

Distressed Home Solutions

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What is the Distressed Home Market





What is the Distressed Home Market?

Florida ranks No. 2 in foreclosures

- January to June 2009 had **225,170 pre-foreclosure filings!**
- January to June 2009 had **53,548 homes go into foreclosure!**
 - Compared to **43,845** during the same period in 2008
- Over 90% of pre-foreclosures never get listed for sale
- **Short sales represent 87% to 90% of our inventory!**

Distressed inventory in ECAR [Active, Contingent, Pending]

Property Type	All Distressed	Short Sales
Combined Residential [A,C,P]	2,043	1,797 or 88%
Combined Residential [A]	1,296	1,140 or 88%
Single Family Homes [A,C,P]	1,222	1,060 or 87%
Single Family Homes [A]	739	641 or 87%
Condominiums [A,C,P]	651	589 or 90%
Condominiums [A]	444	400 or 90%

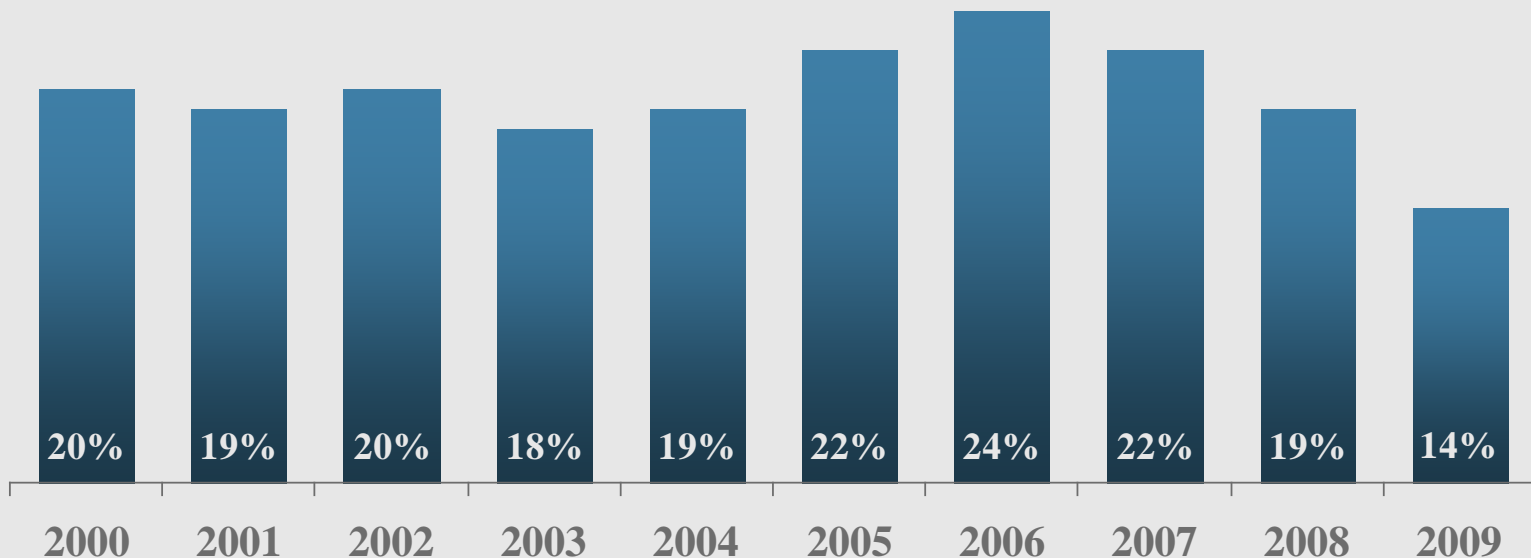


Affordability - % of Income

The percentage of a median family's income required to make mortgage payments on a median-priced home

Low mortgage rates and home prices, the \$8,000 tax credit, and a large stock of homes on the market are continuing to contribute to favorable buying conditions. Housing affordability continues to remain at record levels. The median mortgage payment now consumes 14% of family income in comparison to 19% a year ago.

