

How to Buy Foreclosed Homes

Lessons Learned

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National Community Stabilization Trust



Facilitating the Transfer of REO to Stabilize Neighborhoods

Minnesota Foreclosure Partners Council
Foreclosure Recovery Workshop

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**National Community
Stabilization Trust**

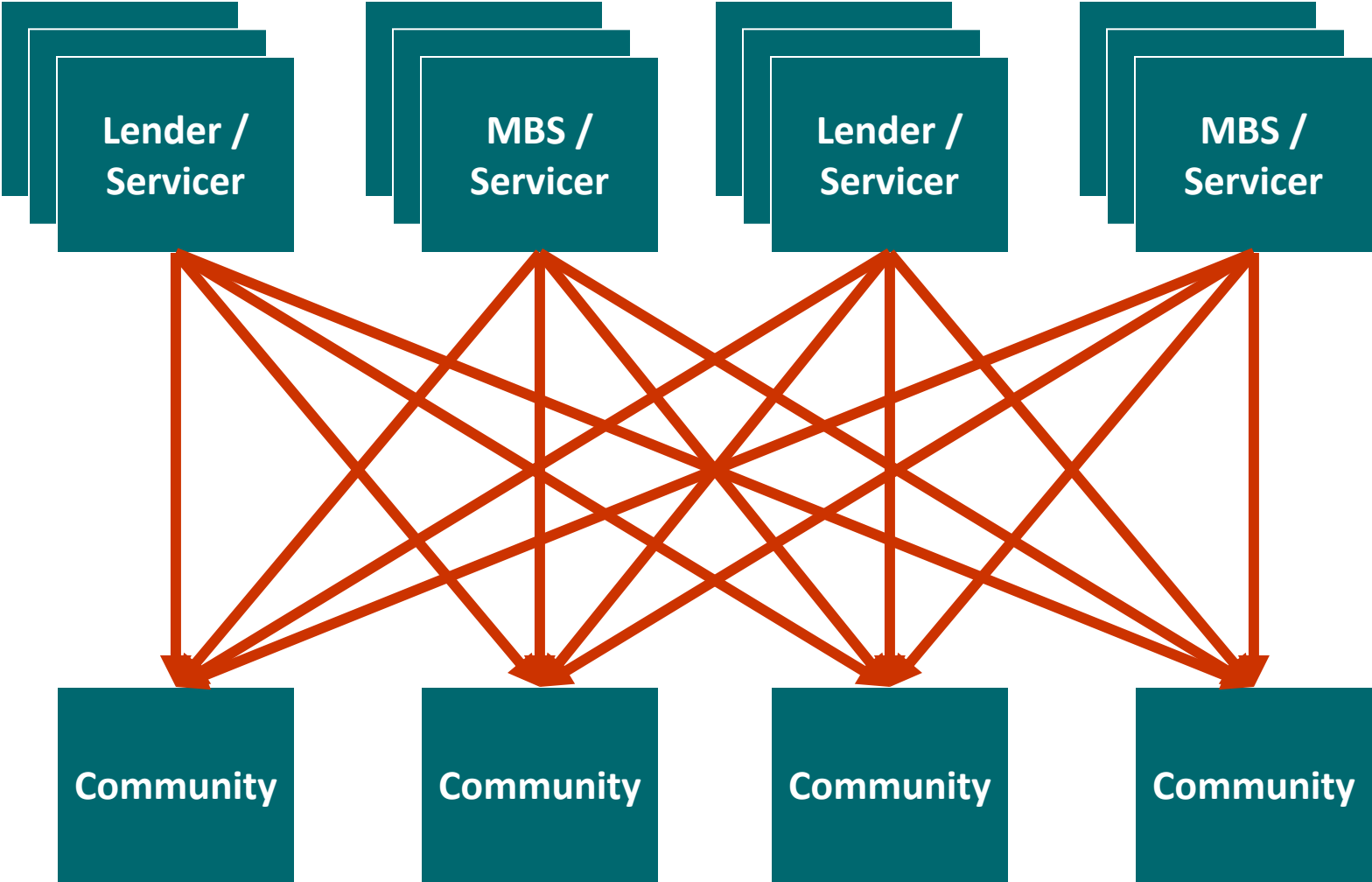
What is the National Community Stabilization Trust?

