



Facilitating the Transfer of REO to Stabilize Neighborhoods

Los Angeles Federal Reserve

3 March 2009



National Community
Stabilization Trust

T H E B R I D G E T O S T R O N G E R C O M M U N I T I E S

Agenda

- **Kickoff / Introductions**
- **Background – National Community Stabilization Trust**
- **Overview of NCST – Property Acquisition Programs**
- **Integration Planning for Acquisition programs**
- **Next Steps and Wrap-up**

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.

What Does the Stabilization Trust Do?

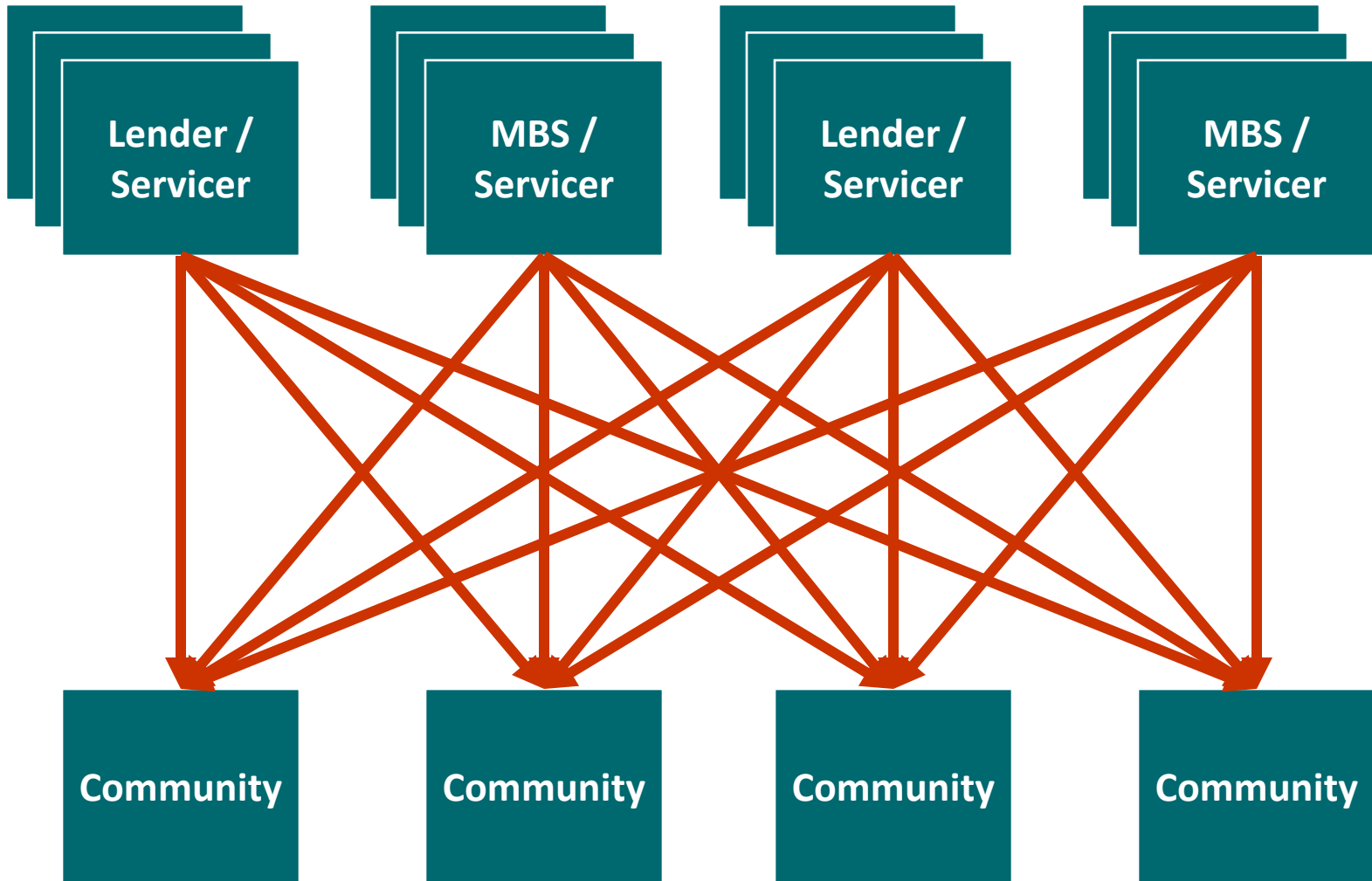
Transfer Properties - Facilitate the Effective Transfer of Foreclosed and Abandoned Properties to Localities

