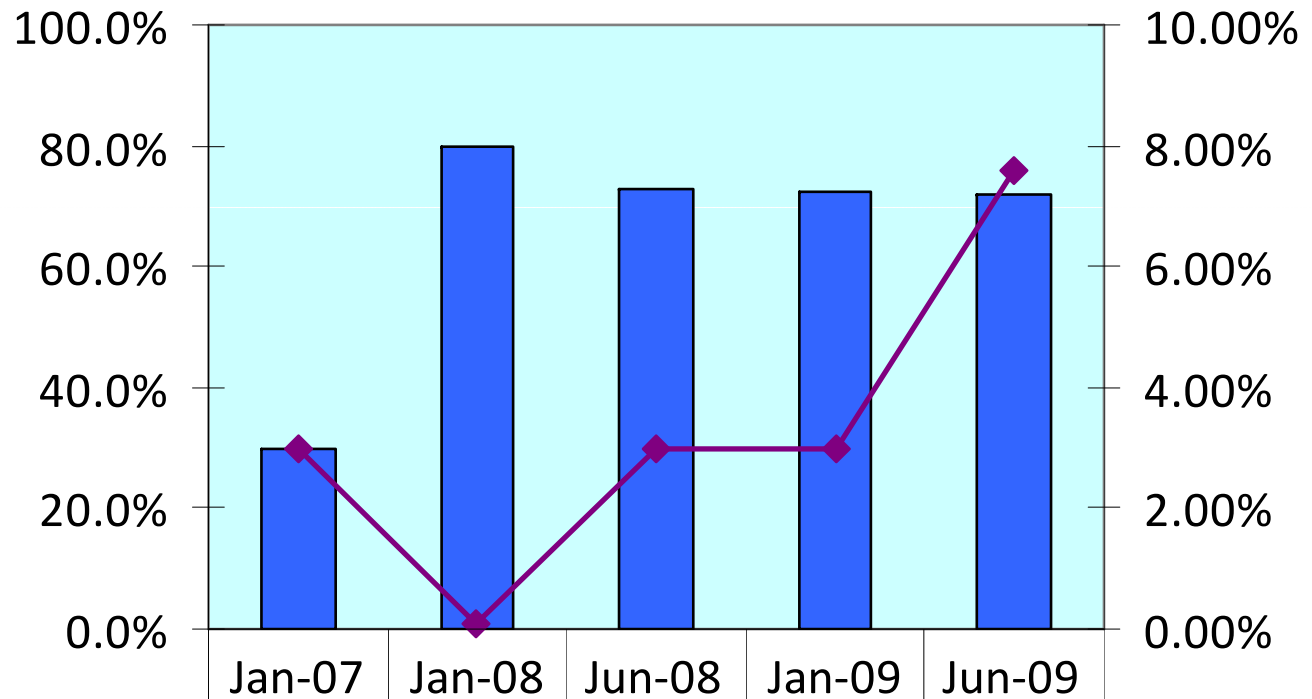
 % REO	25.3%	75.0%	67.9%	68.9%	64.0%
 % Sold Third-Party	6.70%	1.00%	3.00%	3.00%	7.80%



