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HOUSING NEWS REPORT

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Trickle-Down Distress: How Mom-and-Pop Investors are Tackling a Long Tail of Bubble-Era Loans

By Daren Blomquist, Executive Editor

Robert Woods learned about the world of non-performing loans when he answered a phone call in 2011 from an investor who had purchased Woods' strategically defaulted loan and was foreclosing.

"We signed a deed-in-lieu (of foreclosure) and the house was gone. The place had stainless steel appliances, we left it clean," Woods said of the Florida condo he had purchased in 2006 with buddy while in college using a stated-income loan and $2,000 down. "We were part of that. Even with a finance degree from college, (we were) truly uneducated about an adjustable rate mortgage."

That phone call put Woods on a path toward eventually buying defaulted (non-performing) loans himself. Now he is on the other side of the phone calls to "deadbeat borrowers."

"I'm a Deadbeat Borrower"

"Want to know what a deadbeat borrower looks like? You're looking at him. I'm a deadbeat borrower, said Woods, who founded his loan-buying business, NexGen Coastal Investments, in 2012.

Woods said his experience as a strategic defaulter instills him with more compassion for distressed homeowners truly trying to save their homes, but also makes him keenly aware that some homeowners may try to take advantage of the situation through scams such as rent stripping — when the delinquent

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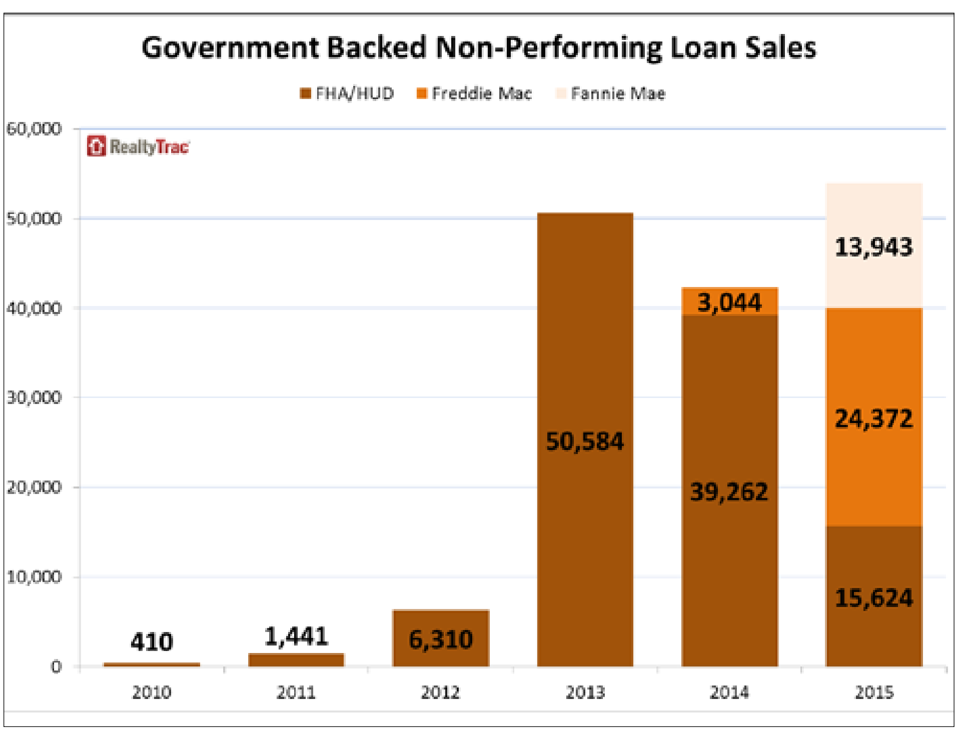

SOURCE: RealtyTrac

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borrower/homeowner rents the property, collecting rent even while not making mortgage payments.

"You're either going to pay me or go into bankruptcy by the end of this," said Woods, who also co-hosts a weekly podcast, NoteMBA, about the non-performing loan business.

NPL Sales Gaining Steam

Woods, who is based in Orlando, jumped on the loan-buying train in 2012 just as it was gaining steam.

RealtyTrac loan assignment data — including sales of both performing and non-performing loans — shows that loan sales peaked at more than 687,000 in the second quarter of 2012, up 57 percent year-over-year and up 341 percent from the third quarter of 2010.

The third quarter of 2010 was a significant milestone in the world of non-performing loans because it was when the U.S. Federal Housing Administration (FHA), kicked off its Distressed Asset Stabilization Program (DASP) — selling non-performing loans insured by the government agency.

Robert Woods
Co-Host of Note MBA podcast
Orlando, Florida

"When borrowers … reach out to you … you have the ability to make this a win-win. You don't have to be an aggressive prick."

FHA sold just 410 non-performing loans through the new program in the third quarter of 2010, but then quickly ramped up in 2011 and 2012 before peaking at more than 50,000 sales of non-performing loans in 2013, according to loan sales summaries provided on the U.S. Department of Housing and Urban Development (HUD) website.

While FHA non-performing loans sales gradually tapered off in 2014 (39,262) and 2015 (15,624), sales of Fannie Mae- and Freddie Mac-backed loans accelerated during that same time period.

Freddie Mac launched its non-performing

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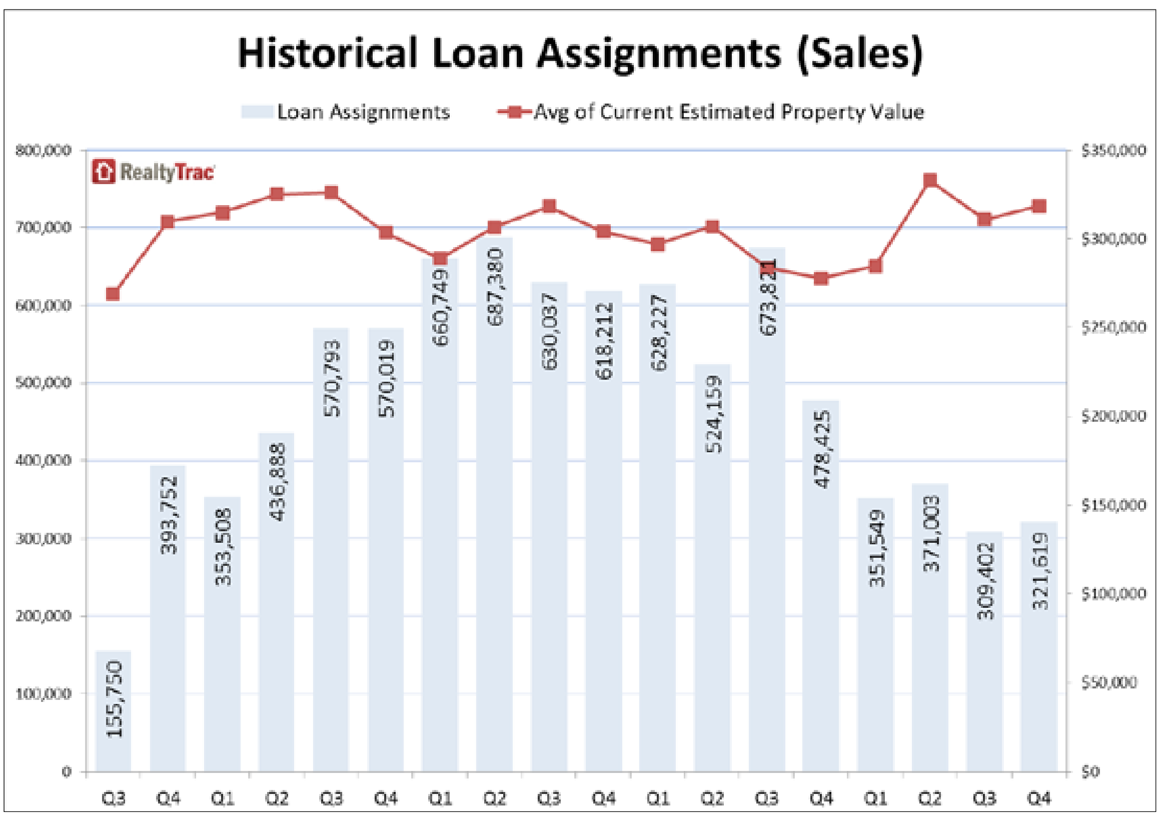

SOURCE: RealtyTrac

loan sale program in July 2014 with the sale of about 3,000 loans, and quickly scaled up in 2015, selling 8,582 loans in the first half of the year and selling 15,790 in the second half of the year, according to its Non-Performing Loan (NPL) Transactions web page.

Fannie Mae joined the NPL sales party about a year later with the sale of more than 3,000 loans with an unpaid principal balance (UPB) of $761.7 million in May 2015. Fannie completed two more NPL sales in 2015 and ended the year having sold nearly 14,000 loans with a combined UPB of $2.8 billion. And the government-backed agency showed no signs of slowing its NPL sales program in 2016, kicking off the year with its biggest sale yet in terms of dollar volume — more than 6,500 loans with an UPB of $1.32 billion that closed in February.

The NPL Waterfall

Longtime loan buyer Eddie Speed said the flood of NPL sales over the last few years is beginning to waterfall down from large institutional investors — who purchased the loans by the thousands in the initial auction — to mid-sized buyers like his company, Colonial Funding Group — which purchases loans by the hundreds — and eventually trickling down to mom-and-pop investors who purchase by the tens.

Eddie Speed
Founder
NoteSchool
Southlake, Texas

"We catch what the bigger firms don't want to keep. At some point there is a subset of these loans that do not fit their investment philosophy."

"The waterfall of selling these non-performing notes started a year ago to any measurable degree," said Speed, who also runs NoteSchool, a company that trains investors how to find, research, buy and service loans. "We might buy 100 loans, but we are not Carrington and we are not going to buy 10,000 at a time."

Carrington's investment partner Oaktree Capital Management has purchased 4,772 non-performing loans with a total unpaid principal balance of $807.6 million through

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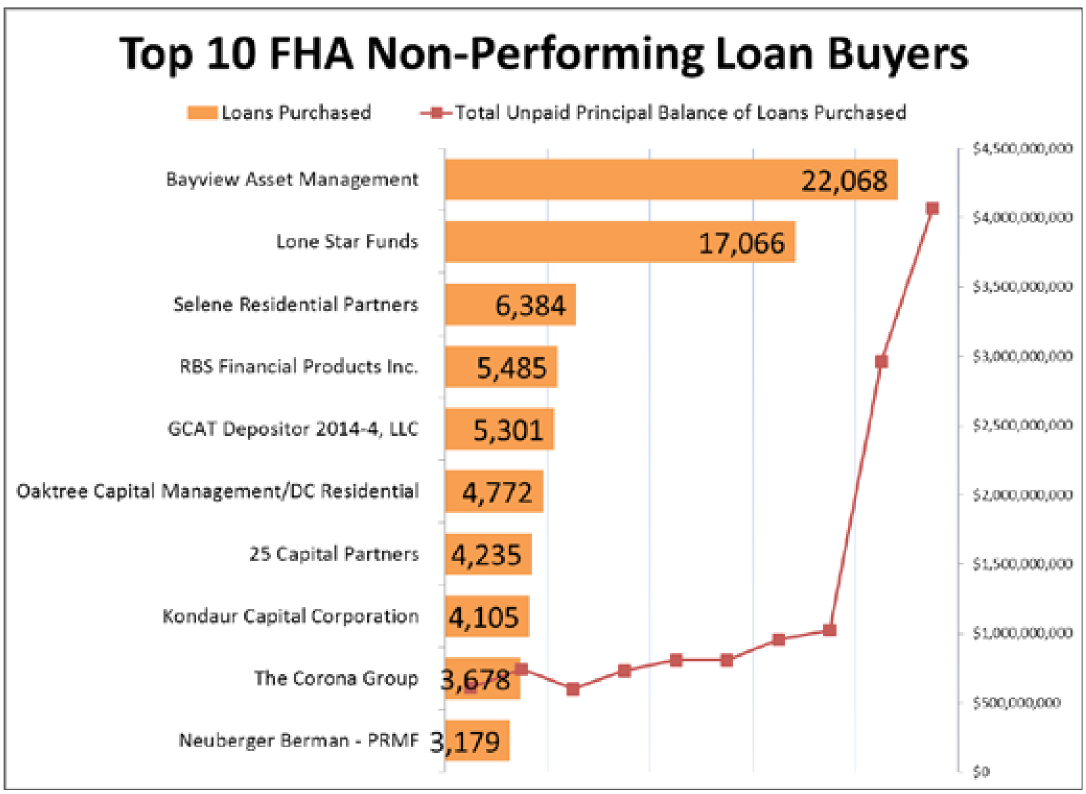

SOURCE: RealtyTrac

the FHA program alone — the sixth biggest buyer to date in the program, according to a HUD report published in February. But large institutional buyers such as Carrington may now be interested in selling off some of their NPL portfolios to mid-sized investors like Speed, who in turn sells them to mom-and-pop investors.

