



Auctioneer Branches Out into Foreclosed Properties

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By Kate Berry

One of the biggest headaches a lender faces in foreclosure is when the borrower vacates the home, leaving the keys in the mailbox and no forwarding address; the lender or servicer gets stuck trying to sell the property, a task that often is not its forte.

Williams & Williams Marketing Services Inc., a Tulsa firm that has been auctioning high-end properties on behalf of trusts and wealthy estates for decades, has a growing side business that helps lenders in such a predicament. It started auctioning delinquent borrowers' homes in 15 states four years ago and now does so in all 50 states. One division sells properties that are in foreclosure; another handles homes headed there.

All told, the company auctions 500 to 1,000 distressed properties a month. The auctions take place at the properties.

Dean Williams, the firm's founder, president, and chief executive, said that the annual growth rate for sales to servicers has doubled in each of the past three years, and that his firm auctioned 5,000 troubled properties last year.

"The industry still uses the traditional list-and-wait methodology for selling a home," Mr. Williams said. "Why stigmatize a property by putting an asking price on it instead of taking it to the market to discover its value?"

Unlike other niche real estate auction houses, such as National Auction Group of Gadsden, Ala., which handles "trophy" properties, Williams & Williams spends little time on marketing. The goal, the firm says, is to get the highest price possible with a focus on loss-mitigation.

"This is the closest thing the marketplace has to a 'spot' market," he said. "Our mission is to create better liquidity for real estate and to reduce loan losses due to foreclosure."

According to RealtyTrac Inc. of Irvine, Calif., last month nationwide foreclosures jumped 19% from December and 25% from a year earlier to 130,511 filings. Mr. Williams said Cleveland and Detroit are the epicenters of foreclosed property auctions.

Williams & Williams says it has auctioned homes for HSBC Holdings PLC; GMAC Mortgage LLC of Horsham, Pa.; Litton Loan Servicing LP, a Houston unit of C-Bass LLC of New York; and Wilshire Credit Corp., the Beaverton, Ore., servicer owned by Merrill Lynch & Co. Inc.



“Borrowers are often in denial, because usually it’s a series of unfortunate circumstances that got them to the point where their property is going into foreclosure,” Mr. Williams said. “Of course, the bottom line is, they don’t have any money, and they don’t know where they’re going to live, and they really have no incentive to help sell the home.”

To change that, he introduced a program in November called ASAP — Assisted Sales Auction Program — to get borrowers involved in the sale of pre-foreclosed properties. Williams & Williams pays 1% of the property’s gross sales price (usually roughly \$1,500) to provide the borrower with relocation assistance.

Mr. Williams has contacted a variety of nonprofit credit counseling agencies to let borrowers know that servicers often will waive foreclosure if a borrower works toward a settlement.

Since the ASAP program began, Williams & Williams has found that roughly 1 in 20 properties that are sold bring in enough money to cover the full mortgage balance and costs and actually return some equity to the borrower.

“The earlier a property can be put into the process, the more equity and credit savings can be realized,” he said.

Mr. Williams said his firm plans to take on the collateral risk when it acquires the title to properties. Doing so allows mortgage banks and other servicers to mitigate losses, he said.

One of the biggest problems with the market is that it is not always clear who holds the risk, he said. “It’s often hazy at best, due to the spreading of loan-loss risk among the different tranches of securitization. ... There is little motivation and perhaps limited authority for issuers, much less servicers, to mitigate the risk and losses of the underlying collateral.”