

U.S. Department of Housing and Urban Development

Accessing REO Properties

Neighborhood Stabilization Program

Workshop Agenda

Introductions

2 Topics

- REO Property Sources
- Keys to Successful Acquisition

Stop me and ask questions at any point

U.S. Department of Housing and Urban Development Neighborhood Stabilization Program 2

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

U.S. Department of Housing and Urban Development Neighborhood Stabilization Program 3



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 certain buyer types can make offers
- **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





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 servicers

Principals - Heidi S. Coppola and Robert Klein





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 appraised 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





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





Acquisition Key: Property Eligibility

Verify NSP eligibility before making an offer or 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





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





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
 - Rehab level
 - Other amenities - (Garage, access to public transit, etc.)
- Evaluate and reevaluate your target profile
 - Adapt your target profile to changes in the market



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>



Online REO Resources (cont'd)

Intermediaries

- National Community Stabilization Trust - www.stabilizationtrust.org
- 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 - www.stablecommunities.org
 - Excellent resource for neighborhood stabilization information
- List of bank REO websites - <http://www.biggerpockets.com/bank-reo.html>
- Online database of REO and other properties - www.bidselect.com
- First American Core Logic property and mortgage information - www.facorelogic.com