"We catch what the bigger firms don't want to keep," said Speed, who said he was introduced to the NPL market in the 1980s, buying them from the Residential Trust Corporation (RTC) in the wake of the Savings & Loan crisis. "At some point there is a subset of these loans that do not fit their investment philosophy."

That subset of loans being offloaded by the big institutional investors is evident in the February HUD report, which shows that 6.8 percent (5,394) of the loans sold through the FHA program have been re-sold as "whole loan sales" from the original purchaser to another entity. Meanwhile another 51.4 percent (40,644) of the NPLs sold through the FHA program are still delinquent and represent a potential pool of more loans to sell to smaller investors.

"We have seen more assets in the last six months than we saw in the previous 24 months," said Speed, adding that while he is always in the business of buying performing loans, there are only certain windows where he buys non-performing loans. "We think the calendar for the next five years will be one of the biggest windows for that."

Chase Thompson
Co-Host of Note MBA podcast
San Antonio, Texas

"Many people are used to a Bank of America or Wells or Chase who just drag their feet on foreclosure because they have thousands of them. They aren't used to someone who is saying 'you're one my foreclosure this month.'"

"You're My One Foreclosure This Month"

As more non-performing loans waterfall down from the big banks to large institutional investors to mid-size note brokers and finally to mom-and-pop investors, the borrowers of those loans may be in for a surprise, according to Chase Thompson, who co-hosts the NoteMBA podcast with Woods.

"Many people are used to a Bank of America or Wells or Chase who just drag their feet on foreclosure because they have thousands of them," said Thompson, who is based in San Antonio but buys notes in many markets across the country. "They aren't used to

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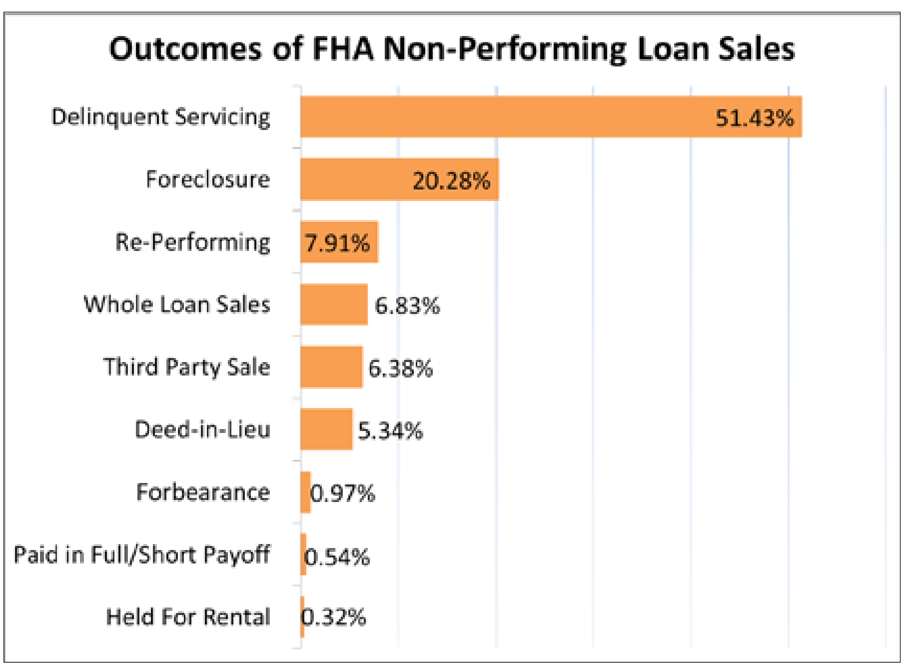

SOURCE: RealtyTrac

someone who is saying 'you're one my foreclosure this month.'"

Thompson jumped into the world of NPLs in 2014 after he was laid off from his day job as a mortgage banker.

"I had gotten involved in real estate investing while I was working, and the world of notes was the least populated," he said, explaining his real estate investing strategy was to "go where there is less fish."

Less competition from other investors translates into bigger discounts compared to other real estate investing strategies such as buying properties at foreclosure auction, according to Thompson.

"Inherently you tend to buy at a decreased discount because you've had (fewer) hands touch it by the time you get it. When you buy at a foreclosure auction, there are other things that would have happened along the way that would have decreased the spread," he said, noting that he sources loans directly from banks and hedge funds rather than going through third-party brokers. "If you are buying just off a website then you are probably going to lose a little bit of money. But you are also taking on less risk."

Phillip Silver
NPL Buyer
Orange County, California

> *"Because a lot of these borrowers have not been paying for years and years ... I figure the best way is to get their attention with the demand letter and start the foreclosure process. Our ultimate goal is to work something out, but the toughest thing is to get the borrower to contact you to work something out."*

High Risk, High Reward Second Loans

Phillip Silver buys non-performing loans from a third-party broker website, but he buys second position loans, which are inherently more risky and therefore come with a bigger built-in discount.

Silver said he started buying NPLs three years ago after he was priced out of buying residential properties in Southern California, where he lives. He said that properties in the "Inland Empire's" Riverside County that he previously was able to purchase for $100,000 had risen to the $150,000 price point.

"The yields on it just weren't making sense to me, at the price point," said Silver, whose day job is in commercial real estate. "With $150,000 you can buy 10 to 15 second notes, and those are going to be all over the country."

The second position loans that Silver purchases are more deeply discounted because they are subordinate to the first position loan and therefore more likely to never yield a return. But because of the discount, the second loans that do yield a return often yield a very high return, according to Silver.

"When you are dealing with seconds, it is high risk and high reward," said Silver, adding that the truest test of the quality of a second position loan is whether the first position loan is current or not. "You are either going to get a home run or a strike out."

Silver's primary strategy with the second position loans is to negotiate a modified, lower payment with the borrower so that the borrower starts paying again and Silver can collect the monthly cash flow from that performing loan. To accomplish that strategy, however, his first step upon buying the loan may seem counterintuitive: starting the foreclosure process to get the borrower's attention so that they will talk to him.

"Because a lot of these borrowers have not been paying for years and years ... I figure the best way is to get their attention with the demand letter and start the foreclosure process," he said. "Our ultimate goal is to work something out, but the toughest thing is to get the borrower to contact you to work something out. Our intent is not to foreclose; our intent is to get the borrower to call us. ... We go down that path to get their attention."

Silver said sometimes the borrower will hold out until the last minute before agreeing to a loan modification.

"Sometimes they'll wait until the day before the foreclosure sale to work something out," he said, noting that is usually too late to stop the actual foreclosure sale. "Typically you'll still go through with the foreclosure process and then try to work something out after foreclosure and possibly unwind the foreclosure depending on the state."

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Foreclosure Process Matters

Michelle Hill, another mom-and-pop NPL investor, said she pays careful attention to the state foreclosure process when buying loans because her exit strategy involves foreclosing about 60 percent of the time.

"I'm not afraid of the judicial side of it," she said, referring to a foreclosure process that goes through the court system and is used in about half of all states, typically taking longer than the non-judicial process used in the other half of states. "But I want to know where we are in the process. Are we looking at a six- to 12-month process or are we looking at a 12- to 24-month process?"

"I won't touch anything in New Jersey or New York," added Hill, who lives in Austin, Texas, explaining those two states have extremely protracted foreclosure processes. "I'm going to prefer a non-judicial state, but I'm not opposed to a judicial state depending on what those state laws are."

Michelle L. Hill
NPL Buyer
Austin, Texas

"I won't touch anything in New Jersey or New York. I'm going to prefer a non-judicial state, but I'm not opposed to a judicial state depending on what those state laws are."

Hill said she and her husband purchased residential rental properties for 16 years before starting their note-buying business, Lotus Investments, about two years ago.

"That has given us cash flow, but we're still dealing with the dishwasher not working, fixing the toilet, a Hot Wheels car stuck in the toilet," she said of the rental property business. "I wanted to create cash flow and did not want the responsibility of dealing with tenants."

Dialing for Dollars

When sourcing properties to buy, Hill said she employed the "driving for dollars" strategy of driving through neighborhoods looking for properties with signs of distress that may sell at a discount.

Now she employs the strategy of "dialing for dollars" to source distressed loans that can be purchased at a discount.

"Most of my day now is spent contacting banks, contacting hedge funds, sourcing

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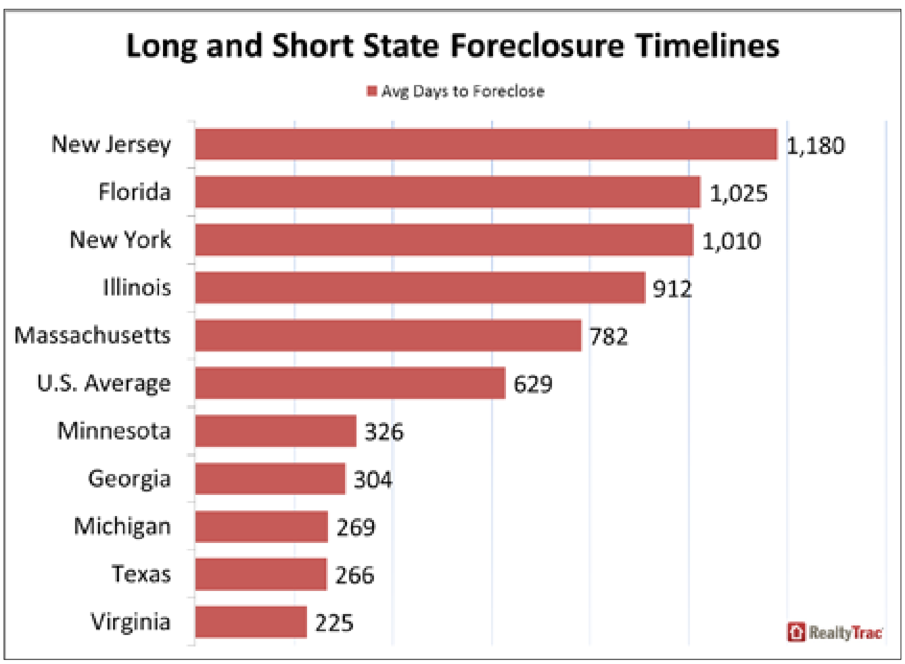

SOURCE: RealtyTrac

assets, and then scouring tapes," she said, referring to spreadsheets containing the record-level information for the non-performing loans.

