



Guidelines for Successful Cash-for-Keys Negotiations

By Mark Powell

One of the most challenging tasks for REO agents is successfully negotiating a Cash-For-Keys (CFK) agreement between the lender and the occupant(s) living in REO properties. There are a growing number of real estate agents working with distressed properties, which is spurring a demand for information regarding successful completion of the CFK tasks assigned by financial institutions and their asset managers. The goal of the CFK negotiation is to have the occupants willfully vacate the property by a certain date and time, leaving the home in 'broom-swept' condition in exchange for cash - usually using an REO real estate agent as the "Negotiator". The "cash" is intended to help the occupant with moving costs, rent expenses at her or his new location and as motivation to leave the property clean and in its current condition. The contracts are contingent on there being no damage to the home.

Completion of CFK tasks are very important to lending institutions, because they save time and money that are required by formal eviction proceedings, as well as offering a safeguard against frustrated occupant vandalism. An unsuccessful CFK's agreement may cause an occupant to vandalize the foreclosed home and/or remove fixtures making the property difficult if not impossible to meet funding conditions. Many lenders offer agents monetary incentives for conducting negotiations successfully.

Most CFK agreements begin with an occupancy check. An agent rarely knows who is living in a foreclosed property until they knock on the door. Occasionally the home is listed on the MLS and which

can provide some additional occupancy information. The bank may also supply the agent with some information on occupancy. It is always a good idea for the agent to pull information from the tax assessor's records for additional information. The unknown is how the occupants will react when you meet them face-to-face and ask them what their plans are.

Here are some methods which will help in accomplishing a successful CFK transaction - keep in mind every situation differs and will require particular sensitivities and techniques.

CFK tasks are often preceded by an occupancy check. Lenders usually do not know whether a former owner or renter is still squatting on the property so they send an agent to investigate. Take caution when checking on vacancy:

Always have a plan which keeps safety as a priority

Alert someone of where you are going

Do not present yourself as hostile

The best way to check occupancy is to visit the home in the late afternoon or evening when there is still plenty of daylight. The most effective way is to be direct - knock on the door and explain openly why you are there. If no one answers an alternative is to look for external cues: a vehicle in the driveway, open windows and a dog in the yard would suggest the property is occupied. Piled up newspapers or mail, unkempt yards and no movement on the electricity meter may indicate that the property is vacant so further instigation would be necessary. You can also use a device called a Reverse Peephole Viewer.

Originally created for law enforcement, the reverse peephole viewer bypasses the security feature of peephole - which is designed to distort the view of someone outside the house looking in - and allows the agent to have an unobstructed view inside the home to check for occupancy.

Again, agents should always check the MLS because if the home is listed information about occupancy may be obtained from the seller's agent. If possible, establish whether the occupant is the former owner or a renter of the foreclosed home. Former owners are often more emotionally attached to the property than renters are. Renters may not even be aware of the property's REO status. If the property is occupied and you have not made contact, leave your contact information with instructions for the occupant to call you. Many lending institutions and banks will have forms that they will want you to leave as well.

When a property is determined to be vacant, follow your asset manager's instructions on vacancy procedures. If you find personal property on site also look to your asset manager for instructions on the personal property eviction process.

If it has been confirmed that there is an occupant present, lenders may request that the licensee conduct CFK negotiations. Because of the intimacy many owners and renters develop with their homes, any third party intruding on this relationship may be met with anger and frustration - it is important that the agent understands this before engaging in CFK discussions.

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The following are guidelines used at my brokerage to help dissolve tension between the occupant and a third party (the agent) who will likely be viewed initially as a challenger to their livelihood.

1. Be polite and honest

You have nothing to lose and everything to gain from being courteous and honest. Without being amicable, you may have occupants that refuse to do anything but slam the door in your face. Abandon aggressive negotiation techniques in favor of being sensitive. Do not underestimate how critical being personable to the occupant is in starting the CFK process.

2. Explain your position and goals

I recommend that the agent highlights her or his distinction from the lender. Make clear that you want to secure the greatest amount of money for them in return for their cooperation. The goal is to not be viewed as an adversary but rather as an opportunity for the occupant to receive

help. Often, the agent will have to make repeated contact during the first few days of negotiations to discuss options and ultimately form a CFK contract, especially if there are multiple occupants – so strive to form a positive relation from the beginning.

3. Discuss alternatives

Indicate that should they choose not to negotiate, they will be losing out on participating in a win-win opportunity. Alert the occupant that the bank will choose legal methods to secure the house without your participation. Communicate that if they are evicted by the lender, not only may the process be frustrating but also they will receive no compensation or assistance and there may be other ramifications of the eviction process. By explaining other choices, occupants may realize the CFK deal is their best option.

4. Anticipate problems

Not all CFK contracts are completed after being established by CFK negotiations.

Occupants may not move all their belongings by the agreed-upon deadline, vandalize the property, or for some reason decide to not cooperate with the contract in another manner. These kinds of problems may be avoided with foresight and frequent communication with the occupant. If possible, arrange to come by the property a few days before the move-out deadline and confirm that the occupant has taken the steps towards fulfilling the contract. While meeting to transfer the check to the occupant, thoroughly check the home for damage.

CFK negotiations are a challenging task, but by considering the guidelines outlined above, keeping safety as a top priority, and communicating with asset managers, you are paving your way for success. Good luck! ☺

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