A joint venture launched in 2008 and sponsored by Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation, National Urban League and NeighborWorks America.

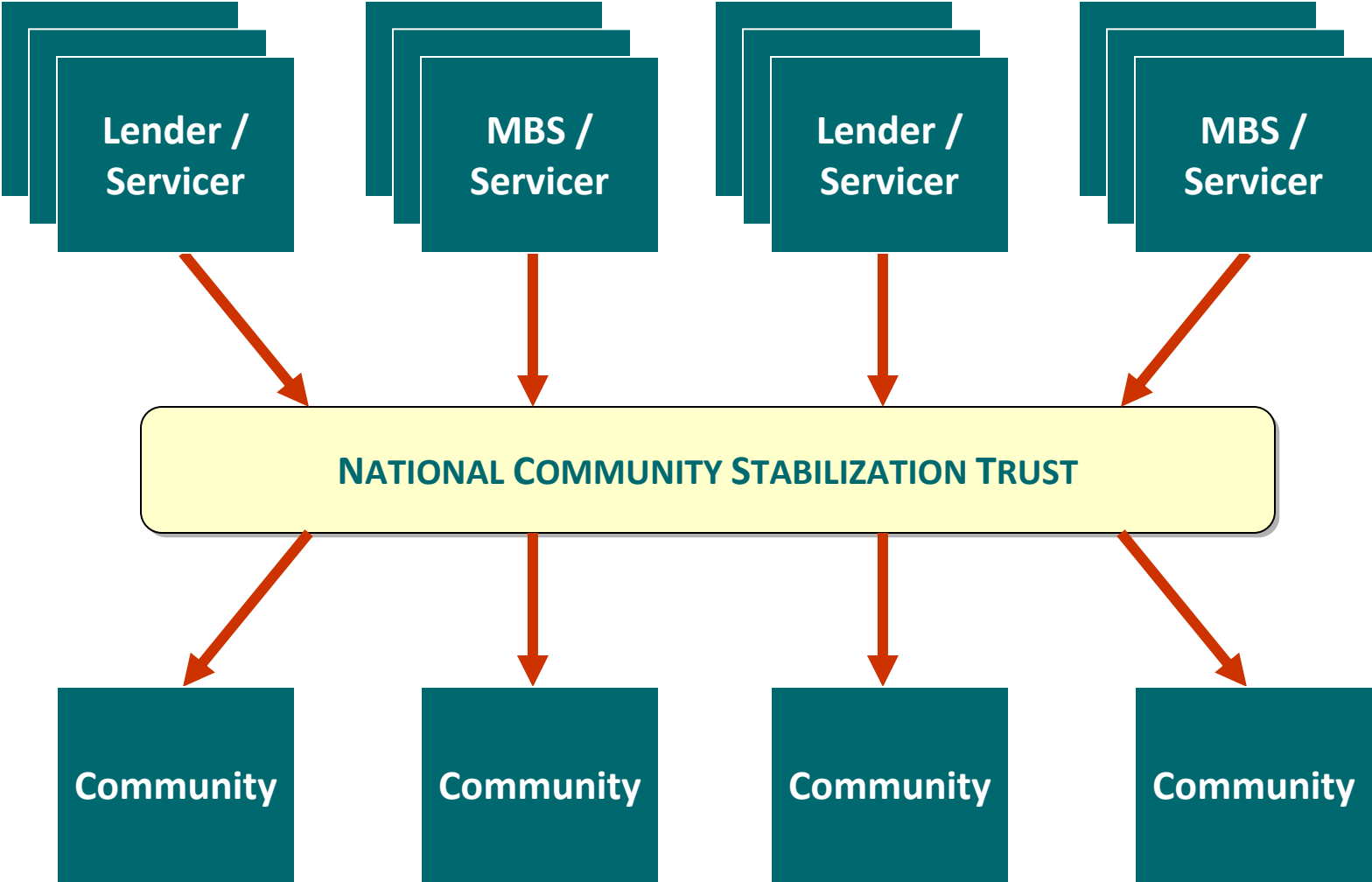
The Stabilization Trust facilitates the transfer of foreclosed and abandoned property from financial institutions nationwide to localities to promote neighborhood stability.

Creates a bridge between two worlds – the financial institution servicer/REO departments and state and local housing providers.