# Washington



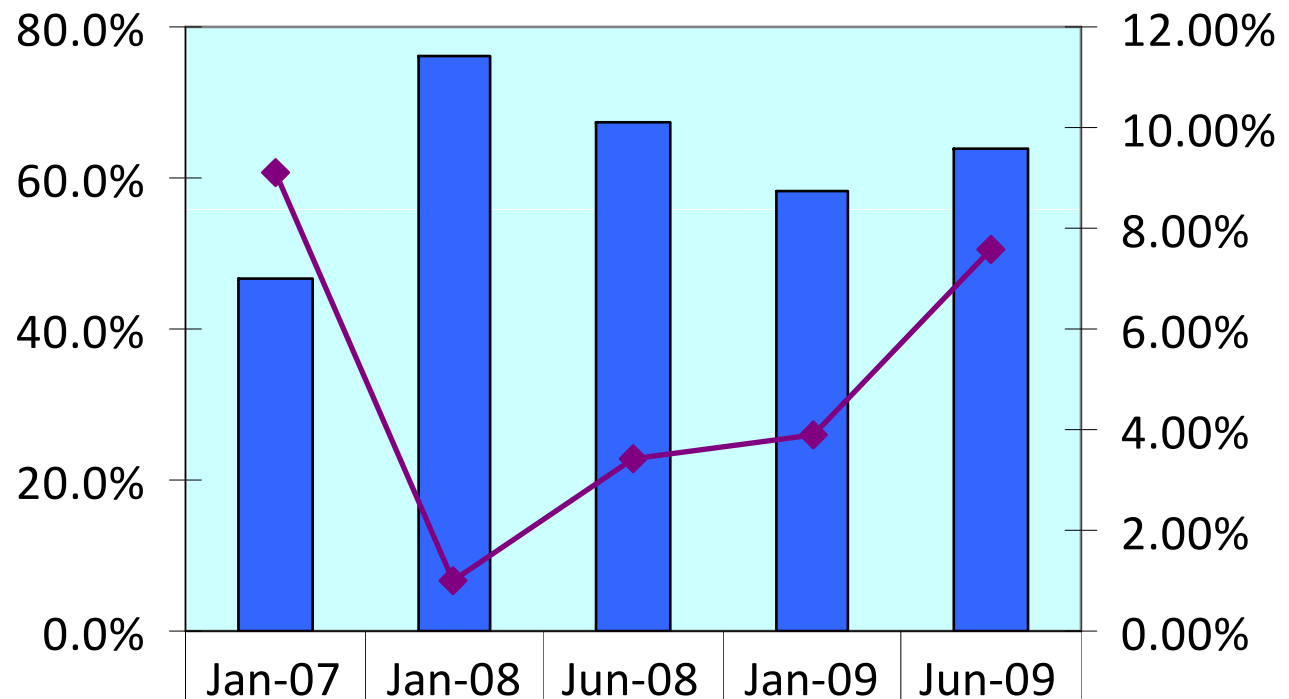
 % REO	13.6%	27.4%	36.3%	50.3%	52.2%
 % Sold Third-Party	11.40%	3.10%	10.00%	6.30%	6.40%