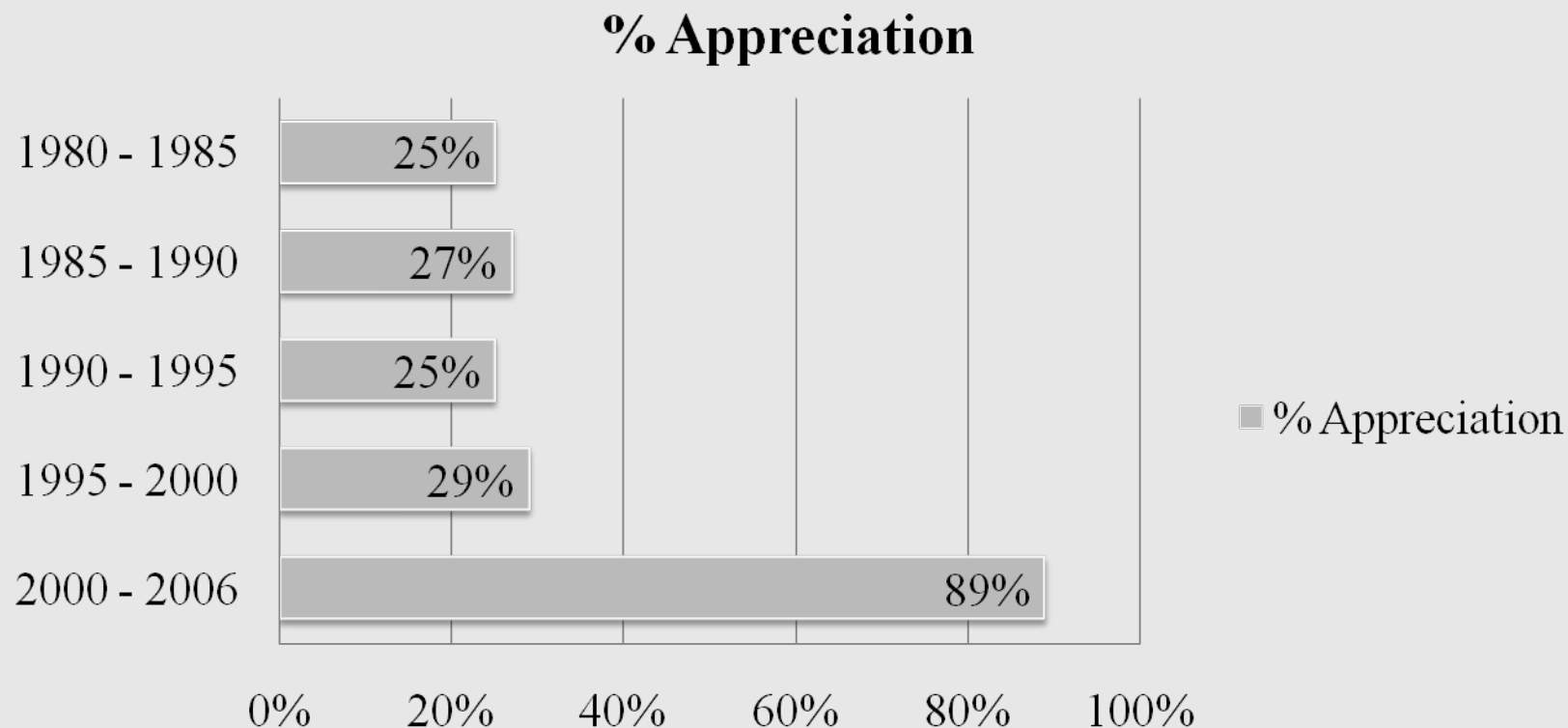
% of Income Required for Mortgage Payments on a Median-Priced Home