Thompson recommends that new NPL investors start with calling a local bank to find potential loans for sale.

"That's what I do, you just call and you ask 'do you guys have anything you want to move?'", he said. "And just make that part of your work week. I'm going to call 10 banks this week."

Be Like Water

Thompson said he rarely knows for sure his exit strategy when buying an NPL; instead he stays open to multiple exit strategies depending on the numbers and the response of the borrower.

"Be like water," he said, referring to the Bruce Lee axiom.

Thompson estimated that out of every 10 NPLs he purchases, three or four are foreclosures, two or three are loan modifications, one is a short sale, one is a deed-in-lieu of foreclosure, and one or two are "weird deals."

"There tends to be that wild one in the bunch," he said, providing an example of a recent loan he purchased where the borrower was an elderly man who couldn't afford even modified mortgage payments, but who had a son living with him who could afford a modified mortgage. So Thompson plans to agree to a loan assumption where the son assumes the loan and is responsible for the payments.

That type of flexibility in negotiating a creative outcome for a delinquent loan would typically not be available through a big bank servicer, according Woods, Thompson's co-host on the NoteMBA podcast.

Woods provided another example of the flexibility that mom-and-pop investors can offer to borrowers: forgiving payments. He said he was recently able to do this for a borrower whose loan he owns in Ohio.

"At Christmas we forgave three months of their payments because they had been making all their payments," he said, noting that because he purchased the loan at such a deep discount he had already broke even on the investment. "When borrowers … reach out to you … you have the ability to make this a win-win. You don't have to be an aggressive prick."

NPL Buying Pitfalls

But Woods and other note buyers emphasized that not every note purchase ends in a win.

"The truth is there are deals you are not going to make money on," said Woods, adding that there are three primary items that need to be researched as part of an investor's due diligence before buying a non-performing loan: property value, property title, and property taxes.

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"Even if you have a first lien, which is all I buy, real estate taxes are the one thing that is going to go in front and could completely wipe out your mortgage," he said, providing an example of a recent loan he purchased where it looked initially like the unpaid property taxes were $8,000 but turned out to be $18,000. "That mortgage is gone. It's now worth zero. Whoever bought that property at tax auction owns a property free and clear."

Speed, the founder of NoteSchool, echoed Woods' advice.

"There are three things that can make you make a bad buy: blighted property, tax and title," he said. "There's lots of loans that are sold in the market that are lost to taxes. … We see spreadsheets every day, and nobody ever mentions the taxes. … Yes this loan looks cheap, but if you pay the taxes it isn't."

Speed acknowledged that not all players in the NPL space are trustworthy players.

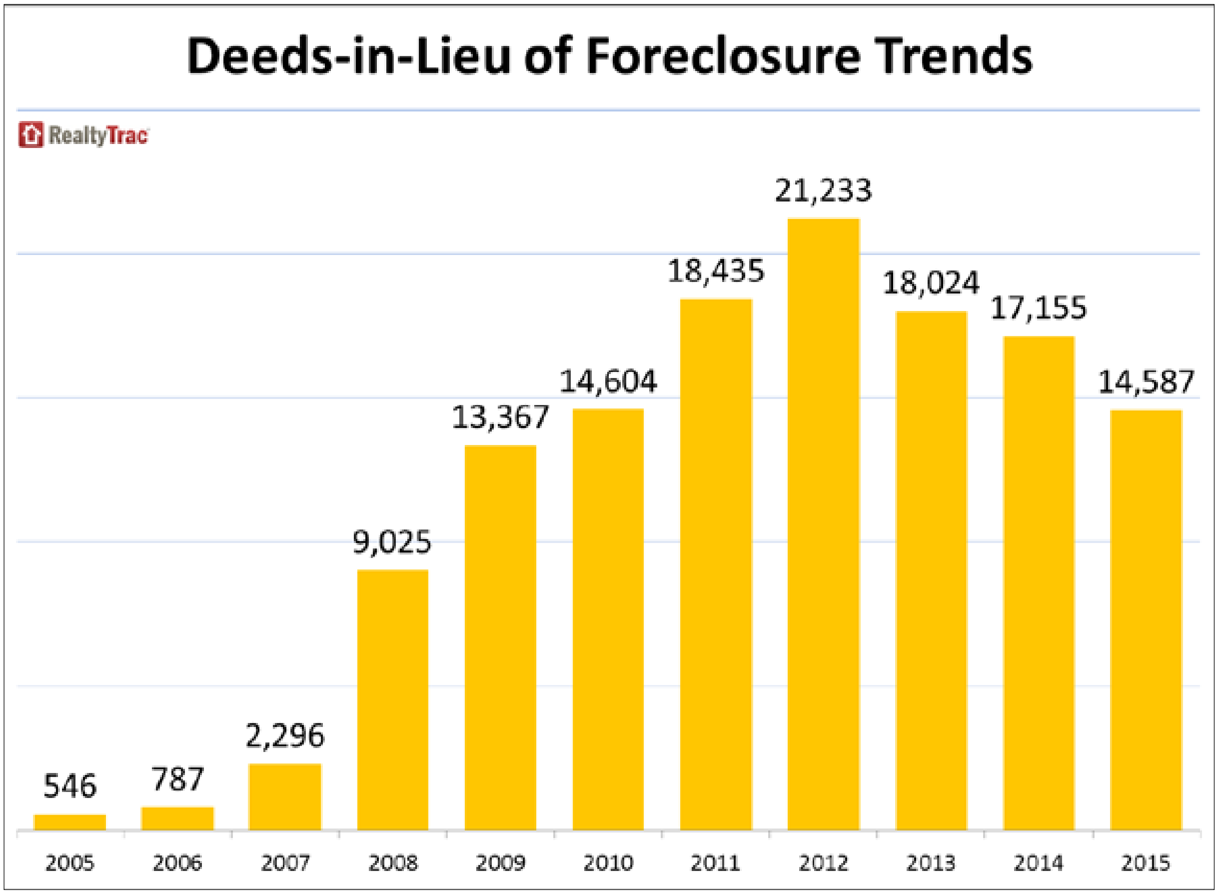
"This business is like lots of businesses. Not every business has the same credibility," he said.

Silver, the Southern California note buyer, agreed.

"The first step is finding a trusted seller of notes," he offered as advice for new NPL investors. "A lot of it is word of mouth or asking around … I've heard of some people who have had really bad experiences."

Hill, the Austin note buyer, advises new investors to find mentors to guide them.

"Align yourself with people who already know and have already tested the waters: have tested these servicing companies and attorneys," she said, adding that there are unscrupulous note brokers out there. "You always want to cover your own fanny."



SOURCE: RealtyTrac

MY TAKE

By Sherry Chris

President and CEO, Better Homes & Garden ® Real Estate

Beyond the Poster: Why Core Values Matter

In July 2007, I was given the most exciting opportunity of my professional career: to lead the Better Homes and Gardens® Real Estate brand. We were starting with a clean slate: we could make this a brand of the future. We didn't begin with an existing network, or a brand look-and-feel, or even a website. We began with one thing: core values.

If you build something with the right foundation, it stabilizes everything.

We launched the Better Homes and Gardens Real Estate brand during what — on paper — may have looked like the most challenging possible time given the state of the housing market and the overall U.S. economy. It made having core values all the more important. Because we were a start-up, having core values was a natural first step for the way I wanted to build the brand

And here's a public service announcement: be prepared. Core values are painful. They require constant care and feeding. They will reflect who you are as a company with no airbrushing. If you do not act in the way you state, every blemish and scar will show. They may not, under any circumstances, be compromised.

Depending upon the current state of your business, you may need to make some substantial changes before you can officially adopt core values. You may need to make some operational, personnel, or policy changes to have the right fertile ground within which your core values can take root. Take the time to assess your business environment. It will pay dividends in the successful implementation of this critical strategy.

The importance of core values goes beyond having a unifying rallying cry. It goes beyond having something catchy to put on a poster that you hang on your wall. Core values should be at the center of everything you do, every decision you make. Inevitably in business, you will be faced with a tremendous challenge that will require decisions. It will be more confounding than the daily roadblocks you navigate. That new challenge could force a prioritization you didn't think you could actually make without tremendous ramifications. The challenge could make you question decisions you thought were no-brainers. It could fly in the face of what you believe the company is capable of.

At those times — may they be few and far between — you need a framework:

- Decision making: The highest return-on-investment for core values. We make thousands of decisions a day. As I stated above, some are more challenging than others. Core values can be the critical starting point. Or the final word.

- Strategic growth: Growth for growth's sake may be tempting to satisfy a short-term goal, but it's no way to build a business that lasts. Core values empower you to approach growth with a long-term view.

- Hiring and affiliation: Who you work with; who you partner with; who you hire. People are the lifeblood of business, no matter how much technology changes our landscape. Your team and partners must share your core values.

- Prioritization: No matter how large your team, or how deep your company's coffers, your need to prioritize will make you feel conflicted. We all face it. I have had to make too many prioritization calls than I care to admit. But not once have I doubted my decisions because they were rooted in our core values.

Your core values are specific to your business. They must be an authentic reflection of what your company is today and what it wants to be in the future. Authentic. Let's take a moment to discuss that. A disaster scenario with core values is if you select some that just simply won't pass the sniff test.

Here are ours. They are as true today as they were the day we committed them to our company's fabric. We like to call them PAIGE.

- Passion: To stimulate energy to a higher level of inspiration and emotion

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- Authenticity: Being exactly what we claim to be
- Innovation: To be contemporary in our approach to business and life
- Growth: To have increasing influence
- Excellence: To consistently exceed expectations

Every word means something. Every value means something. We make franchising decisions based on core values. Hiring decisions. Business decisions. We talk about them in every meeting — internal and external. We believe they set us apart. But that is not why we have them. We conduct ourselves — professionally and personally — by PAIGE.

Zappos.com, Inc. ("Zappos"), a company I admire, has become wildly successful because it is first and foremost a service company that happens to sell shoes, clothes and accessories. Its core values reflect that. Some of my favorites are stated here:

- Deliver WOW Through Service
- Be Adventurous, Creative, and Open-Minded
- Build Open and Honest Relationships With Communication
- Be Passionate and Determined

Zappos can't "deliver happiness" without living and breathing these core values. They can't excel in a highly competitive, margin-pressured business where the same shoe can be bought from 38 different sources. They transcend what they sell. They serve. Everyone from their CEO to their entry-level customer service representative weaves these values into their daily lives.

At its core, Google, Inc. ("Google") is an information company. It makes the world's information accessible and usable. This noble mission has transformed the way we live and work. It would have been impossible to become the global leader they are today without staying true to their core. There is simply too much pressure — from Wall Street, from competitors, from everyone. When you think about the scale and scope of Google, it seems impossible to put one's mind around what they have achieved. I have selected a few of Google's core values to illustrate how they have accomplished what they have:

- Focus on the user and all else will follow
- It's best to do one thing really, really well
- Fast is better than slow
- You can make money without doing evil
- Great just isn't good enough.

You may think, "I am a very different business than a Zappos or a Google." And you would be right. Mostly. Yes, your industry is different. Your resources are likely very different. Your competitive and business pressures are not the same. But where it matters, you have everything in common with Zappos, with Google, and with Better Homes and Gardens® Real Estate. You care about your customers and your teams. You strive to differentiate from your competition. You want to build something to last. Strong companies share a lot of the same genetic code. If core values are necessary for Google and Zappos, they will be necessary for your company.