Financing – Provide Debt and Equity Financing to Support Local and State Efforts

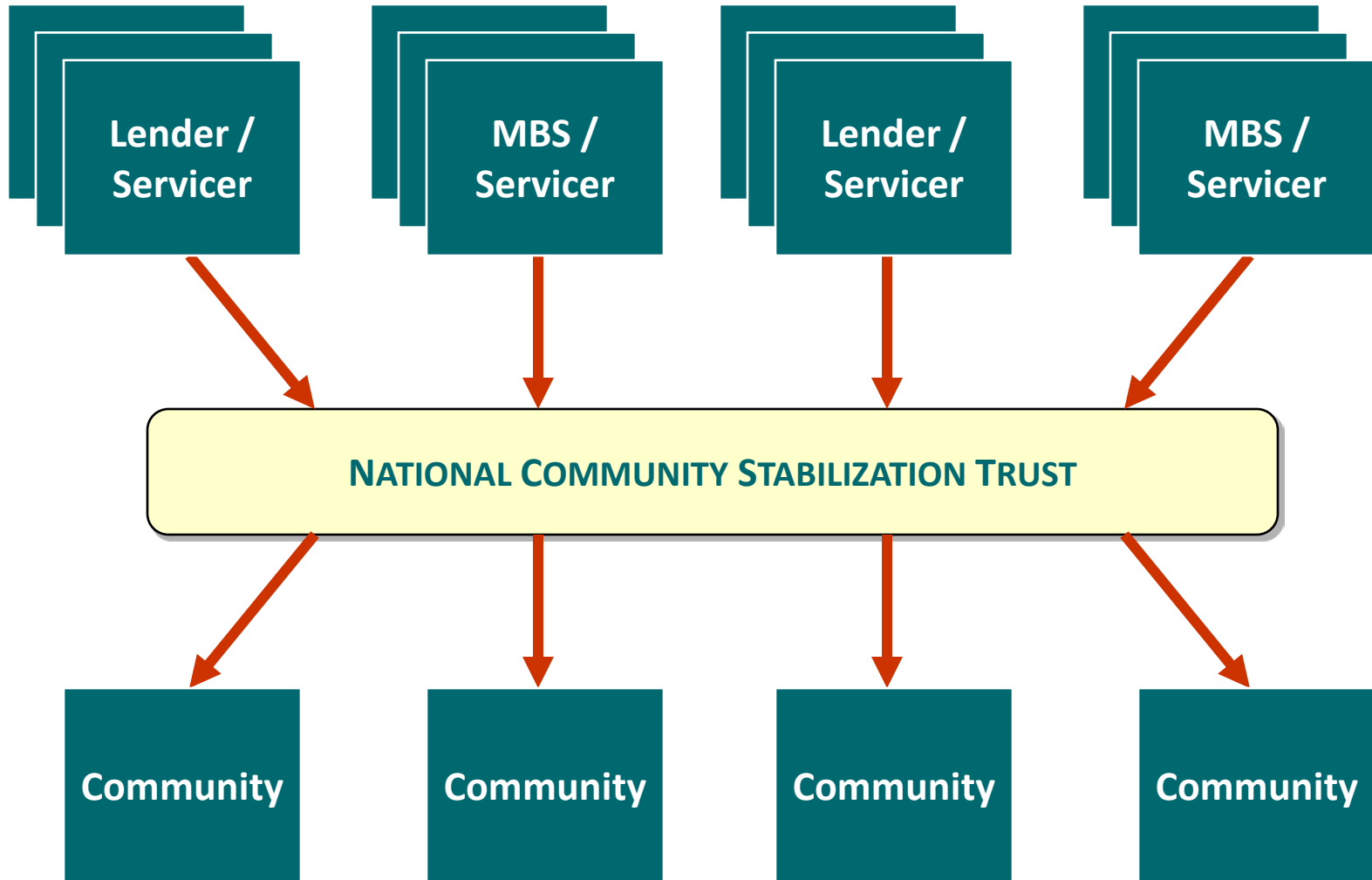
Capacity Building - Organize and Facilitate Local Collaborations Working Through our Sponsor Organizations

Focal Point – Serve as an Industry “Voice” for Foreclosures and Neighborhood Stabilization

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

Planning discussions are in process regarding participation in NCST property acquisition programs with additional leading financial institutions as Sellers.