# Nevada



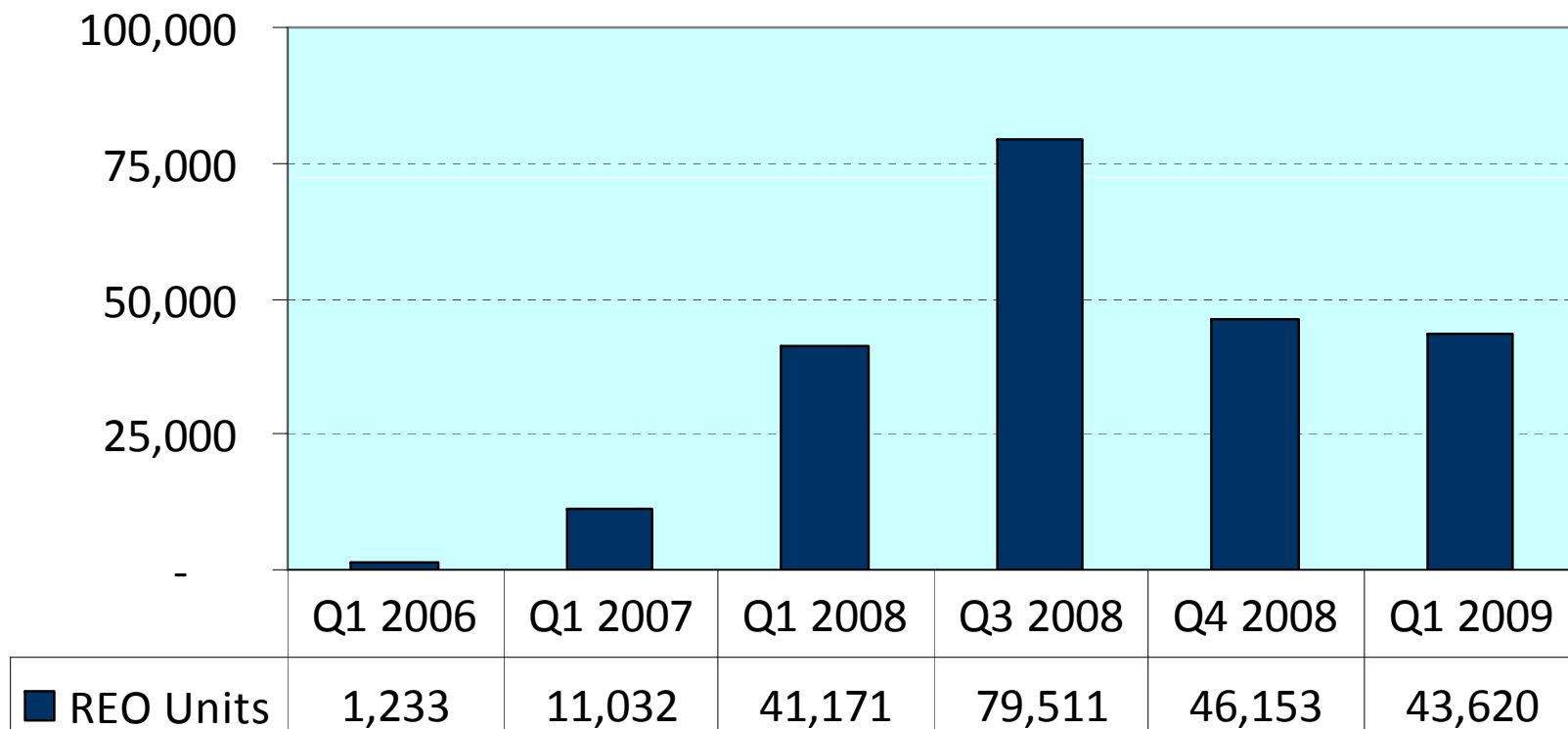
 % REO	30.0%	79.7%	72.6%	72.5%	72.1%
 % Sold Third-Party	3.00%	0.07%	3.00%	3.00%	7.60%