Transfer Foreclosed Properties



Transfer Foreclosed Properties



Seller Program Participants

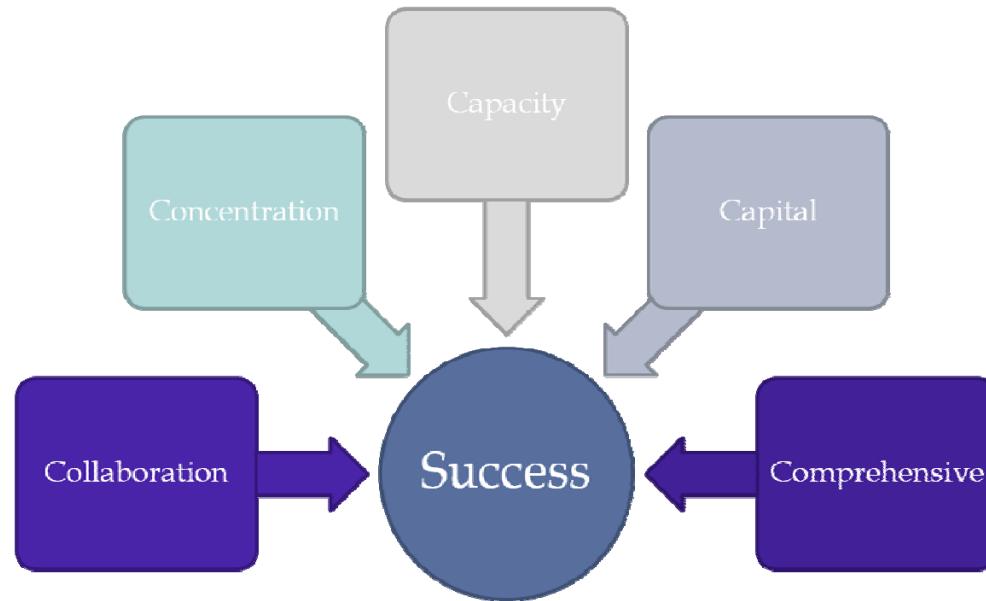
Growing participation in NCST property acquisition programs from leading national financial institutions as Sellers

- Fannie Mae – operational in test / pilot capacity
- Wells Fargo – operational in test / pilot capacity
- JPMorgan Chase – operational in test / pilot capacity
- Citigroup – operational in test / pilot capacity
- Bank of America / Countrywide – operational in test / pilot capacity
- Saxon Mortgage – operational in test / pilot capacity
- GMAC ResCap – operational in test / pilot capacity
- Freddie Mac – preparing for test / pilot capacity
- HUD/FHA – preparing for test / pilot capacity

Discussions regarding participation in NCST property acquisition programs with dozens of additional leading financial institutions as Sellers, including:

- SunTrust, Nationstar, HSBC, etc.

Buyer Program Participants



Over 100 localities across the country are participating or planning to participate with the National Community Stabilization Trust

- The Twin Cities was one of the first pilot localities in the nation – live since September 2008 (GMHC and DBNHS working closely with the cities of Minneapolis and St. Paul, and other development partners)
- The GMHF statewide effort just went live on Tuesday

Property Acquisition Programs

Property Acquisition Programs

Program structures have been and will continue to be developed to ensure that these properties are returned to the stock of ownership and rental housing available primarily for low- and moderate-income families.

Examples include the “**First Look**” / **Right of First Offer** and “**Bulk Sale**”

Property Acquisition Program Principles

Scalable – general framework with common protocols designed to minimize exceptions and focus on volumes

