



New Approaches to Distressed Properties

Stabilizing Neighborhoods in 2014

Federal Reserve Bank of San Francisco

Scaling Solutions to Housing Stabilization: A Community Roundtable

March 20, 2014



What We Do

A national nonprofit launched in 2008 to help reclaim neighborhoods devastated by foreclosures and abandonment, the National Community Stabilization Trust creates a **bridge** between *two worlds* – **financial institution servicer/REO departments** and **local housing providers** – to spur the productive reuse of distressed properties and the development of affordable housing opportunities.

Creating the Bridge to
S T R O N G E R
a c q u i s i t i o n
r e d e v e l o p m e n t
r e u s e
NEIGHBORHOODS

Property Transfers

Facilitates the effective transfer of foreclosed and abandoned properties to localities

Financing

Provides flexible financing to support local and state stabilization efforts

Capacity Building

Organizes local collaborations and builds public-nonprofit-private partnerships

National Voice

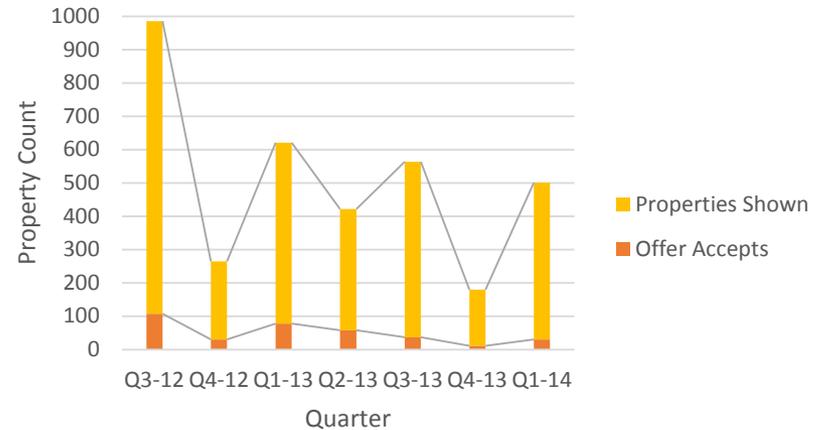
Server as an industry 'voice' for foreclosure remediation and neighborhood stabilization

First Look

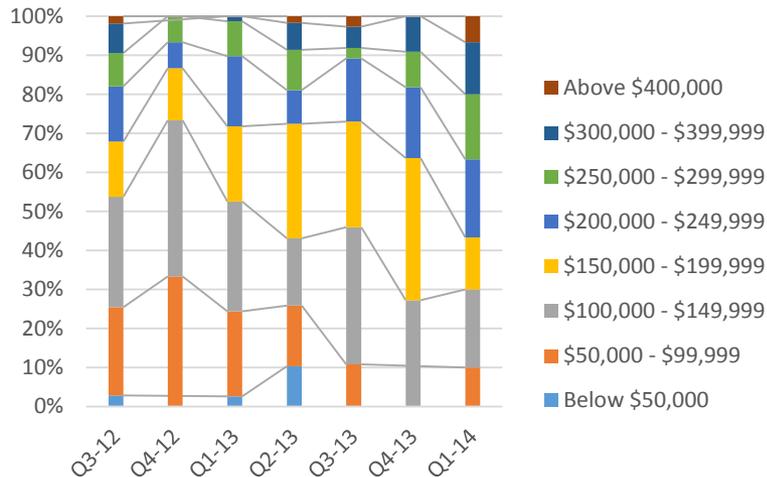
Trends:

- + The program continues in 2014!
- + REO Sellers are changing.
- + First Look inventory is down year over year, but there has been an uptick since 4Q13.
- + Community Buyers are purchasing a smaller share of properties.