Appreciation went into overdrive



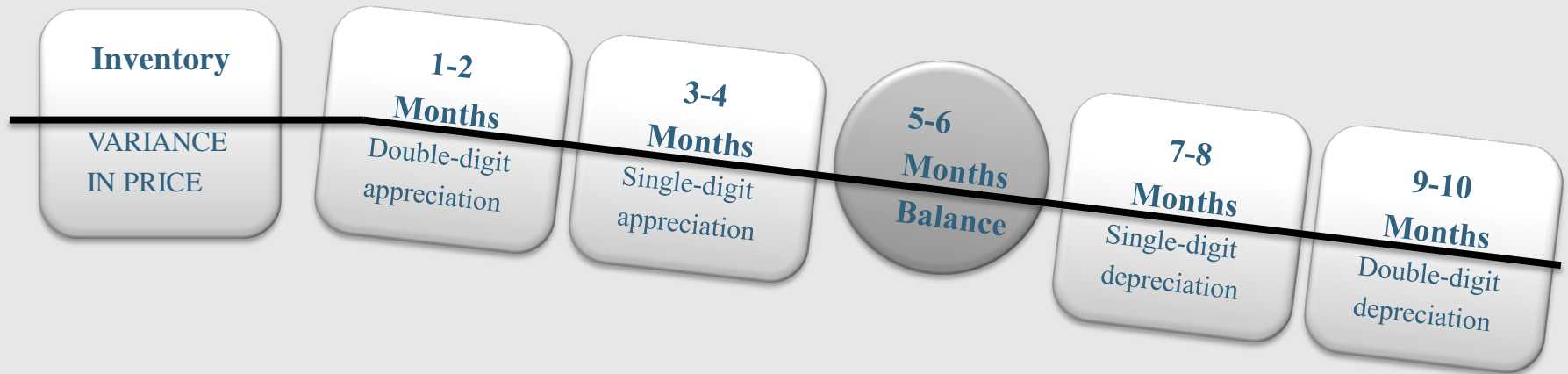
Historically, homes have appreciated at a rate of about 5% per year. In the six years between 2000 and 2006, however, appreciation was **89%**, or nearly 15 % per year on average. Today's correction is a move back to stability.



Lots of Listings = Depressed Prices



Although many factors affect pricing, in a down market, excessive inventory becomes a key driver. With only 1 to 2 months of available inventory we saw double digit appreciation in 2004. The balance point is roughly 5 - 6 months of available inventory. Once past this threshold we see depreciation. We currently have several years of inventory.



Stages of a Market Cycle



You've heard of Elisabeth Kubler-Ross's stages of death and dying? Well, the stages of a market cycle aren't that different. Today's market is still trying to work its way back to hope.