Dispelling Myths About the Stabilization Trust

MYTH 1

- Trust will work with only 10 to 15 localities!

MYTH 2

- The fees to participating localities are hefty!

MYTH 3

- “It’s all or nothing with the Trust”

MYTH 4

- Trust focuses only on bulk sales – no single properties

MYTH 5

- Trust transfers will not result in suitable NSP discounts

Dispelling Myths About the Stabilization Trust

MYTH 1

- Trust will not limit the number of localities!

MYTH 2

- There are no fees for participating localities!

MYTH 3

- Can work with Trust and also with servicers

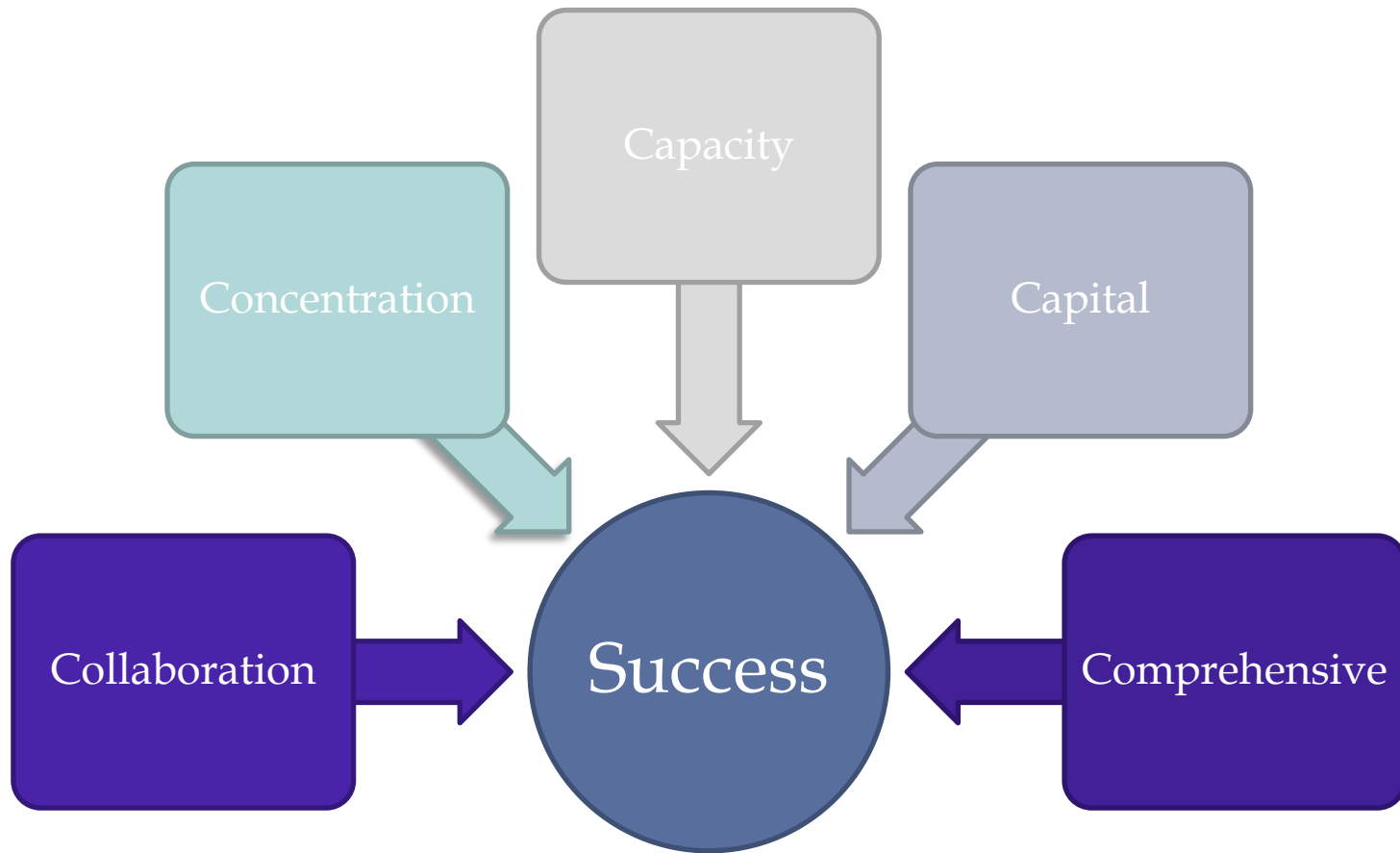
MYTH 4

- Trust will assist with both flow and bulk sales

MYTH 5

- HUD NSP and servicer approaches reconciled by Trust

Key Capabilities for Success



Property Acquisition in Context