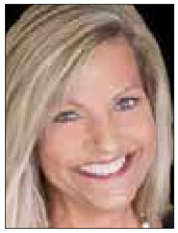
When you look at your business through the lens of core values, you will always see more clearly. Well- articulated core values may not solve all of your company's issues. They may not make your competition irrelevant. The hard work, my friends, is still yours to do. Your core values will be your North Star. They will provide clarity, long-range vision, a path to strategic decision-making.

People come and go. Companies rise and fall. Core values remain.

Sherry Chris is the president and CEO of Better Homes and Gardens Real Estate LLC.

NEWS BRIEFS

Arron Lewis Found Guilty of Murdering Realtor



Beverly Carter

Arron Lewis was found guilty on Jan. 14 of abducting and killing Arkansas Realtor Beverly Carter in 2014, according to Little Rock, Arkansas television station KATV.

Lewis was automatically sentenced to life in prison without parole for Carter's murder and also received a consecutive life sentence for kidnapping.

Carter was kidnapped while showing a home sometime in the early evening hours of Sept. 25, 2014. Her husband told police that he became concerned when by 9 p.m. his wife had not called. He drove to the site and found her brown Cadillac sport utility vehicle parked in the driveway with her purse inside it. Carter's body was found five days later in a shallow grave about 25 miles north of Little Rock, Arkansas.

Lewis was arrested for Carter's murder. His girlfriend at the time, Crystal Hope Lowery, was also charged with capital murder for her role. Lowery has since pled guilty and received a 30-year reduced sentence, contingent on her agreement to testify against Lewis.

SOURCE: KATV

Subprime Mortgage Originations Growing

Subprime mortgage lending was up in 2015, according to a new report from Equifax.

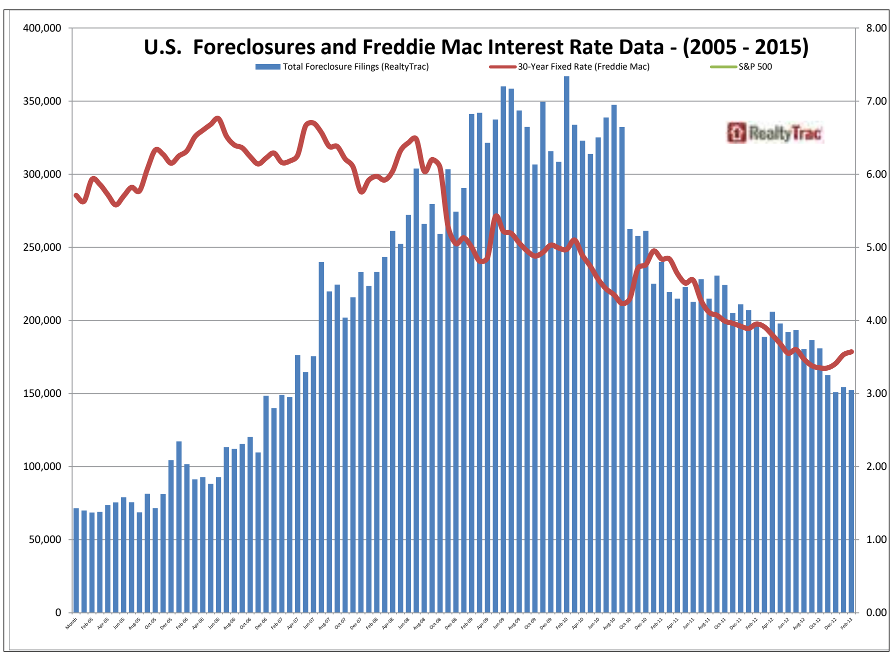
From Jan. 1 through Oct. 31, 2015, total residential first mortgage originations by all U.S. lenders came to an estimated $1.56 trillion.

During the same period, there were more than 312,000 first mortgages to subprime borrowers originated, totaling $50.7 billion. The number of subprime first mortgages that were originated increased by 28 percent compared to the same period a year earlier.

Additionally, there was also an increase in subprime activity within the home equity market, with the total balance of home equity installment loans originated for subprime borrowers increasing to more than $1.4 billion, a year-over-year increase of 32.7 percent; with the total credit limits on home equity lines of credit (HELOCs) reaching $608 billion, a year-over-year increase of 6.8 percent.

Borrowers whose Equifax Risk Score is no higher than 620 are considered to be subprime.

SOURCE: Equifax



SOURCE: U.S. Commerce Department

Goldman Reaches $5 Billion Settlement

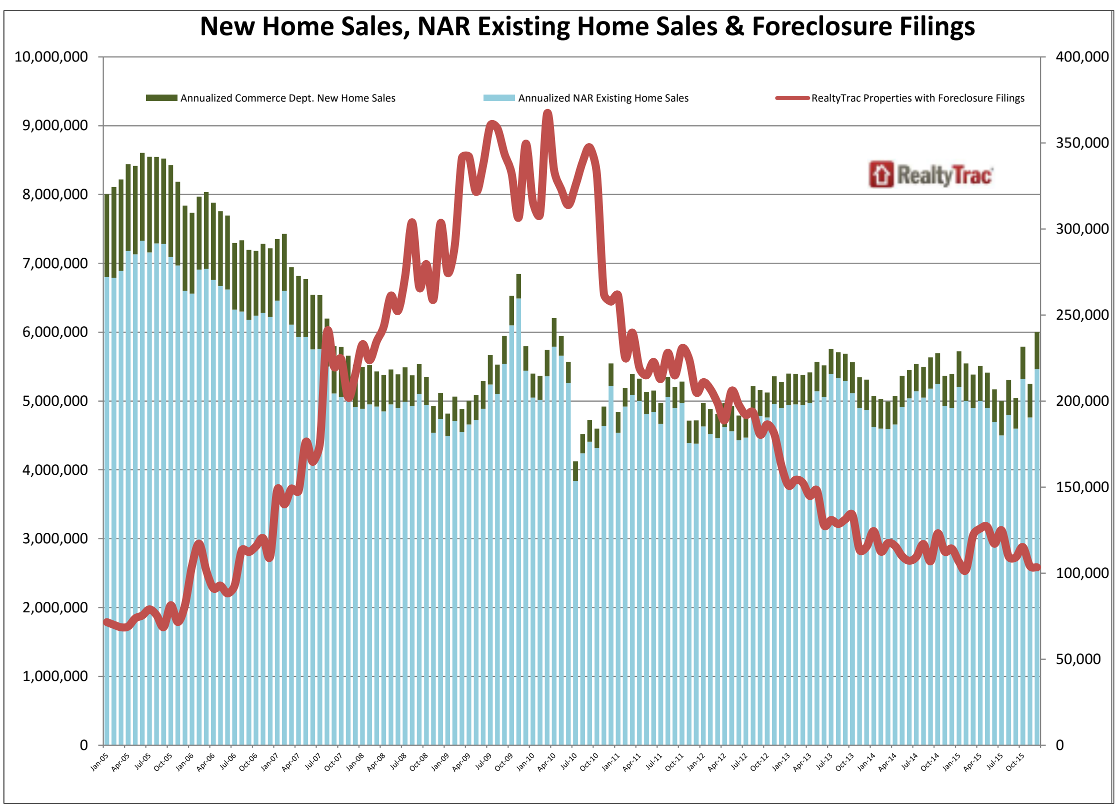
More than seven years after the housing crisis, Goldman Sachs reached a $5 billion civil settlement with federal prosecutors and regulators stemming from the marketing and selling of faulty mortgage securities to investors.

Goldman announced the settlement with the Justice Department and a collection of other state and federal entities on Jan. 14, 2016, resolving the largest settlement in the history of a Wall Street firm.

Goldman's settlement is far smaller than the sums paid by other firms for selling flawed mortgage securities. Goldman is among the last firms to reach a civil settlement with a task force of federal prosecutors, state attorneys general and regulators empowered to investigate Wall Street's role in cobbling together securities from all the mortgages that borrowers found themselves unable to afford.

Government officials previously won multibillion-dollar settlements from JPMorgan Chase, Bank of America and Citigroup. In 2013, JPMorgan Chase paid about $13 billion in a similar settlement with federal and state agencies, and Bank of America paid about $16.6 billion in 2014. In all, the banks have paid more than $40 billion in settlements to resolve claims investigated by the task force.

SOURCE: Goldman Sachs



SOURCES: RealtyTrac, National Association of Realtors, U.S. Commerce Department

FINANCIAL BRIEFS

Fed Considering Negative Interest Rates

As interest rates turn negative around the world, the Federal Reserve is asking U.S. banks to consider the possibility of negative interest rates.

Fed officials have made clear that they are a long way from contemplating a reduction in rates below zero in their benchmark overnight policy rate. But they have suggested they'd be more open to such a move than in the past should the economy deteriorate significantly.

The European Central Bank and the central banks of Switzerland, Sweden and Denmark have nudged some official lending rates negative without repercussions, and Fed officials have publicly taken note. In January, the Bank of Japan became the latest monetary authority to push rates into negative territory.

"As a result of the severe decline in real activity and subdued inflation, short-term Treasury rates fall to negative ½ percent by mid-2016 and remain at that level through the end of the scenario," warned the Fed in a report released Jan. 28, exploring three financial scenarios.

SOURCE: Federal Reserve

Cash Sales Get U.S. Scrutiny

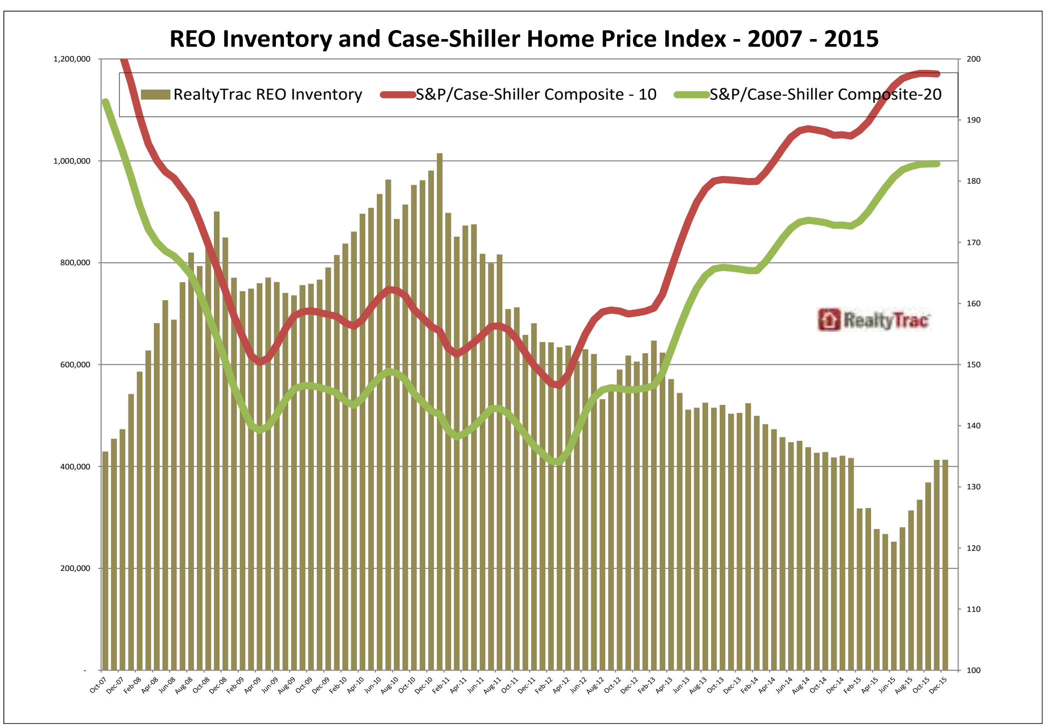
Concerned about foreign illicit money pouring into luxury U.S. real estate, the Treasury Department said it would begin identifying and tracking secret buyers on high-end properties in Manhatan and Miami-Dade County, Florida.