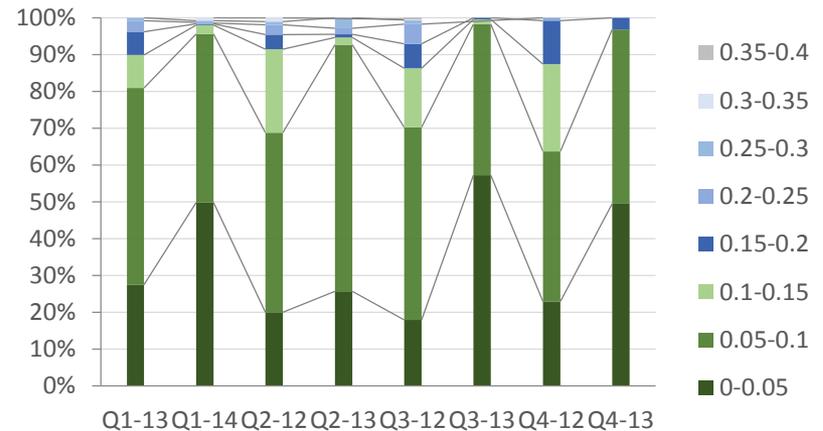
First Look Properties Shown and Accepted By Quarter



Share of FMV of Offers by Value Band



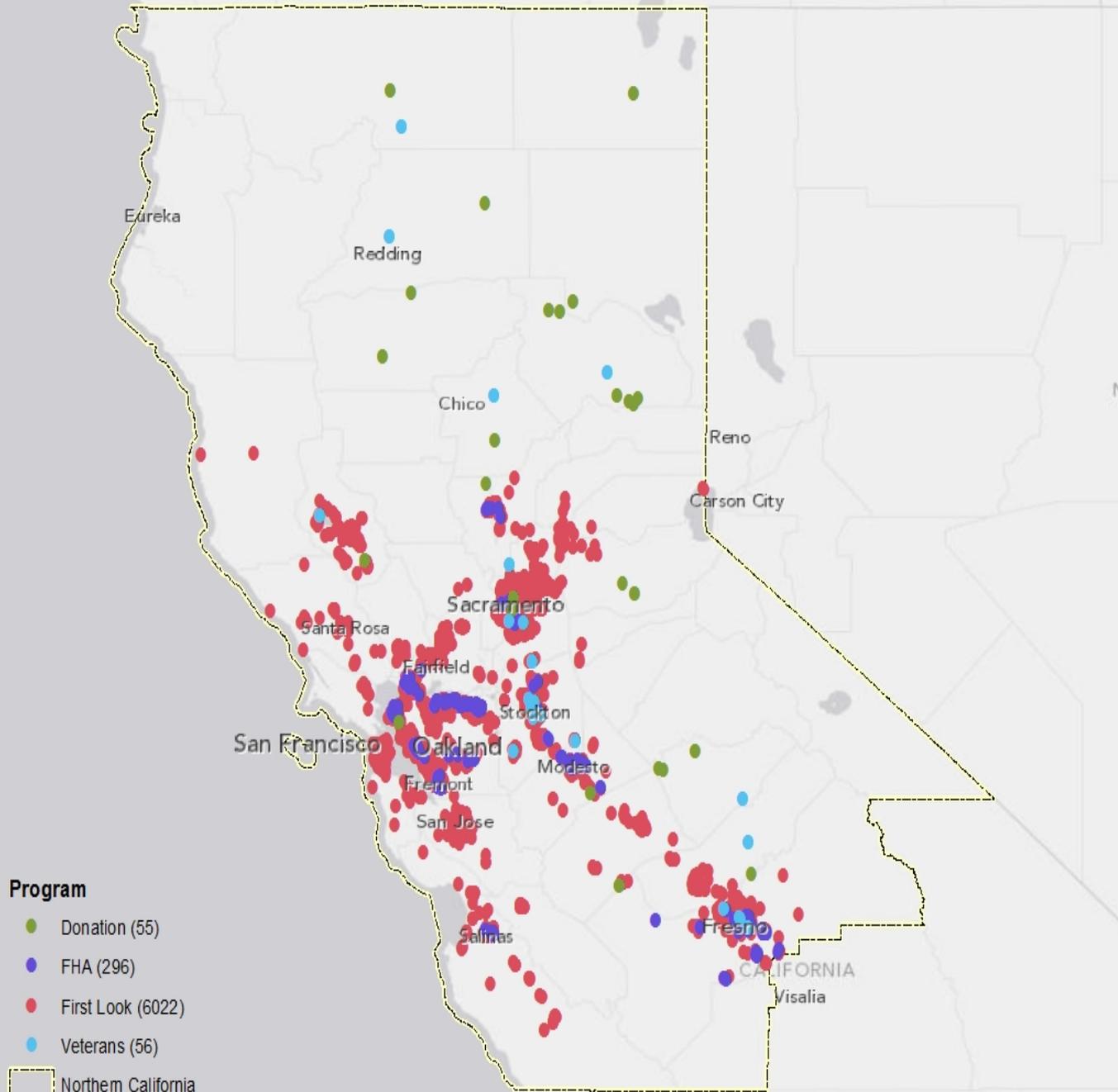