# California

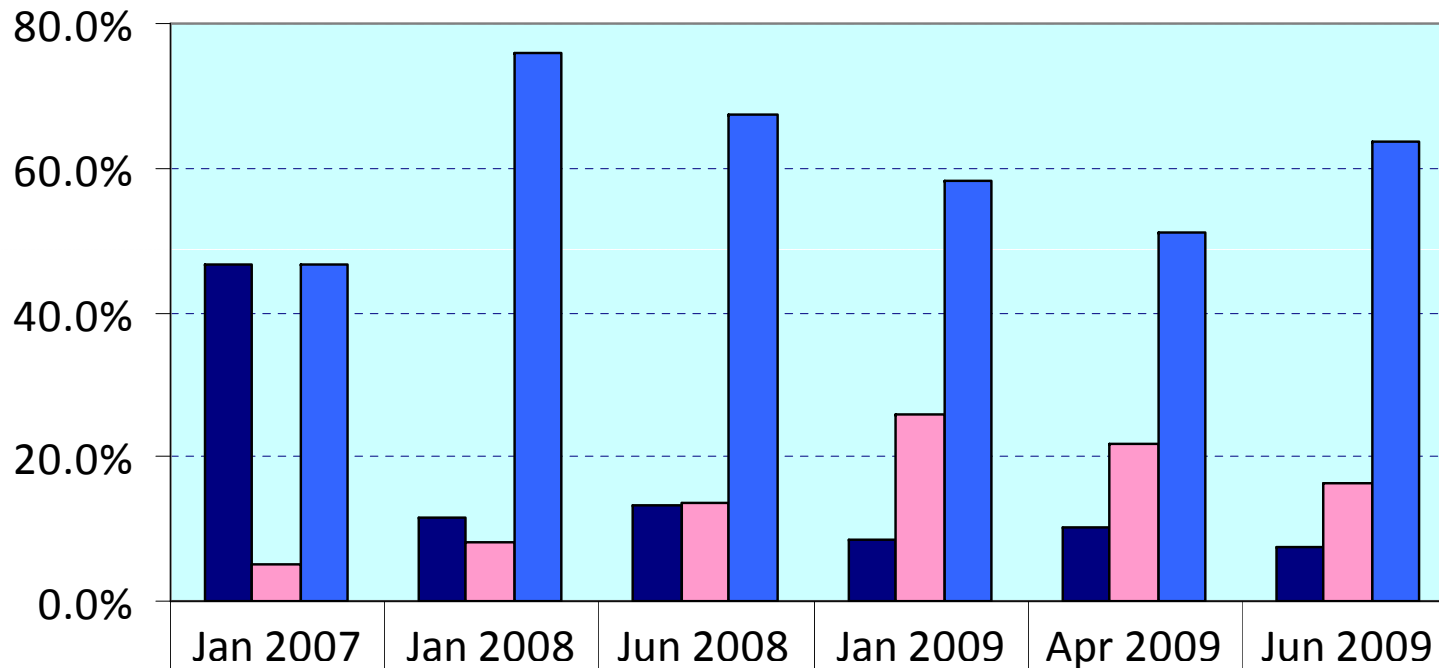


 % REO	46.5%	76.0%	67.5%	58.1%	63.8%
 % Sold Third-Party	9.10%	1.00%	3.40%	3.90%	7.60%

