



Workshop Agenda

Introductions

- 2 Topics
 - REO Property Sources
 - Keys to Successful Acquisition

Stop me and ask questions at any point



REO Property Sources

Routes to accessing REO properties:

- Open market
- Direct relationships with servicers/lenders
- Intermediaries
- HUD/FHA
- Other (Tax foreclosure, failed developments, etc.)

Multiple acquisition strategies are necessary



REO Property Source: Open Market Purchases

Traditional approach to purchasing properties

- Simplest route to accessing REO properties
- Can be managed internally or contracted out to a broker
- Competition from homebuyers and investors
- REO properties may not reach the open market
- REO purchases are different from normal real estate purchases





REO Property Source: Servicer/Lender Programs

Many national servicers have direct sale programs targeted to local governments and nonprofits

- Standard contracts servicers allow few if any modifications to their purchase agreements
- Established process usually a 30-day closing timeline, some programs allow for longer closing periods
- Limited competition some programs have a period where only
- Understanding of the NSP program the majority of these programs were created to help NSP participants access REO properties





REO Property Source: Examples of Intermediaries

Intermediary Approaches

- Real estate brokerage firms specializing in REO purchases
- Regional purchasing entities aggregate the purchasing power of multiple NSP programs
- Process Facilitators act in a manner similar to a broker
 - •National Community Stabilization Trust (NCST)
 - REO Clearinghouse

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REO Property Source: National Community Stabilization Trust

The Stabilization Trust facilitates the transfer of REO property from financial institutions to local stabilization programs

- Is a national nonprofit sponsored by: Enterprise Community Partners, Housing Partnership Network, Local Initiatives Support Corporation (LISC), National Council of La Raza, National Urban League, and NeighborWorks
- · Currently working with:

Freddie Mac Wells Fargo Citigroup, Bank of America

JP Morgan Chase GMAC

Participation in NCST property acquisition programs by additional financial institutions as Sellers is planned

• Operating in 100+ communities, offering 1,000+ properties each month



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REO Property Source: National Community Stabilization Trust

The Stabilization Trust facilitates the transfer of REO property in <u>two ways</u>:

- Newly foreclosed property can be accessed through the Stabilization Trust "First Look" program
 - A predictable means of determining the NSP discount which helps both buyer and seller with their needs
 - Limits competition from other buyers
- Existing inventory can also be purchased on either an individual basis or bulk basis
 - Properties remain listed and exposed to marketplace during evaluation
 - Also provides pricing predictability as well as unified approach to property acquisition



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REO Property Source: National Community Stabilization Trust

The Stabilization Trust REO transfer model uses:

- Pre-negotiated purchase agreements
 - Cover NSP regulatory requirements
 - Allow limited local customization
- · Streamlined process
 - Quick responses to property offering required
 - 30-day closing timeline
- Single point of contact
 - Local programs work directly with the Stabilization Trust
- Agreed upon pricing system
 - Applies the net realizable value approach to REO properties

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REO Property Source: REO Clearinghouse

The REO Clearinghouse acts as an intermediary between communities and servicers, assisting in the transfer of REO properties

- Aggregates the inventory of multiple servicers and provides a list of REO properties each month to local partners
- Assists in negotiating the purchase or donation of selected properties
- Can assist communities in identifying the servicer for strategic properties
- Currently operating in over a dozen markets and working with multiple national

Principals - Heidi S. Coppola and Robert Klein



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REO Property Source: HUD/FHA

FHA has a number of programs that offer discounted REO properties to local governments and approved nonprofits

- Initial Listing
 - Properties can be obtained at up to a 30% discount
 - · Available for only the first 5 days a property is listed
- Bulk purchase program
 - Must be an NSP grantee or sub-grantee
 - Purchase 10 or more properties
 - Properties have been on the market for 60+ days
 - · Sliding discount scale based on apprised value
- \$1 Homes
 - Property must have been on the market for 180+ days





Keys to Successful Acquisition

To successfully compete for REO properties an NSP program must have a strong process

Keys to successful acquisitions:

- Verify property eligibility
- Know your real estate market
- Create a target property profile
- Make NSP purchase offers competitive in the market

NSP funds will cover failed acquisition costs but this is not the best use of limited funds



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Acquisition Key: Making NSP Competitive

NSP funds are less attractive to sellers because of real and perceived 'strings' the funds carry, to make NSP competitive:

Reach out to real estate professionals around NSP

- Educate brokers on the Neighborhood Stabilization Program
- Seek ongoing partnerships in place of one-off transactions
- Connect brokers with the acquisition and disposition process

Conform NSP to the normal real estate process

- Attempt to match the typical closing timeline as closely as possible
- Standardize the purchase agreements you use as much as possible and
- · Use contingencies clauses to allow for flexibility where possible



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Acquisition Key: Property Eligibility

Verify NSP eligibility before making an offer <u>or</u> incorporate contingencies clauses into your purchase agreement

Basic NSP eligibility requirements*:

- Foreclosed status
- Target area limits locations
- Reallocation Act and other tenant protections
- Appraisal to prove 1% discount
- Environmental review including lead hazard
- Historical preservation review
- * This is not a comprehensive list of NSP eligibility requirements



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Acquisition Key: Local Market Data

Understanding the market is critical to identifying and successfully acquiring REO properties

A strong program understands:

- Source of properties
- Volume
- Price points and trends
- Quality of the housing stock
- Other buyers in the market

A broker or staff person who knows the market and understands your NSP program is priceless



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Acquisition Key: Target Property Profile

Determine the characteristics of properties that fit the program and share this information with REO sellers

- Basic target profile information:
 - Square footage
 - # of bed/bathrooms
 - Target area
 - Price range
 - Rehah level
 - Other amenities (Garage, access to public transit, etc.)
- Evaluate and revaluate your target profile
 - Adapt your target profile to changes in the market



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Online REO Resources

HUD's New NSP Site:

www.hudnsphelp.info

Servicer/Lender Direct Sales Programs

- Freddie Mac's REO Listings www.homesteps.com/
- Fannie Mae's REO listings http://www.homepath.com/
- Wells Fargo's REO listings -

http://www.pasreo.com/pasreo/public/propertySearch.do

- Bank of America's REO listings -
- http://bankofamerica.reo.com/search/propertysearch.aspx
- JP MorganChase's REO listings www.chase.com/reo
- Citigroup's REO listings -

https://www.citimortgage.com/Mortgage/Oreo/SearchListing.do



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Online REO Resources (cont'd)

Intermediaries

- National Community Stabilization Trust <u>www.stabilizationtrust.org</u>
- REO Clearinghouse www.reo-ch.com/

HUD/FHA REO Programs

• FHA Properties - www.hud.gov/offices/hsg/sfh/reo/reohome.cfm

Other Tools

- MERS servicer identification system https://www.mers-servicerid.org/sis/
- NeighborWorks America <u>www.stablecommunities.org</u>
- Excellent resource for neighborhood stabilization information
- $\hbox{-} \ \text{List of bank REO websites -} \ \hbox{$\underline{\text{http://www.biggerpockets.com/bank-reo.html}}$}$
- Online database of REO and other properties <u>www.bidselect.com</u>
 First American Core I agic property and martegas information.
- First American Core Logic property and mortgage information www.facorelogic.com

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