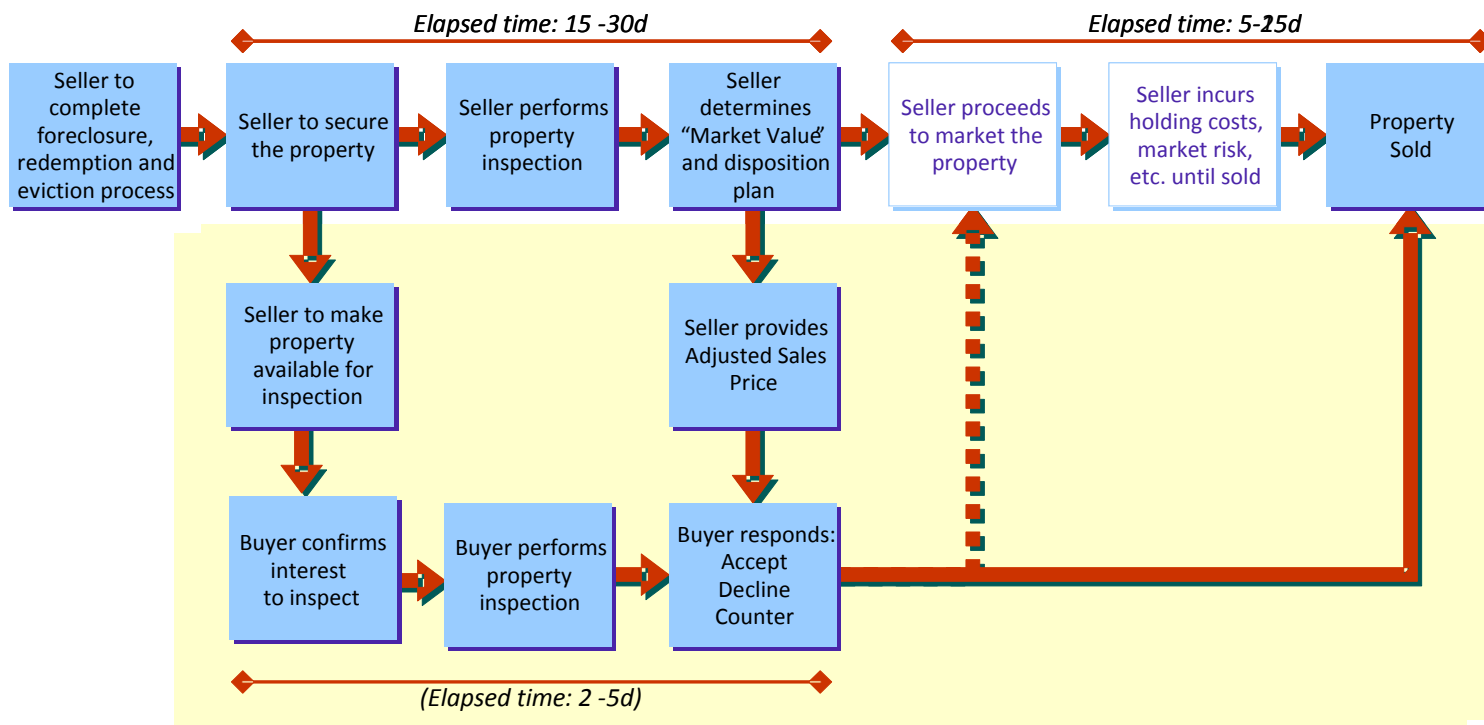
Transparent – establish solid basis of common understanding with Buyers and Sellers to reduce friction

Practical – ease of implementation, supports guidelines / requirements from the HERA and related HUD NSP guidelines [H.R. 3221 / §2301\(d\)\(1\)](#)

Property Acquisition Programs (First Look / Bulk)

Timing Considerations

First Look is implemented on a flow basis, prior to property being listed via typical means, with negligible impact to current operations.



Bulk is generally applied to "aged" and listed properties.

Property Acquisition Programs (First Look / Bulk)

Pricing Considerations

Designed to be implemented in an open and transparent manner to promote quick and efficient transactions, and comply with both the NSP guidelines, and financial institution requirements

1. Seller to begin with **Estimated Fair Market Value** as determined by appraisals, BPO's, internal calculations, etc.
2. Seller to provide **market assumptions**, including:
 - *Estimated days on market*
 - *Estimated property depreciation (or appreciation) over time*
3. Seller to **acknowledge costs avoided** through participation in the program, including:
 - *Estimated property preservation and maintenance costs*
 - *Estimated taxes, insurance and other administrative costs*
 - *Estimated sales and marketing costs*
4. Seller to provide **adjusted sales price**
 - *Incorporating difference in net present value of receiving advance cash payment instead of incurring holding costs, sales costs, etc.*

Questions?

Minneapolis Program

Carolyn Olson (GMHC)

St. Paul Program

Jim Erchul (DBNHS)

Metro-Area Program

Tom Fulton (FHF)

Statewide Program

Warren Hanson (GMHF)