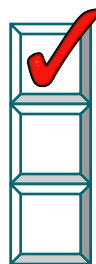
Local Community Stabilization Programs

The National Community Stabilization Trust property acquisition programs allow communities to **focus their efforts** on the more critical components of their local community stabilization programs: which properties should be acquired, and what do to with them once they are acquired.



Planning

Which neighborhoods and types of properties



Acquisition

Acquiring the properties from financial institutions

Development

Rehabilitation, tear down / land bank, repurpose, etc.

Distribution

Sales and marketing, etc.

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

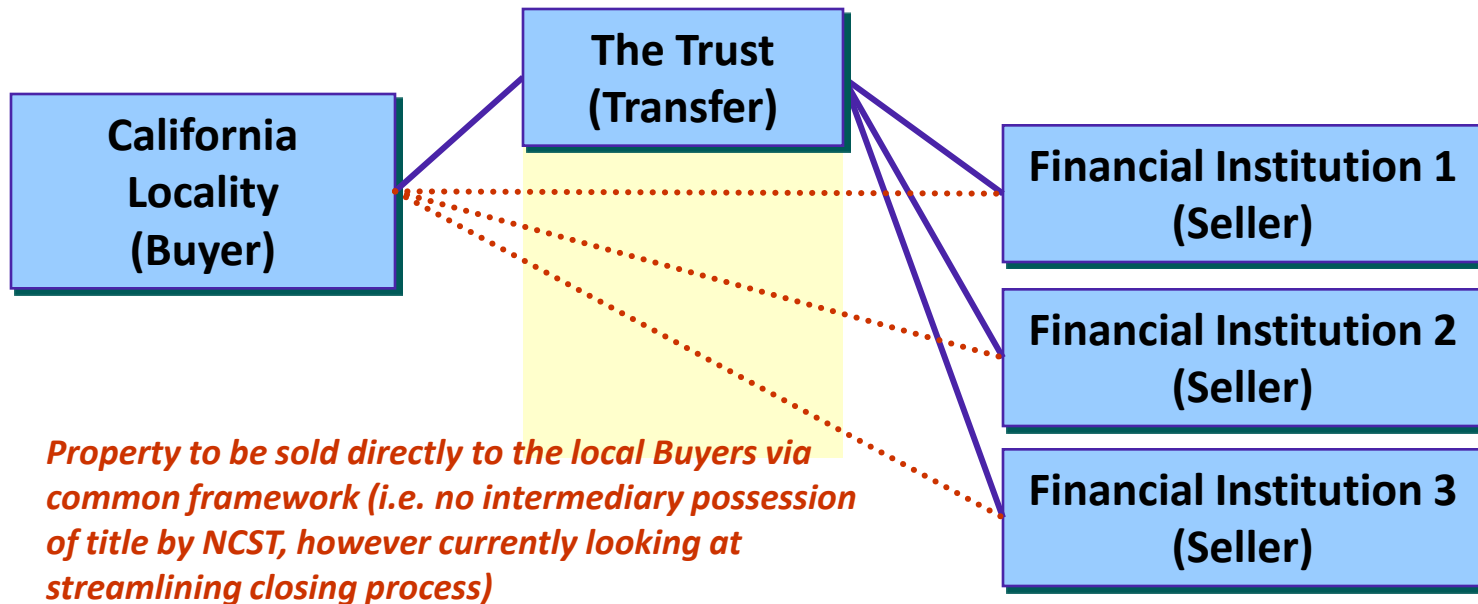
Transparent – establish solid basis of common understanding with Buyers and Sellers to reduce friction

