



2008 National Interagency Community Reinvestment Conference

Mitigating the Negative Impact of Foreclosures

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Mortgage Crisis

A Waterfall of Options

Millions of Unaffordable
Sub-prime Mortgages



Solutions / Outcomes

Refinance to Prime

Loan Modification

Short Refinance

Short Sale

Modification in Bankruptcy

Foreclosure

Neighborhood Preservation Project

A Response to Rising Foreclosures



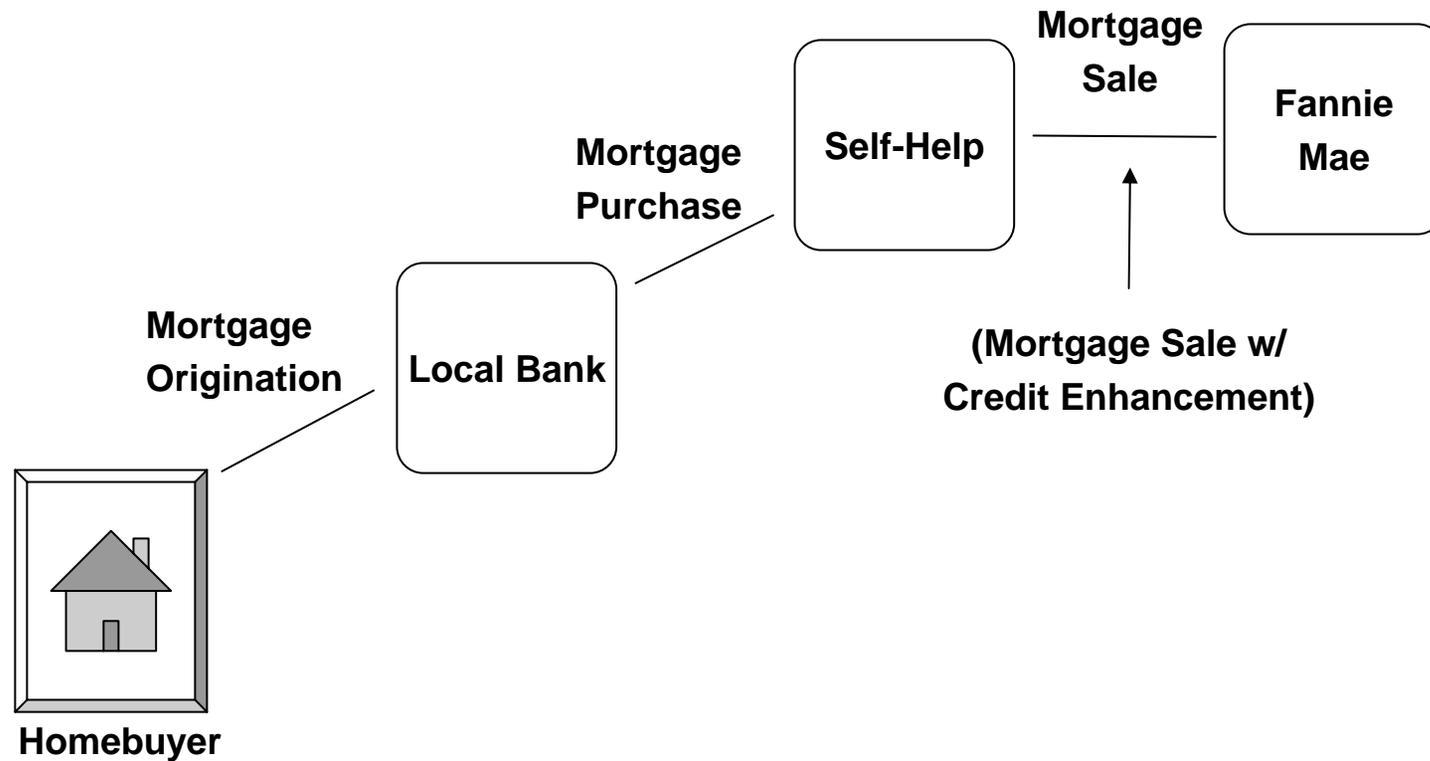
- **Goals**

- Minimize Cost of foreclosures on at-risk neighborhoods
- Turn foreclosed properties into wealth building assets for low-income families