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SELLER

Short sale options and qualifications





Seller options and qualifications

Qualifying a Short Sale is Key

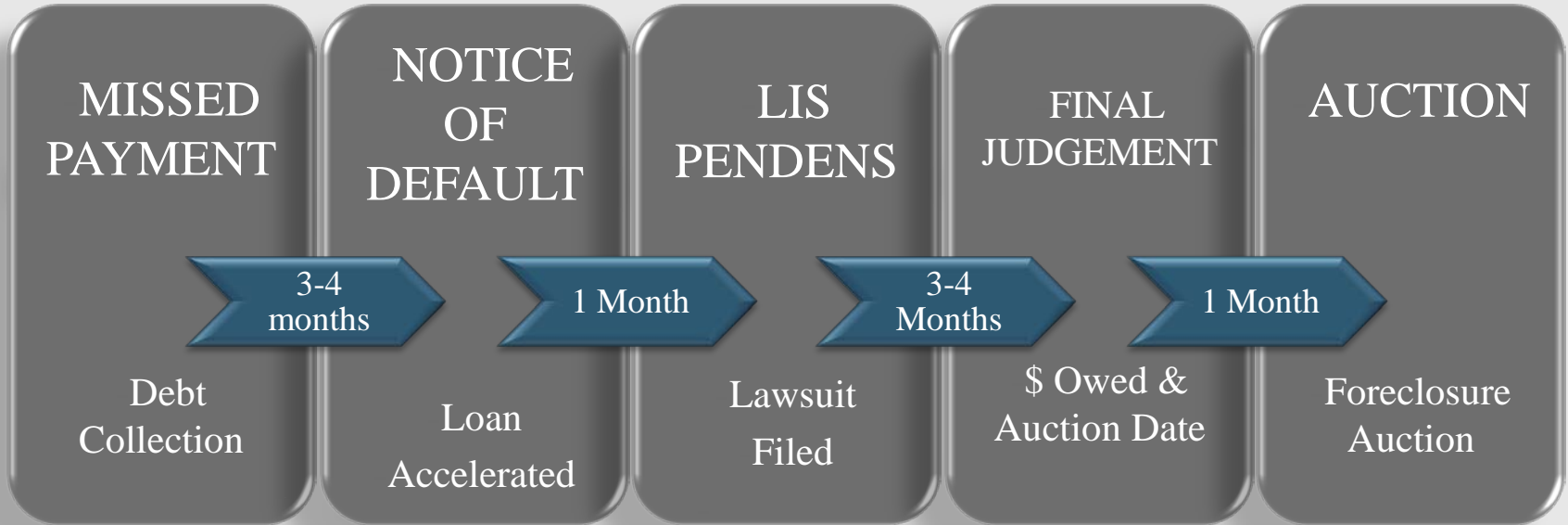


- Short Sale Gurus target 80%+ success rate through Pre-Qualification
- Alternative foreclosure options have been analyzed by seller and professionals
 - Repayment plans, Reinstatement, Forbearance, Loan Modification, Deed in Lieu of Foreclosure and Bankruptcy
- Pre-qualify Seller for a short sale: Insolvency + Hardship + Cooperation
 - Client must Demonstrate Negative Cash Flow & near Insolvency
 - Financial Distress Situation is Long Term
 - Seller Cooperation with the Short Sale Process
- Pre-qualify Property (some should be avoided)
 - Compare Current Market to Debt Owed & Identify Lenders
 - Verify Mortgages & Liens (HOA, TAX, Mechanics, Violation)



Short sale options and qualifications

Foreclosure Process & Timeline



Total Approximate Time 8 – 12 Months



Short sale options and qualifications

THE SHORT SALE PROCESS

STAGE 1

- Listing Agreement / MLS Listing
- Letter of Authorization
- Homeowner Financials
- Hardship Letter
- CMA

STAGE 2

- Signed Purchase & Sale Contract

STAGE 3

- Inspection & Repair Report
- HUD
- Cover Letter & Request

STAGE 4

- BPO
- Lender negotiation

STAGE 5

- Close
- Lender issues lien release
- Deficiency forgiven

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BUYER

Short sale options and qualifications





Buyer options and qualifications

- Pre-Qualify Buyer: Value & Selection vs. Time
 - Professional Negotiation required by Seller
 - “As Is” Contract, Complete Inspection, Proof of Funds
 - Understands the Time-Line may be 3 -> 5 Months
- Buyer must be prepared for a negotiation
 - Need Cooperation to Negotiate
 - Offer Contingent on Lender Acceptance
 - Expect Multiple Iterations
- Up to 30% below current market value
 - You get the property you want at the price you want!
 - Often the Contract must be **Structured**
- Why not buy a Foreclosure / REO?
 - Get the property you want at the price you want!
 - REO’s generally more expensive than a Short Sale and there is less inventory



Short Sale Success





Short Sale Methodology and Process

- Custom plan designed to fit seller's individual requirements and financial situation
 - Custom listing and marketing plan
 - Individualized pricing strategy
 - Foreclosure process management
- Singular interface to the lender(s)
- Seller counseling and coaching
 - Recommend every seller to seek an attorney and speak with their accountant
- Short Sale management system, support structure and software
 - Includes weekly updates
 - Leverage national network of Distressed Property Experts



Short Sale Model

- Distressed Seller puts no cash in at closing
- Buyer gets the Property & Price Desired
- Agents get Full Commission
- Fee Charged to Buyer & Fully Disclosed
 - MLS Listing & HUD-1
 - Model has been reviewed and approved by the Florida Association of Realtors, Emerald Coast Association of Realtors and Division of Professional Business Regulation
- Listing Agent Referral Fee 50% for those agents that do not want list the short sales.

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Contact Info

Question & Answer



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