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

First Look Program (Overview)

Counterparties

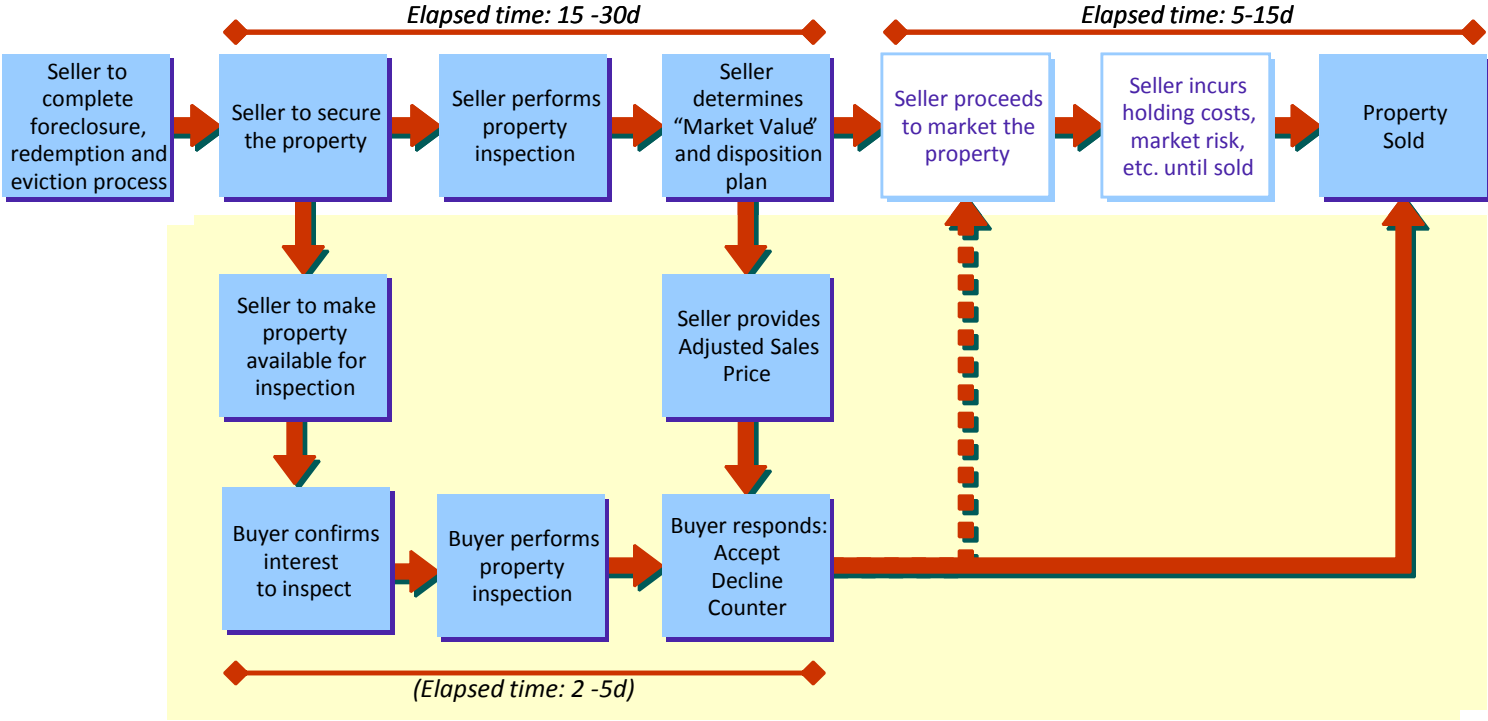
NCST as Buyer's counterparty to engage participating "Sellers" and facilitate the buy / sell process.