It is the first time the federal government has required real estate companies to disclose names behind cash transactions, and it is likely to send shudders through the real estate industry, which benefits enormously from wealthy secretive buyers.

"We are seeking to understand the risk that corrupt foreign officials, or transnational criminals, may be using premium U.S. real estate to secretly invest millions in dirty money," said Jennifer Shasky Calvery, director of Financial Crimes Enforcement Network, the Treasury unit running the initiative.

The program starts in only two markets and runs from March through August. If the Treasury finds that many sales involved suspicious money, the government will develop permanent reporting requirements across the country.

SOURCE: Treasury Department



SOURCES: RealtyTrac, S&P/Case-Shiller

STATE SPOTLIGHT

Will Oil Slump Hurt Texas Housing?

By Octavio Nuiry, Managing Editor

With oil prices plummeting below $30 a barrel, the gleeful mood of recent years has turned glum in West Texas, the Gulf Coast and the Eagle Ford shale formation area of Texas as the frenzy of shale oil drilling has come to a screeching halt. As the price of crude keeps plunging and the oil and gas layoffs mount, more and more bad news is coming from Texas' real estate markets.

As the oil rig counts drop in the Permian Basin in West Texas, so too does local real estate prices. The hydraulic fracturing, or fracking, boom turns to a bust as gasoline prices plunge from over $100 a barrel a year ago to less than $30 now.

Meanwhile, home sales are down sharply in West Texas cities of Midland and Odessa. Home sales have also slowed in Houston and El Paso, not to mention North Dakota.

According to a recent report by Arch Mortgage Insurance Co., oil prices — not mortgage interest rates — may be housing's biggest risk. Five Texas cities — Houston, Austin, Dallas-Plano, Fort Worth-Arlington and San Antonio — rank at the top of AMI's housing risk in the 50 largest metropolitan areas. Houston is the riskiest market this winter, with a 36 percent chance that home prices would decline within the next two years. Austin, Dallas-Plano, Fort Worth-Arlington and San Antonio all clocked in at a 26 percent risk of falling home prices.

"Most Energy Patch states will experience slower economic and home price growth and a few areas may even see outright home price declines," the report claimed, referring to oil or gas-producing states like Alaska, North Dakota, Wyoming and West Virginia, Louisiana, New Mexico, Oklahoma and Texas.

Jobs Disappear in Oil Patch

The Dallas Federal Reserve recently estimated that falling oil prices and other factors would reduce job growth in Texas overall from 3.6 percent in 2014 to as low as 1.1 percent by November 2015, or a reduction of about 149,000 jobs created.

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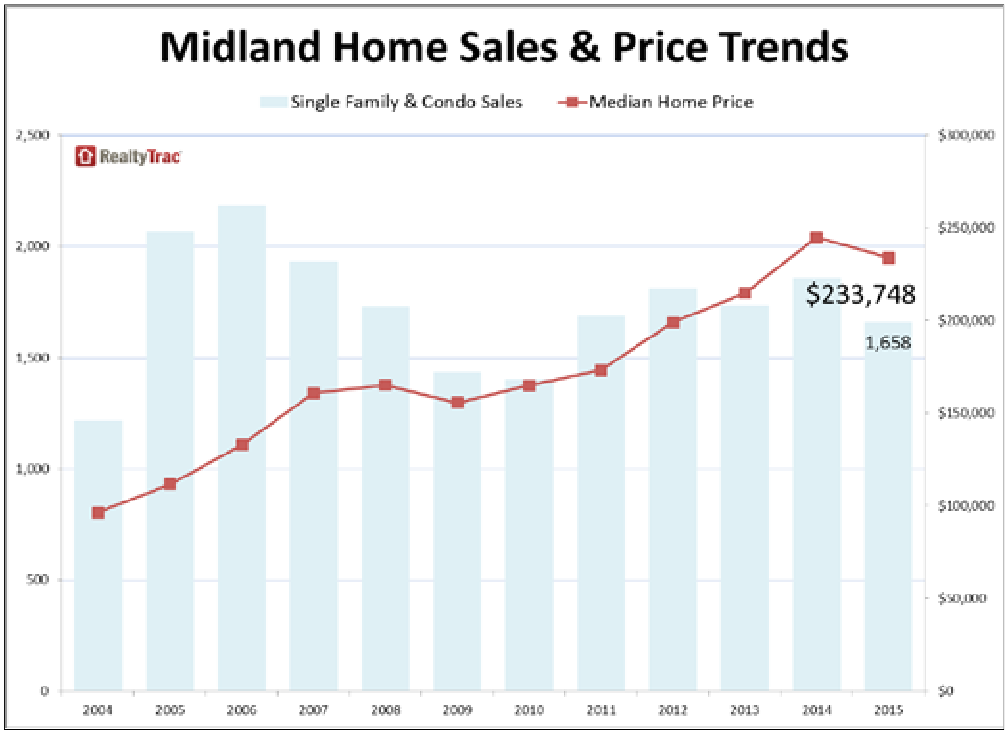

SOURCE: RealtyTrac

The Dallas Fed said the decline in oil and gas prices, the tight labor markets and weakening exports, would dampen Texas' economy.

"Low oil prices and the strong dollar have put a dent in Texas' job growth," said Mine K. Yücel, senior vice president and director of research at the Federal Reserve Bank of Dallas. "In 2014, Texas grew 3.6 percent, and added nearly 400,011 jobs. In 2015, the state grew 1.4 percent through October and added 136,500 jobs. We don't expect growth to accelerate in 2016.

"Low oil prices are also having a major effect on oil field activity," said Yücel. "The Texas rig count started declining in November of 2014 — and has fallen more than 60 percent. Texas oil production started to decline in March. Production is down 200,000 barrels a day. Oil prices are expected to remain low, given weak demand and a supply glut. Low oil prices will continue to impact Texas job growth negatively in the coming year. Overall, the state as a whole should have weak but positive job growth through 2016."

Mark G. Dotzour
Economist
College Station, Texas

"In October 2014, Houston was hit like a thunderstorm when OPEC decided to declare war on the U.S. oil industry."

While some are already predicting that the sun is setting on the Texas miracle, recent history suggests otherwise. Global oil prices spiked in the summer of 2008 to an all-time high of $133 a barrel, then plunged to $41 a barrel when the economy crashed and went into recession. That price drop was even more dramatic than the oil bust of 2014. And 30 years ago, oil prices went into a free fall, declining from over $30 a barrel in 1985 to nearly $10 by July 2006.

Texas Economy Weaker, But Still Growing

Mark G. Dotzour, a former chief economist at the Real Estate Center at Texas A&M University at College Station, Texas, said the Texas economy is slowing down, but it is still growing. He said the growth is uneven in the state's four major metropolitan areas, namely Austin, Dallas, Houston and San Antonio.

"In October 2014, Houston was hit like a thunderstorm when OPEC decided to declare war on the U.S. oil industry," said Dotzour,

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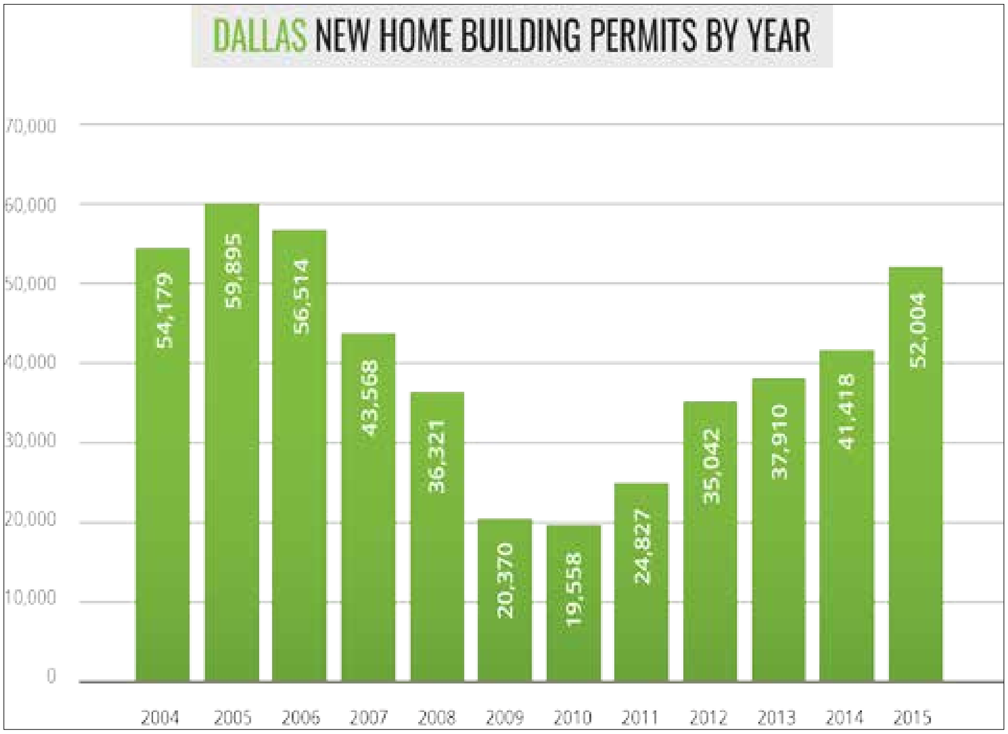

SOURCE: U.S. Census Bureau

referring to the Organization of the Petroleum Exporting Countries (OPEC)'s landmark decision not to cut oil production, leaving 30 million barrels per day unchanged. The oil cartel's goal was to bring oil prices down, in order to make the extraction of shale oil in Texas less affordable.

Dotzour said the Texas economy is more diversified today, compared to the last oil slumps of the mid-1980s and 2008. As of 2013, oil and gas accounted for only 13 percent of the income generated in the state, and only 2.5 percent of the jobs, according to a 2015 Federal Reserve Bank of Dallas report.

Last year, Texas real gross domestic product grew by 5.2 percent, more than any American state beside North Dakota and more than double the growth rate of the United States overall, according to the Texas Comptroller.

West Texas Unemployment

But fluctuations in global oil prices are weighing heavily on West Texas cities like Odessa, where median homes prices are down 3.5 percent in the fourth quarter of 2015, accoring to Texas Association of Realtors. In Odessa, sales were down 25 percent in the fourth quarter of 2015. The drop in oil prices is starting to be reflected in the local real estate market.

In December, the Midland unemployment rate stood at 3.3 percent, up from 2.2 percent a year earlier, followed by Odessa at 4.6 percent, up from 2.8 percent in December 2014, according the Bureau of Labor Statistics.

The Permian Basin housing market is beginning to reflect the weakness of the labor market, according to the Dallas Federal Reserve. "The Permian Basin economy continued to weaken in the fourth quarter as West Texas Intermediate crude oil prices fell over 20 percent. The drop in drilling activity has led to job cuts, moving the unemployment rate higher. The sluggish job market continues to dampen both regional retail sales and the housing market," reports the Dallas Fed. "The housing market in the Permian Basin is beginning to reflect the weakness of the labor market. Although home sales rebounded to 243 in December, sales began to decline in late 2014. The December figure is down nearly 13 percent from a year earlier. In contrast, home prices have remained relatively stable over the past year. In December, the median home price totaled $225,000, up 5.7 percent from a year ago."

Oil companies in West Texas are decommissioning rigs and announcing layoffs. The gleeful mood has turned glum in West Texas as the frenzy of shale oil drilling has come to a halt.

In the fourth quarter of 2015, home sales have slowed, especially in Texas housing markets that are dependent on oil, such as Midland (down 22 percent), Odessa (down 25 percent) and Houston (down 8 percent), which are suffering amid a plunge in oil prices, accoring to Texas Association of Realtors.