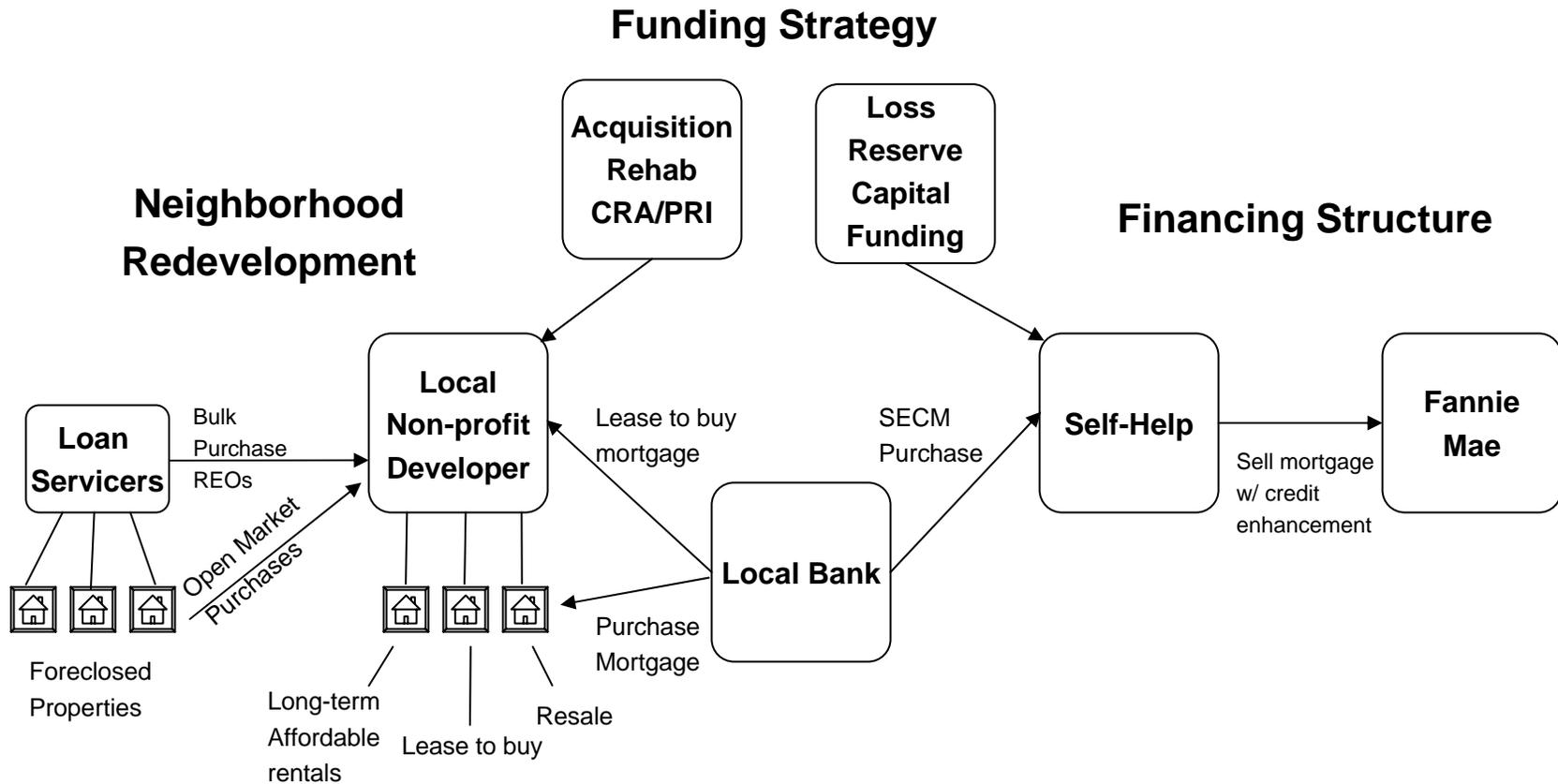
- **Strategy**

- Develop a locally-based REO acquisition/rehab & redeployment program
- Use lease-to-purchase structure to accelerate ability to occupy vacant homes and bridge mortgage qualification issues
- Test through multiple pilot projects, then pursue scalability

Self-Help Secondary Market Mortgage Program



Neighborhood Preservation Project Program Structure



Lease-to-Purchase Mortgage Product



- Variation on Self-Help MCM (30-yr fixed rate)
- Initial borrower is local nonprofit partner
- Target for tenant to purchase home and assume loan within 5 years
 - Tenant lease payments cover mortgage and operating expense during rental period
 - Tenants screened for affordability at origination
 - Affordability and credit capacity evaluated at assumption
 - Credit and homeownership counseling required
 - Contribution to savings required

- Self-Help CDC acting as Local Development Partner
- Identified Appropriate Neighborhood
 - Metropolitan fringe/suburb
 - 147 homes
 - Approximately 1/3 for sale, bank owned or in foreclosure process
- Building relationships with necessary partners: city agencies, realtors, property managers, counselors, etc.
- About to begin REO purchases: target of 25 homes

- REO Acquisitions
 - Price discipline/ market stability
 - Volume and efficiency
 - Selectivity
- Identifying Local Partners
 - Broad skill set required
 - Financial capacity
 - Insuring appropriate value proposition
- Product Development
 - Pricing of sale at end of lease period
 - Raising 5% risk capital
 - Accessing sufficient acquisition/ rehab capital
 - Developing lender/servicer partners for bulk acquisitions
 - Lack of data/success on lease-purchase performance

- Capitalizing on market dislocation and over-reaction for attractive acquisition pricing
- Developers operating with fair margin and/or resale upside
 - City, County and other subsidies for “wrap around” services
- Acquisition funding (10%)
 - Leveraged through velocity of program
 - Short-term and sustainable
- 5% Securitization Risk Reserve is the only permanent capital
 - leveraged 19:1

Neighborhood Preservation Project

Self-Help Priorities



- Implement North Carolina Pilot
- Explore funding sources and local partners for 2-3 additional pilots nationally
- Refine lease-to-buy mortgage product
- Focus on secondary market execution to create platform for scale
- Leverage other REO acquisition efforts nationwide



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