# California REO Volume

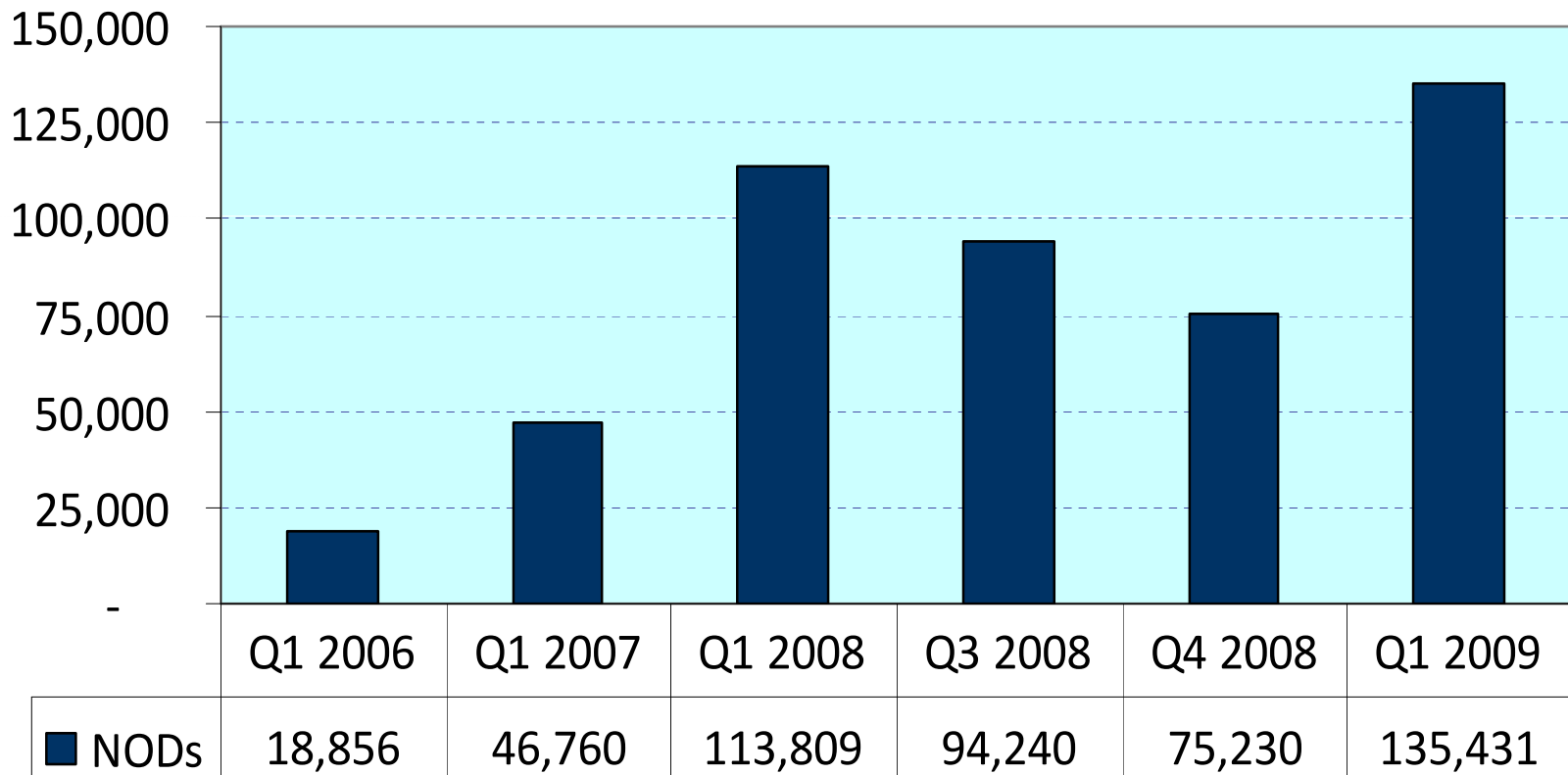


# California Closing Trends



	Jan 2007	Jan 2008	Jun 2008	Jan 2009	Apr 2009	Jun 2009
■ Reinstated	46.7%	11.6%	13.2%	8.6%	10.2%	7.4%
■ Loss Mit	5.1%	8.1%	13.7%	25.9%	21.9%	16.3%
■ REO	46.5%	76.0%	67.5%	58.1%	50.9%	63.8%

# California NOD Recordings



# CA Counties Rankings - '09 NOD Recordings

	NODs	Region
1. Los Angeles	20,339	SoCal
2. Riverside	15,022	SoCal
3. San Bernardino	11,149	SoCal
4. San Diego	8,975	SoCal
5. Orange	7,082	SoCal
6. Sacramento	6,898	NorCal
7. Contra Costa	4,718	NorCal
8. San Joaquin	4,657	Central
9. Alameda	3,327	NorCal
10. Kern	3,211	Central

## CA Rankings – Highest Assets to REO

	Assets-REO	Region
1. Los Angeles	7,054	SoCal
2. Riverside	6,519	SoCal
3. San Bernardino	4,525	SoCal
4. Sacramento	3,936	NorCal
5. San Diego	3,667	SoCal
6. San Joaquin	2,436	Central
7. Orange	2,233	SoCal
8. Contra Costa	2,228	NorCal
9. Stanislaus	1,596	NorCal
10. Kern	1,530	Central



# Sales Trends

- SoCal
  - ▶ May 2009: 83% of SoCal real estate sales sold for less than \$500,000
  - ▶ Median price: **\$249,000**
    - ◆ Second-lowest since it was \$242,000 in February 2002
  - ▶ 50.2% of sales had been foreclosed on in the previous 12 months
- NorCal
  - ▶ May 2009 median price: **\$341,000**
  - ▶ 42.1% of all NorCal sales in May had been foreclosed on in the previous 12 months



# Where are We Headed?

- Higher % of NODs going to sale vs. reinstatement
- Strong foreclosure activity through 2012
- Significant increase in CA sales began in June 2009
- Rise in NOD recording expected in September 2009
- Significant increase in CA REO assets to follow
- Some indication that we are approaching “affordability”
- Home prices predicted to hit 2001 levels by 2010
  - Some believe that this is an over-correction
- Interest rates, employment, mod defaults and resets are the “wild cards”



# Average REO Losses

- 2008 Average Percentage Loss: 38.7%
- 2009 Average Percentage Loss: 51.8%



# Average Days on Market

- Redemption States:
  - ▶ 2008 Average DOM: **159**
  - ▶ 2009 Average DOM: **197**
  
- Non-Redemption States:
  - ▶ 2008 Average DOM: **87**
  - ▶ 2009 Average DOM: **95**

# Relocation/Cash for Keys

Tenant Bill 896



# Repairs and Maintenance

# City Ordinances and Code Violations

# Affects on HUD