Midland: Population Growth

The city of Midland has grown in population from 108,000 residents in 2010 to 140,000 today. It's one of the nation's 10 fastest-growing metropolitan areas, according to the Census Bureau. The population growth has led to an explosion of hotel and apartment construction in Midland.

While some markets in Texas are slowing, statewide figures still show overall home sales accelerating and prices rising in most of the major Texas metros, accoring to Texas Association of Realtors.

But Texas' economy is slowing down.

"The state gained 169,000 nonagricultural jobs from December 2014 to December 2015, an annual growth rate of 1.4 percent, lower than the nation's growth rate of 1.9 percent," according to Texas A&M Real Estate Center. "The nongovernment sector added 142,800 jobs, an annual growth rate of 1.4 percent compared with 2.2 percent for the nation's private sector."

Dallas: Boomtown USA

While West Texas is struggling, North Texas is booming. The Dallas-Fort Worth metro is among the top hubs for corporate headquarters in America. In Plano, bulldozers are clearing vast lots to house the new North American headquarters for Toyota, which is moving from Southern California. Dallas-Fort Worth hosts 21 companies in the Fortune 500, including American Airlines, Exxon Mobil, J.C. Penney and high-tech giants such as Texas Instruments.

"The Dallas economy is most highly correlated to the U.S. economy," said Dotzour. "Dallas is the least impacted city to the volatility of oil and gas price fluctuations. In Dallas, the inventory levels of unsold homes is way low; it's one-to-three months."

Ben Caballero, chief executive officer and president of HomesUSA.com in Addison, Texas, who works with 44 different new home builder brands in the four major Texas markets,

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said the state's economy is strong and doing much better than the rest of the nation. He stressed that the current weakness in some Texas major metros, like Houston, could be attributed to seasonal patterns in real estate, with sales picking up in the spring months and slowdown after summer.

"Dallas is a much more diversified market," said Caballero, a top broker whose company has developed a computer system that allows him, and his employees, to quickly take listings from multiple builders and put them in local multiple listings services and send them to other sites like realtor.com and RealtyTrac. All leads are forwarded directly to the home builders. "Dallas is doing better than Austin."

Caballero said both inventory and days-on-the-market has increased in all the major Texas metros.

Ben Caballero
CEO and President
HomesUSA.com
Dallas, Texas

"There's a lot of unknowns that could make this oil problem worse."

"We are seeing an up-trend in inventory," said Caballero, whose company sold nearly 2,400 new homes in 2014, generating $929 million in sales. "Every year, we've had higher prices and more sales. It's very possible 2016 will not continue that trend. There's a lot of unknowns that could make this oil problem worse."

Builders hire Caballero to market their new properties to local real estate agents. He provides weekly sales reports to builders every Friday at 8 a.m.

Houston's Housing Slumps

The biggest question mark for Texas' economy is Houston, which benefited heavily from the energy boom and now is dealing with the consequences of an 18-month oil slump that's buffeting the city's once-booming housing market.

Housing markets like Houston with many oil-related jobs are experiencing a slowdown in

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Dallas and Austin, Texas

WHAT: 4-bedroom home
HOW MUCH: $450,000

Built by Highland Homes, this gorgeous Windsong Ranch home is located in Prosper, Texas. Kitchen has white cabinets, and granite countertops, stainless steel appliances and double ovens. Tandem style three car garage with large backyard big enough for pool. Agent: Ben Caballero, HomesUSA.com, Inc., (214) 616-9222, www.bencaballero.com.

WHAT: 4-bedroom home
HOW MUCH: $409,990

This luxury home by CalAtlantic in Austin's Sweetwater community has beautiful hill country views and an array of neighborhood amenities. It has a gourmet kitchen, extended covered patio and makes entertaining a breeze while offering the best of Texas living. Agent: Ben Caballero, HomesUSA.com, Inc., (214) 616-9222, www.bencaballero.com.

WHAT: 5-bedroom home
HOW MUCH: $1,050,146

Built by Toll Brothers in the Southlake, Texas community of Shady Oaks, this ready-to-move into home features a three-car, side-entry garage, beautiful study with corner fireplace, stunning wrought iron dual staircase, and a private media room. 4.5 baths, 5,966 square feet. Agent: Ben Caballero, HomesUSA.com, Inc., (214) 616-9222, www.bencaballero.com.

new home construction. New home building permits for the Houston metropolitan area reached 57,262 in 2015, down 11 percent from the 63,741 permits recorded during the same period in 2014, according to the latest [Census Bureau](#) data. It's the first drop in new home building permits since 2008. The recent loss of higher-paying energy jobs may have triggered the new home building pullback.

But not everyone is worried.

Jacci Kilgore, a Realtor with [Jacci and Company](#) in Houston, Texas, said seasonal fluctuations in sales and building patterns accounted for the recent housing pullback. Kilgore pointed to Houston's growing number of corporate relocations, business-friendly environment and tax advantages, which are attracting corporate relocations.

"The primary factor that affects the Q4 numbers is corporate relocations," said Kilgore, referring to the seasonal slowdown in relocations in the winter months. "To take that in isolation is not fair."

Jacci Kilgore
Realtor
Jacci and Company
Houston, Texas

"We have yet to see major layoffs. We see some. But I think we're not seeing huge layoffs. We're not the city we were in the 1980s."

Kilgore, whose works in the north Houston planned community of [The Woodlands](#), a 28,000-acre development with office, retail, medical and residential space near the newly built 385-acre [Exxon Mobil](#) corporate campus, said the growth of healthcare, international trade, foreign home buyers and continued in-migration from other states would offset any job losses in the oil and gas industry. She said everyone is looking at Texas for opportunities, quality of life and affordability, and Houston is off the charts for every one of those items.

"Here in The Woodlands, we have two new hospitals being built," said Kilgore, pointing to the bustling growth of north Houston. "We have yet to see major layoffs. We see

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Metro Houston, Texas

THREE FOR SALE

WHAT: 4-bedroom home
HOW MUCH: $399,000

Beautifully updated custom home in The Woodlands with pool and spa in fabulous Panther Creek location. Numerous updates and improvements, including all flooring, lighting, granite, paint, hardware/fixtures, remodel of all 3 baths and custom shutters throughout. Agent: Jacci Kilgore, Jacci and Company, (832) 771-7400, http://www.jacci.com/.

WHAT: 5-bedroom home
HOW MUCH: $795,000

Located in The Woodlands, this stunning Southern Coastal style townhome has unobstructed water views in East Shore. Multiple balconies for outdoor living, extensive hardwood floors, crown molding, plantation shutters and custom shades, and high ceilings. Agent: Jacci Kilgore, Jacci and Company, (832) 771-7400, http://www.jacci.com/.

WHAT: 6-bedroom home
HOW MUCH: $2,995,000

Stunning waterfront estate by Tuscany Homes in gated, country club community of Bentwater. Designed to entertain young and old alike with spectacular infinity-edge pool, wine room, billiard and gameroom, media room, plus 2 slips and 4 jetski lifts. Agent: Jacci Kilgore, Jacci and Company, (832) 771-7400, http://www.jacci.com/.

some. But I think we're not seeing huge layoffs. We're not the city we were in the 1980s."

Low oil prices are hurting Houston's once-booming housing market. Houston is the only major metro market in the state to see a significant softening in home buying, home prices and new home construction.

In Houston, sales began to decline in October, and the median home price has fallen for three months in a row following 41 consecutive months of price increases, according to the Houston Association of Realtors (HAR). The Houston-area housing market continued to weaken in December amid growing concerns about the regional economy, but it ended the year with a near-record number of home sales for all of 2015. Houston buyers purchased 73,724 single-family homes in 2015, reported HAR.

Overall, Houston home prices fell by 2.4 percent in 2015. Houston-area buyers closed on 5,879 single-family home sales in December, a 9.7 percent decline from December 2014.

The chairman of HAR blamed falling oil prices, saying the real estate market was cooling off after years of being red hot.

"With oil dropping to levels around $30 a barrel, I think it's fair to say that the Houston housing market is going to remain cooler for at least a little while," said Mario Arriaga, chairman of HAR in a statement. "The good news is the local economy is vastly more diversified than it was during the oil bust of the 80s and other industries are continuing to hire, so it really is going to come down to consumer confidence."

Weak Employment Data

No one knows where the Houston economy is headed in 2016, but Houston energy companies and manufacturers could shed another 18,000 jobs in 2016, in addition to the 29,000 jobs lost in 2015, according to a report by the Greater Houston Partnership. Additionally, according to the Labor Department, unemployment in Houston rose from 4.0 in December 2014 to 4.6 percent in December 2015.

Still, that's below the national unemployment rate of 5.0 percent.

But growth in health care, construction, government and other industries will alleviate some of the pain inflicted by anemic oil prices, helping create 21,900 new jobs in Houston in 2016 even as energy companies and manufacturers appear poised to cut jobs.

However, Houston's economy isn't nearly as reliant on oil as it was in the 1980s, when the city grappled with a slump in oil

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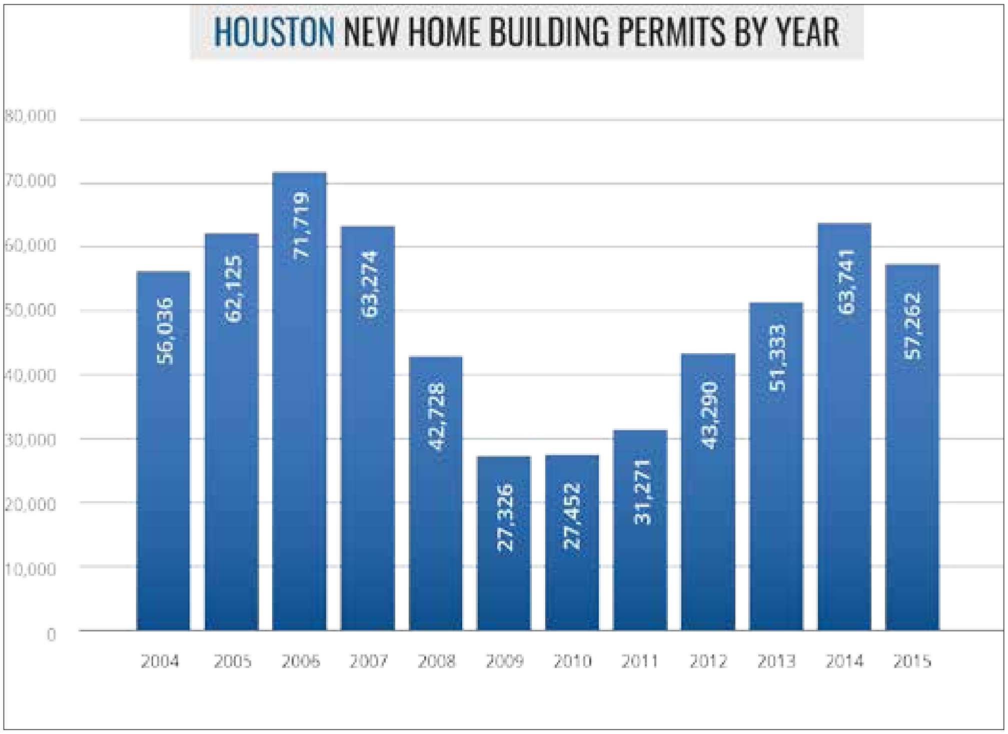

SOURCE: U.S. Census Bureau

prices and a savings and loan crisis. But it's still significant. Energy accounts for about one-third of the region's GDP, 10 percent of the region's employment and over one-fifth of the region's wage and salary income, reports the Greater Houston Partnership.