NCST Pilot Program (First Look / Right of First Offer)

Timing Considerations

Designed to be implemented on a flow basis, prior to property being listed via typical means, with negligible impact to current operations



NCST Pilot Program (First Look / Right of First Offer)

Pricing Considerations

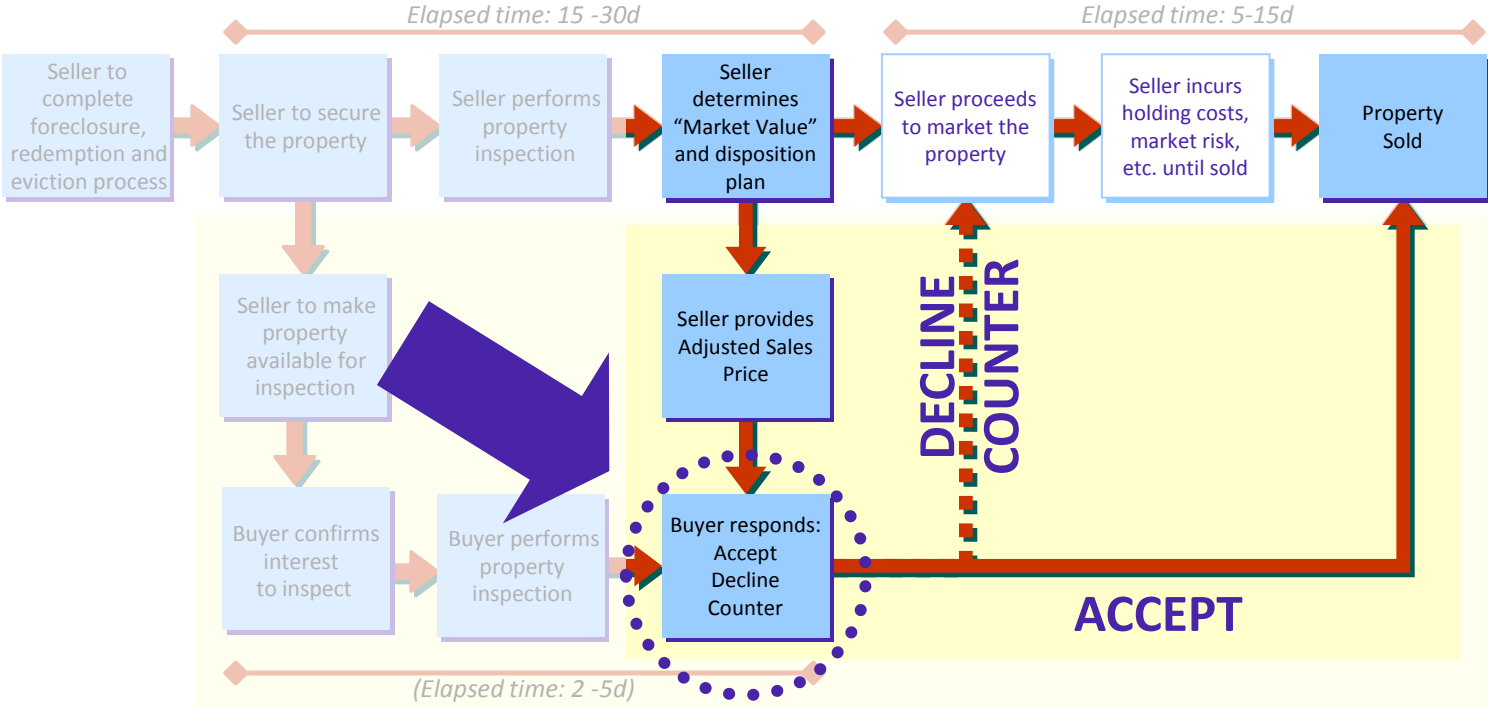
Designed to be implemented in an open and transparent manner to promote quick and efficient transactions, and comply with both the housing bill and third-party servicer MBS/ABS requirements

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, maintenance, and other 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.*

Pilot Program (First Look / Right of First Offer)

Offer Acceptance

As property inspection will have occurred in advance of Seller providing offer price, Buyer will promptly respond to offer with an Accept or Decline (or provide a Counter offer)



Transfer Foreclosed Properties – Bulk Sale

Selection Considerations

“Push” method vs. “Pull” method (aka “reverse inquiry”)

Timing Considerations

Designed to be applied towards existing, aged properties.
Properties will generally already be listed.