First Look Discounts by Quarter





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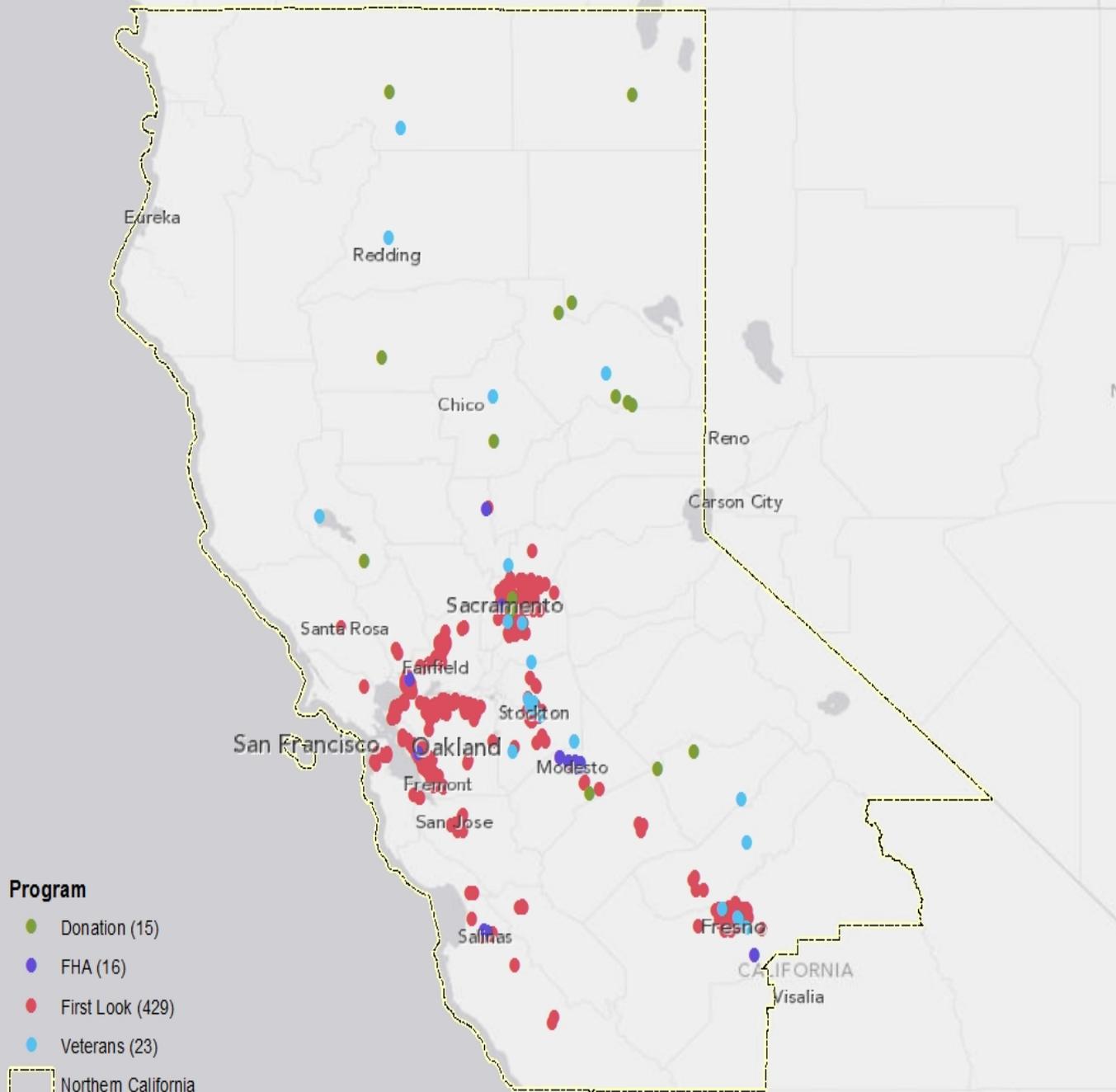
PROPERTIES SHOWN BY PROGRAM, Q3/2012 - DATE



