

ACQUIRING REOs TO ACCOMPLISH A BROADER COMMUNITY REVITALIZATION STRATEGY

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**STABILIZING COMMUNITIES SERIES:
ACQUIRING REOS IN COMPLIANCE WITH NSP
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Background: Neighborhood Preservation Program



- High foreclosure impacted communities are experiencing unprecedented blight and instability, oftentimes reversing years of community development successes.
- The Housing and Economic Recovery Act of 2008 and the resulting Neighborhood Stabilization Program developed by HUD will provide an additional \$3.92 for the redevelopment of foreclosed homes and related initiatives.

Breadth of NSP



- Every state and almost 300 cities and counties are direct grantees and will receive a share of NSP funding;
- Hundreds of other counties and cities are likely to receive an allocation indirectly through their state's NSP administrator.
- NSP funding must be used for 5 defined, eligible purposes and in geographic areas of greatest need, assuring that resources are very targeted and able to effect change.

Significance of NSP



- **NSP is important for two reasons:**
 - It is providing much needed financial support for community stabilization activities
 - It is focusing much needed attention on how to stabilize and revitalize communities
- **Communities must be strategic in identifying revitalization programs and specific program features for maximum impact.**

Building a Neighborhood Stabilization Program from the Ground Up



- Communities should begin by examining four things:
 - The number, location and condition of REO
 - The local housing needs assessment plan
 - Community redevelopment capacity
 - The resources available to the community for direct and indirect stabilization efforts

The Number, Location and Condition of REO



- How many REOs now? In 6 – 12 months?
- Identify geographic concentrations
- Understand condition of each property
- Based on above, determine likely disposition strategy for each

Local Housing Needs Assessment Plan



- What type of housing opportunities do the residents of your community require?
 - Affordable home ownership
 - Affordable rental
 - Lease-to-own, to provide time and assistance to make the leap from renter to owner
 - Supportive housing

Redevelopment Capacity



- Nonprofit and for profit developers may acquire, rehabilitate and redevelop REO
 - How many developers are in your community?
 - How many REO can they help with and in what way? Can they own/rent?
 - How many housing counseling organizations are there and is there a ready pipeline of qualified borrowers and renters?

Resources



- **Maximizing NSP Development:**
 - Servicers may hold REO while rehabilitated
 - Private developers may purchase and rehab some REO
 - Use NSP as a revolving loan fund, defer interest and principal payments until resale
- **Making NSP – supported housing affordable:**
 - Section 8 homeownership or rental assistance
 - Workforce housing programs, as available
 - Economic development programs
 - Affordable mortgages from FHA, HFA, CRA lenders

Resources, cont.



- **Other Strategies to Redevelop Housing in Areas of Greatest Need, No NSP needed:**
 - Servicers may prepare certain homes for qualified FHA borrowers identified by housing counselors
 - Private equity funds interested in purchasing REO may operate consistent with the neighborhood program

Aligning Properties, Housing Needs, Redevelopment Capacity, and Resources



- The facts in each of these categories will help you craft a successful revitalization plan using REO as the base.
- Collaboration among all stakeholders will enable an efficient and appropriate distribution of responsibility based on the facts.

Conclusion



- The key to acquiring REOs to accomplish a broader community revitalization strategy is likely to be a thoughtful local program comprised of a series of different steps and strategies that are built upon and geared toward a particular community's needs and resources.