The shift in oil prices could pose a threat to all oil-producing economies around the country including Texas, North Dakota and Colorado, according to Joseph Melendez, founder and CEO of ValueInsured, a real estate and financial services company that offers down payment insurance for homebuyers.

"Nobody really understands the overall supply of the global oil-producing nations," said Melendez. "There's a market share war going on right now. The Saudis said they are not going to give up their market share. In the interim, oil-producing companies in places like Texas are cutting back on employment and exploration, and that's going to affect housing."

Melendez said that Texas has diversified its economy. shielding them from price fluctuations.

Joseph Melendez
Founder and CEO
ValueInsured
New York, New York

"A protracted slump will negatively impact the Texas housing market."

"People who are employed and are renters, and they have confidence in the market, this would be a great time to buy," said Melendez, referring to potential home buyers in Houston. "If you can inject consumer confidence into the market, then renters will enter the market. That would help put a floor on home prices."

But a prolonged oil slump could be harmful Texas housing, said Melendez.

"A protracted slump will negatively impact the Texas housing market," he said.

Austin Homes Break Records in 2015

Meanwhile in Austin, which has little exposure to the energy industry, the housing market is booming.

According to the Austin Board of Realtors (ABoR), 2015 set all-time records for Austin-area homes sales and home prices. ABoR reported a 5 percent increase in 2015 for the

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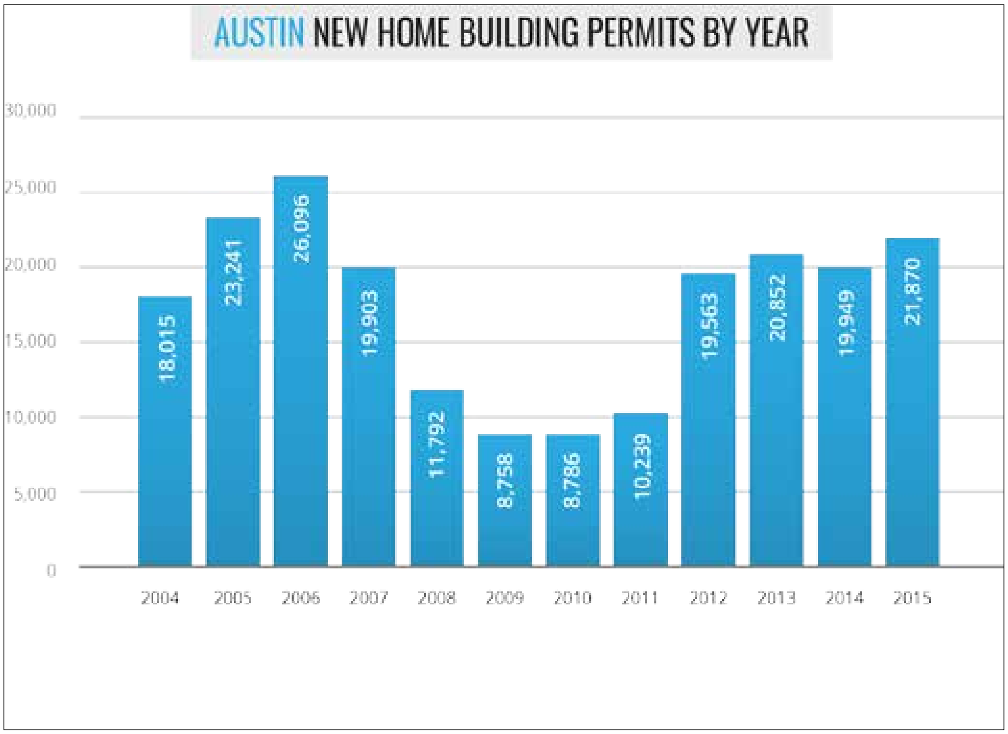

SOURCE: U.S. Census Bureau

amount of single-family homes sold in the Austin area.

The median single-family home price in 2015 was $263,900, up 9 percent from 2014, while the average price for single-family homes was $333,558, up 8 percent more than 2014, according to ABoR. Last year, 29,068 single-family homes were sold in Austin, marking the fifth straight year in which sales volume was higher than the previous year.

With rising home prices and the migration of millennial tech workers in Austin, the outlook for single family homes in 2016 looks bright. Population growth, especially in-migration, has contributed to Austin's growth, along with companies expanding their presence in the region.

"Demand for Austin-area real estate was stronger than ever in 2015, primarily due to our region's job and ongoing population growth," said Aaron Farmer, president of AboR in a statement. "However, low housing inventory levels, rising home prices, and high housing development costs have brought Austin's housing affordability issues to critical levels. Median price for single-family homes in the Austin area increased nearly $30,000 in the last year alone."

According to *Forbes*, Austin ranked No. 1 in the U.S. for in-migration from 2010 to 2014, gaining 126,000 more residents from other parts of the country than it lost in out-migration. "Austin's high job creation rate — over 3 percent annually since 2010 — has a great deal to do with its ability to lure new residents not only from other Texas cities, but from the coasts as well," claims *Forbes.*

New Home Boom

Texas builds copious amounts of housing, and adequate housing supply is critical to keeping housing affordable. And the new home building permits data bear this out. In Houston, new home builders permitted the construction of 189,635 new homes in this area from 2011 to 2014 (not counting multifamily units), according the Census Bureau. Dallas-Fort Worth cranked out 139,197 permits from 2011 through 2014, the second most in the nation behind Houston. In Central Texas, Austin issued 70,603 new home permits from 2011 through 2014, and San Antonio churned out 31,592 permits from 2011 through 2014.

Texas is a business-friendly state. It is also one of the lowest-taxed states in the nation. According to the Tax Foundation's 2016 State Business Tax Climate Index, Texas ranks No. 10. Texas has no corporate tax, individual income tax or capital gains tax. By comparison, California was at the bottom of the list, ranking 48 and New York was 49. California has the nation's

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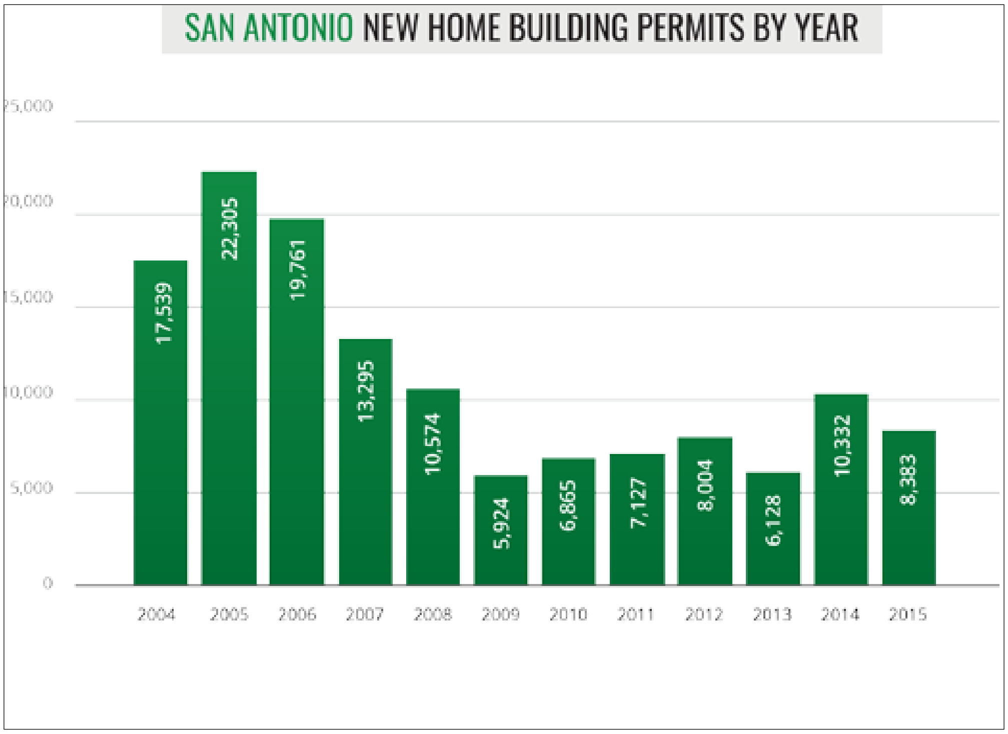


SOURCE: U.S. Census Bureau

highest income tax and capital gains tax rates.

According to Erica Grieder, a senior editor of *Texas Monthly,* and author of "Big, Hot, Cheap, and Right: What America Can Learn from the Strange Genius of Texas," Texas looks more like America's future than any other state.

"The state has gone through an oil bust before, and it's easy to understand why the prospect of doing so again would make people nervous," writes Grieder. "But let's not overlook the fact that avoiding a repeat of the last bust has been an implicit goal of state policy for 30 years. Texas is still, it seems, waiting for a rainy day, and the dropping oil prices haven't yet amounted to one. Those who remember the 1980s, perhaps, aren't doomed to repeat them."

Economists Mess With Texas

Some economists are already writing off Texas. JPMorgan economist Michael Feroli warned last year that Texas economy was in serious trouble due to a sharp drop in global oil prices.

"Texas is, if oil prices stay where they are, going to face a more difficult economic reality," said Feroli. He argued that Texas is "at risk of slipping into a regional recession." The Texas "miracle," Feroli and other critics are warning, is only a mirage.

Others are piling on Texas too.

"California's economy is improving, and its budget is finally balanced," crowed Vauhini Vara, a former writer for *The New Yorker*. "These changes happen to come as Texas, the nation's biggest oil-producing state by far, is grappling with a collapse in oil prices."

The New York Times columnist Paul Krugman added: "So it's interesting to note that Texas is looking a lot less miraculous lately than it used to. To be fair, we're talking about a modest stumble, not a collapse."

There other signs of strain on the Texas economy.

In Texas, foreclosure activity increased in several heavy oil-producing markets, including Midland, Odessa and Houston. In Midland, bank repossessions — or real estate owned (REO) — increased 148 percent. Odessa saw a 77 percent year-year-year increase in 2015, while Houston reported a 91 percent jump in bank repossessions in 2015, according RealtyTrac data.

But not everyone believes the Lone Star State's economy is down and out.

Former Dallas Fed president Richard W. Fisher likened Feroli's report to "bull droppings." Fisher said Texas was no longer tied to the fate of the oil industry. He argues that the Lone Star State had diversified itself considerably and could withstand the big drop in oil prices and continue to be an engine of growth for the nation.

Texas has a long tradition of busts followed by booms. The last time the local boosters were so euphoric, in 2008, the economy nosedived when oil prices tanked.

Today, Texas faces similar challenges — but the state's economy has become more diversified, with financial services, manufacturing, healthcare and international trade complementing the oil and gas industries. The Lone Star State was once dependent on commodities but now boasts a highly diversified economy.

"I think the Federal Reserve is holding their breath right now, hoping we sell a lot of homes this year," said Dotzour, the economist. "If we don't see a lot of sales and construction drops, it makes me nervous because we could have a recession again. I'm keeping my fingers crossed."

Back in October 2013, *TIME Magazine* ran a cover story on Texas titled "The United States of Texas," asserting that Texas is increasingly looking like the future of the country. Written by libertarian economist Tyler Cowen, it looked at why so many Americans are headed to the Lone Star State. Cowen came to a surprising conclusion: Texas is our future.

"To a lot of Americans, Texas feels like the future. And I would argue that more than any other state, Texas looks like the future as well — offering us a glimpse of what's to come for the country at large in the decades ahead. America is experiencing ever greater economic inequality and the thinning of its middle class; Texas is already one of our most unequal states. America's safety net is fraying under the weight of ballooning Social Security and Medicare costs; Texas' safety net was built frayed. Americans are seeking out a cheaper cost of living and a less regulated climate in which to do business; Texas has that in spades. And did we mention there's no state income tax?"