Pricing Considerations

As with the First Look / Right of First Offer program, the Bulk program is designed to be implemented in an open and transparent manner to promote quick and efficient transactions, and comply with housing bill

Other Considerations

True “bulk sale” vs. wholesale grouping of individual transactions.
Not all Sellers can offer bulk sales.

About the Local California Efforts

Partners

Acquisition / holding company

Program Components

Infrastructure

Preparation and Planning for Each Locality

Key Components of Local Programs for Integration w/ NCST

- Have Capacity for Property Evaluation, Acquisition and Disposition
 - Property Inspection, Rehabilitation and Management
 - Sales / Marketing, Rental, Financing, etc.
- Understand Past, Present and Future Market Trends (NCST can help)
- Identify Single Buyer for Community's Targeted / Coordinated Program

Planning / Scoping for Acquisition Programs with Stabilization Trust

- Target Areas and Property Types
- Acquisition Programs: First Look and Bulk
- Phased Rollout: Test run / Full launch

Coordination of Logistics with Stabilization Trust

- Logistics for Property Evaluation and Acquisition
- Logistics for Property Closing
- Localization of Standard NCST Purchase Agreement

Contact Us for Additional Information

www.stabilizationtrust.com

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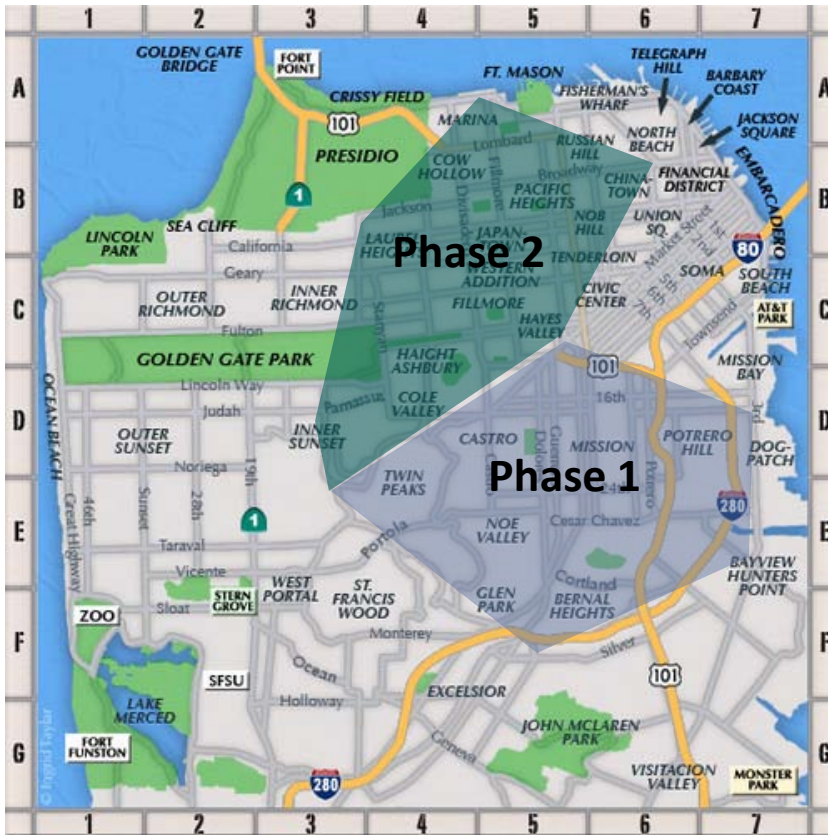
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Appendix - Confirm Target Areas and Properties



Target Areas

Property Types by Target Area

Discussion on Tear Down vs. Rehabilitate, etc.

Other

**SAMPLE
TARGET AREA
MAP**

Appendix - Real Estate Market in Target Areas

Background

Macro / micro real estate markets

Access to recent historical MLS data
(one-time and ongoing)

Other

Appendix - Sample Distribution Plan 2009

