



How to Price Foreclosure Cleanup Jobs

How to Effectively Price Foreclosure Cleanup Services So Your Company Can Make a Profit

June 30, 2009 - [PRLog](#) -- If you own a foreclosure cleanup company, you already know that pricing is all over the place for services, because services can encompass so many things. In a foreclosure cleanup business, you can offer everything from simple trash-outs, to lawn maintenance, to gutter cleaning and pressure washing, painting, minor repairs, and so much more. You can offer any of these services exclusively, or in combination with other services, which makes determining how to price effectively somewhat difficult.

According to Cassandra Black, the owner of Foreclosure Cleanup, LLC, in Atlanta, “We get calls all the time from foreclosure cleanup start-up companies wanting to know how much to charge for debris removal, repairs, etc. They want a simple formula into which they can plug certain factors to come up with quick pricing. Unfortunately, there are no cookie-cutter answers because so many factors dictate effective pricing for especially the new, smaller foreclosure cleanup company.”

Ms. Black continues, “On the flip side, potential clients often call and want an estimate over the phone, just an idea of what they can expect to pay foreclosure cleanup services. Often they are looking to buy a foreclosure and want to know what they’re facing after closing to get the home in move-in condition, or a realtor will call because he or she has gotten a host of foreclosures from the bank to ready for the market. We tell them we have to see the properties before pricing.”

As in most things, haste in pricing makes waste. New foreclosure cleanup companies will almost always do themselves a disservice by giving a quick price over the phone to appease the caller. Several factors need to be taken into consideration before providing an estimate to make a profit in this industry.

There are several schools of thought on foreclosure cleanup pricing. Below are some soft factors that should be considered before doling out hard and fast numbers in foreclosure cleanup estimates.

1. What is someone in the subject county, city or zip code willing and able to pay for a foreclosure cleanup services? Clients in a metropolis like Chicago will expect to pay more than someone in a smaller city like Selma, Alabama. New companies should call other companies to see what they charge for services. New foreclosure cleanup companies may not be able to call existing foreclosure cleanup companies because they may be the only one in town. Foreclosure cleanup is a new, burgeoning business, per Entrepreneur Magazine, shows on Oprah, and several news outlets, but there’s still room for new companies in a host of areas throughout the United States due to foreclosure rates being at record highs.

To help determine pricing, new companies should call existing companies that offer some of the services they plan to offer in their new business. For example, calling domestic and commercial cleaning companies, lawn companies, gutter cleaning companies, painters, etc., will help smaller start-ups come up with their own pricing structure based on their services and their area.

2. Who will be paying your foreclosure cleanup company? You need to know who will be writing the check to your company. This little slice of info will help you price effectively to make a profit. Here’s why:

Realtors who specialize in listing REO (real estate owned) properties often come out-of-pocket financially for maintaining properties and wait to get reimbursed by banks for their expenses for lawn care, trash-outs, minor repairs, etc. If a realtor, in these times of lower and slower commissions, is paying you directly, you may need to lower your estimate a bit to secure the trash-out job so they can afford you – over and over again! Bulk from these realtors is how you will make your money.

On the other hand, if you tell that realtor you will do the trash-out and wait the 60+ days to get paid from the bank, your estimate should be higher. Why? Because you have to take into account you will be waiting to get paid; someone else will be holding those monies that should be in your bank account earning interest or keeping you in the black when it comes to your business's cash-flow.

If you decide to wait on the bank, you may have to factor that invoice to get your money immediately. If you “factor” that invoice (sell it to a company who will give you a percentage of the invoice's value in exchange for immediate payment), it will cost you a percentage of your profits. Naturally, you will pass that cost on to the bank by charging more.

3. In pricing foreclosure cleanup jobs, you should also consider the full scenario of the property. For example, does the realtor have bulk for you to handle or is this a 1-home trash-out? Again, bulk should lend to lower pricing. (Immediate bulk, NOT “promised” bulk.)

If a buyer is seeking a trash-out estimate themselves, weigh whether the buyer has already closed on the home, versus whether they are in the offer phase. If the buyer has already closed on the home, schedule an estimate meeting at the property and do a walk-thru to evaluate the contents. Why? Because if they've just bought the foreclosure, there are likely a host of other things they will need to have done.

Foreclosures are sold almost always “as-is,” so the buyer will likely need a white-glove move-in clean, painting, gutters cleaned, pressure washing, minor repairs, or a combination thereof. Ask the buyer if you should add this or that to the estimate as you're doing the walk-thru, based on the services you've decided to offer in your foreclosure cleanup company. By the time it's said and done, the trash-out will likely be the least lucrative portion of your estimate.

If the buyer has not closed on the home, they may be seeking several estimates from several vendors so they can weigh which estimate to use as part of an offer contract in effort to get the seller to drop the price of the foreclosure based on the amount of the trash-out estimate (“seller concession”). In this scenario, you may NOT want to be the lowest bid.

4. Will you be a subcontractor on the job for which you are giving the estimate? Are you working for a larger vendor? Larger property preservation companies use smaller foreclosure cleanup companies all the time. Expect to bid lower on these jobs if you are a sub, because the primary vendor is often working within budget constraints dictated by hard and fast HUD-type guidelines. Larger vendors know they can't go over a certain amount to have a certain service completed on a foreclosure without approval. Try to find out what those pricing guidelines are for your vendor and price accordingly.

There are so many factors to consider when pricing foreclosure cleanup jobs. You really have to weigh everything, and, at bare minimum, the above soft factors, before giving out hard and fast numbers so your company can price effectively to make a profit.

Good luck!

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Foreclosure Cleanup, LLC specializes in clearing out and cleaning up homes that have been foreclosed upon in the Atlanta area. They are the authoring company of "How to Start a Foreclosure Cleanup Business" and "How to Market Your Foreclosure Cleanup Business: A Step-by-Step, Shoestring Marketing Guide for Foreclosure Cleaning Business Owners." Website for Books:
www.ForeclosureCleaningBusiness.com.

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