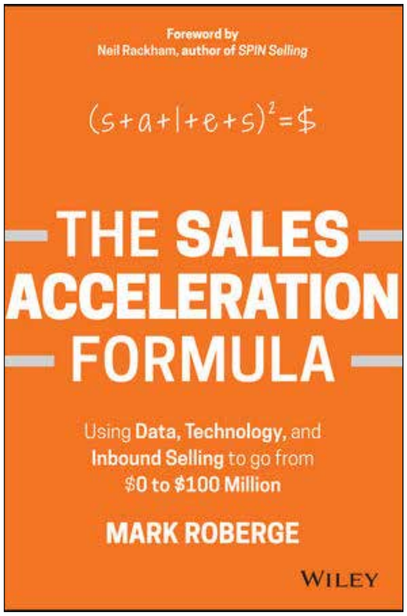
While the oil slump is rattling some nerves in the Lone Star State, Texas still seems like the place that the rest of the United States wants to become.

Meanwhile, the Texas miracle lives on.

BOOK REVIEW

Using Data and Technology to Accelerate Real Estate Sales

By Octavio Nuiry, Managing Editor



If you're looking to super charge your sales force in 2016, I highly recommend you read "The Sales Acceleration Formula: Using Data, Technology and Inbound Selling to go from $0 to $100 Million," by Mark Roberge, the vice president of sales at HubSpot, a company that uses content to draw potential customers to their website — a practice known as "inbound" marketing.

The book provides a behind-the-scenes look at how HubSpot built a data-driven sale juggernaut, scaling annualized revenue from zero in sales to $100 million in revenue and expanded their sale and marketing team from 1 to 450 employees in seven years.

According to Roberge, businesses that successfully make the transition to $100 million dollar ventures are those that master five basic tasks: hiring motivated salespeople, training the sales team, managing sales, generating demand and experimenting with new technologies.

When building your sales team, Roberge argues, hire professionals with the right personality traits that line up with your company's values. Roberge used engineering methodology to scale the sales team in four areas: Hire the same successful salesperson every time; train every salesperson in the same way; hold your salesperson accountable to the same sales process; and provide your salesperson with the same sales quality and quantity of leads every month.

"These four components represented my formula for sales acceleration," writes Roberge in the introduction. "If I could execute on these four elements, I believed I would achieve my mission of scalable, predictable revenue growth. For each of these components, I devised a repeatable process, leaned into metrics, and ran calculations, making each of these tactics formulaic in nature."

The book is divided into five easy-to-read sections. At the end of each brief chapter is "recap" section which underscores the key points in the chapter.

The Sales Hiring Formula: Hire Top-Notch Salespeople

In Part I, Roberge describes what he calls the "Sales Hiring Formula," where he explains how to find "the ideal sales hire." He gives readers tips on how to hire world-class top sales performers.

"When you are scaling a sales-team, the to-do list is endless," writes Roberge, an MIT-trained engineer who teaches entrepreneurial sales at Harvard Business School. "Hiring, training, coaching, pipeline reviews, forecasting, enterprise deal support, leadership development and cross-functional communication are all part of the day-to-day. Dozens of urgent fires are blazing around you at all times. Unfortunately, you only have enough water to put out a select few. Choosing the right fires to extinguish might dictate your ultimate success ... or failure."

Roberge was the fourth employee hired by the two co-founders of HubSpot — Brian Halligan and Dharmesh Shah.

"The first bet I made: I would attempt to build a world-class sales hiring program. To this day, I'm glad I prioritized sales hiring excellence. World-class sales hiring is the most important driver of sales success."

The Sales Training Formula

In Part II, Roberge outlines the Sales Training Formula. "I

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outline how to bring scale to your sales training efforts by defining the three fundamental elements: the buyer journey, the sales process and the qualifying matrix. I outline how to bring predictability to the training program using exams and certifications. I also provide a blueprint on how to manufacture helpful salespeople with whom your prospects will actually want to interact."

The Sales Management Formula

Next, Roberge describes how to create a metrics-driven sales coaching environment in Part III, in a section titled the Sales Management Formula. For Roberge, all managers are "sales coaches."

"In my opinion, effective sales coaching is the biggest driver of sales productivity," he writes. "All sales managers should maximize the time they invest in coaching."

Mark Roberge

Sales-driven metrics varies from company to company, he claims. But Roberge "recommends keeping the first pass relatively simple by starting with the high-level metrics that are already being tracked."

The Demand Generation Formula

In Part IV of the book, Roberge deconstructs what he calls "outbound marketing," such as cold-calling, in a section titled the "Demand Generation Formula."

"Outbound marketing just doesn't work anymore," he writes. "Buyers dislike outbound marketing so much they actually invest in technology to keep these tactics out of their lives."

Despite the shift from outbound marketing to inbound marketing, companies continue to pour the majority of their demand generation efforts into outbound marketing, he argues.

Instead, Roberge suggests implementing an inbound sales and marketing revenue machine, which he describes in chapter 11 titled "Converting Inbound Interest into Sales." He created a "buyer matrix" to figure out where buyers are in the sales journey.

"The Internet has completely transformed the way buyers research products and services," he observes. "Today's buyers are empowered to find the products they want, when they want them, with near-perfect information on the competitive landscape. The buyer is in control. At HubSpot, we recognized this shift."

Use Technology and Experimentation

In the final section, Roberge guides readers on how to use technology and experimentation to sell better and faster. Today's success sales professionals are technology geeks, writes Roberge.

"They use technology to understand what information the prospect has already consumed and lead with the next piece of information appropriate for prospect's stage in the buyer's journey," he writes. "They use technology to understand which prospects are actually engaging with their sales efforts, opening their emails, visiting their website, and are prioritizing their sales efforts accordingly."

Roberge has done yeoman's work in tracing how to assemble a world-class sales team. The tips and insight provided by Roberge can be implemented in any sales organization.

"In today's digital world, in which every action is logged and masses of data sit at our fingertips, building a sales team no longer needs to be an art form," writes Roberge, who earned an MBA from MIT and an engineering degree from Lehigh University. "There is a process. Sales can be predictable. A formula does exist."

This is an eye-opening book. Anyone in digital sales will benefit by reading and absorbing the pearls of wisdom found between the covers of "Sales Acceleration Formula." Whether your sales force is a tiny one-person start-up or a sophisticated 1,000-person operation, you'll find much sales insight in Roberge's book that are relevant, useful and actionable.

TOP 20

Foreclosure rates in the nation's 20 largest metros in January 2016

Rank	Metro	Housing Units Per Foreclosure Filing (Rate)
1	Tampa, FL	551
2	Philadelphia, PA	665
3	Baltimore, MD	730
4	Riverside, CA	757
5	Miami, FL	808
6	Chicago, IL	931
7	Washington, DC	1,100
8	New York, NY	1,175
9	Los Angeles, CA	1,387
10	Atlanta, GA	1,418
11	Phoenix, AZ	1,433
12	Seattle, WA	1,442
13	San Diego, CA	1,465
14	St. Louis, MO	1,533
15	Minneapolis, MN	1,575
16	Detroit, MI	1,654
17	Dallas, TX	2,012
18	San Francisco, CA	2,012
19	Boston, MA	2,240
20	Houston, TX	2,622

JANUARY 2016

STATE-BY-STATE FORECLOSURE ACTIVITY SUMMARY

State Rank	State	Default	Auction	REO	Total	1/every X HU (rate)	%Δ from Dec 2015	%Δ from Jan 2015
	U.S. Total	**28,578**	**37,333**	**29,275**	**95,186**	**1,395**	**-7.92**	**-10.63**
18	Alabama	0	740	635	1,375	1,593	-12.36	35.33
45	Alaska	29	20	17	66	4,664	-42.11	-45.00
15	Arizona	0	1,331	671	2,002	1,436	11.35	-1.52
42	Arkansas	0	240	174	414	3,210	-15.16	-1.19
10	California	5,194	3,670	2,275	11,139	1,237	7.85	-11.12
37	Colorado	61	547	213	821	2,727	-1.20	-46.96
14	Connecticut	712	137	250	1,099	1,356	-26.88	-24.05
5	Delaware	239	184	56	479	859	-7.17	3.23
	District of Columbia	0	9	13	22	13,673	-46.34	69.23
4	Florida	3,545	4,656	3,272	11,473	789	-10.37	-38.22
19	Georgia	0	1,025	1,505	2,530	1,626	-19.55	-2.69
38	Hawaii	39	65	85	189	2,777	-40.75	2.72
36	Idaho	148	40	62	250	2,702	-30.17	-58.12
8	Illinois	1,624	1,496	1,337	4,457	1,189	-15.25	-38.31
7	Indiana	1,052	1,130	525	2,707	1,039	29.40	-0.70
29	Iowa	242	220	195	657	2,052	-26.92	32.73
35	Kansas	139	267	100	506	2,452	19.62	-11.54
31	Kentucky	244	467	129	840	2,308	17.65	42.37
39	Louisiana	171	276	256	703	2,829	-39.55	-24.73
32	Maine	175	67	68	310	2,338	-26.37	-26.89
3	Maryland	1,072	1,027	1,379	3,478	690	-15.38	-9.50
23	Massachusetts	801	529	313	1,643	1,714	-9.43	40.43
26	Michigan	0	1,339	1,101	2,440	1,858	-20.50	-15.16
28	Minnesota	0	753	410	1,163	2,033	21.02	7.29
43	Mississippi	0	165	165	330	3,893	-14.06	20.44
30	Missouri	0	483	759	1,242	2,193	-14.34	-22.81
49	Montana	0	15	16	31	15,703	-11.43	-43.64
44	Nebraska	103	66	34	203	3,967	-50.73	-8.97
2	Nevada	893	640	433	1,966	603	30.37	1.55
40	New Hampshire	0	121	73	194	3,182	-22.71	-33.33
1	New Jersey	2,487	2,240	1,332	6,059	590	-5.95	39.48
22	New Mexico	241	138	157	536	1,693	-36.64	14.78
24	New York	2,773	580	1,175	4,528	1,801	-6.19	5.35
11	North Carolina	1,338	874	1,212	3,424	1,281	-0.75	-13.90
46	North Dakota	6	0	54	60	5,534	200.00	1,900.00
6	Ohio	1,812	1,821	1,404	5,037	1,019	-22.30	-8.95
20	Oklahoma	463	327	239	1,029	1,633	-7.88	73.52
16	Oregon	282	540	311	1,133	1,488	12.29	4.42
13	Pennsylvania	1,270	1,733	1,283	4,286	1,302	4.95	17.17
33	Rhode Island	0	136	62	198	2,338	-26.39	-35.08
9	South Carolina	679	604	522	1,805	1,197	9.00	1.86
50	South Dakota	0	9	6	15	24,612	-25.00	-48.28
12	Tennessee	0	1,129	1,074	2,203	1,289	-9.56	12.05
34	Texas	58	2,125	1,973	4,156	2,451	-25.10	-2.69
21	Utah	219	253	129	601	1,663	-7.96	-30.12
47	Vermont	0	16	27	43	7,543	-30.65	53.57
25	Virginia	0	1,278	594	1,872	1,818	17.88	13.66
17	Washington	28	1,292	637	1,957	1,493	-5.55	-4.86
48	West Virginia	0	1	87	88	10,036	-42.86	66.04
27	Wisconsin	439	461	444	1,344	1,961	-24.49	-17.19
41	Wyoming	0	51	32	83	3,195	3.75	27.69

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