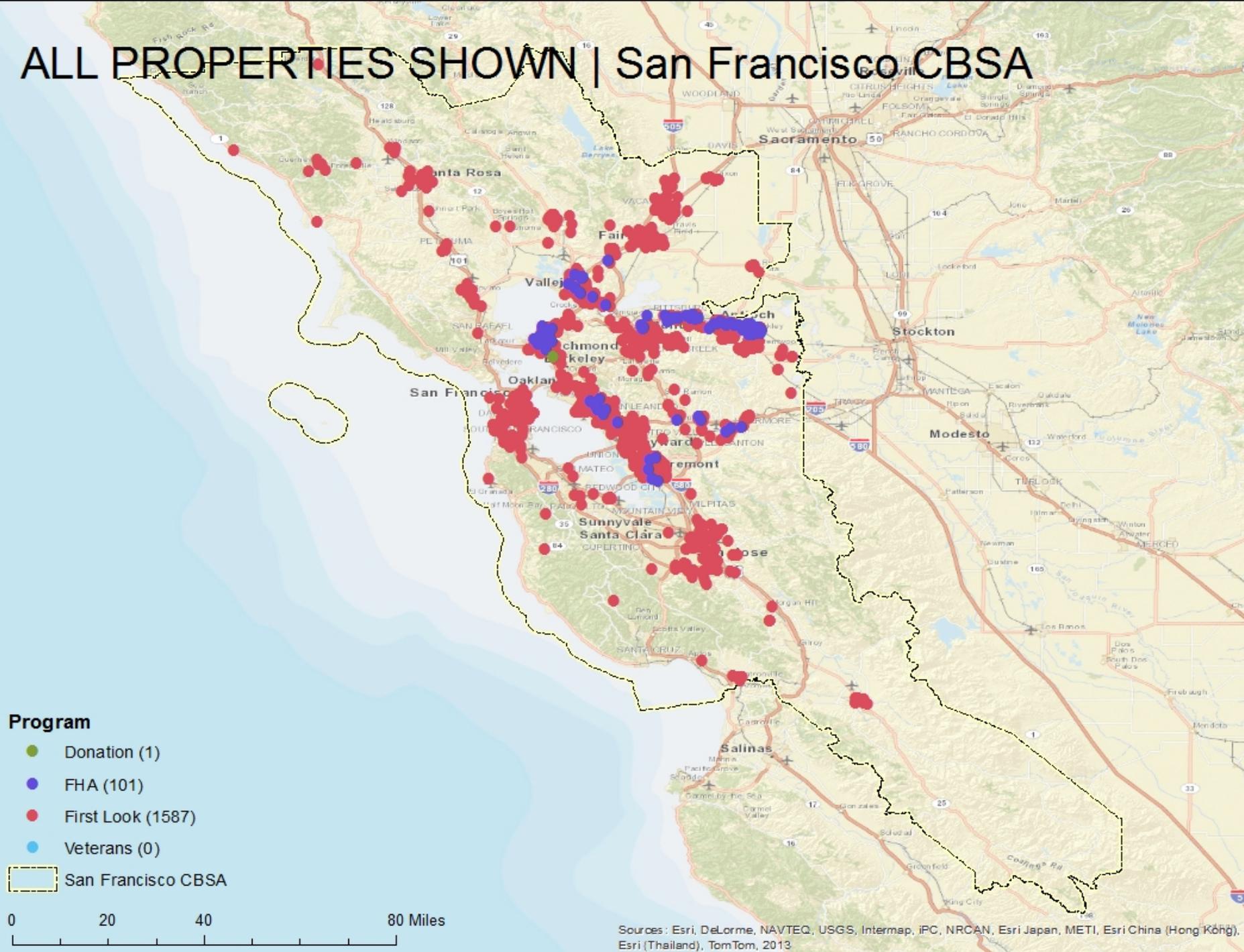


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Stabilization Trust

PROPERTIES ACCEPTED BY PROGRAM, Q3/2012 - DATE



ALL PROPERTIES SHOWN | San Francisco CBSA



Program

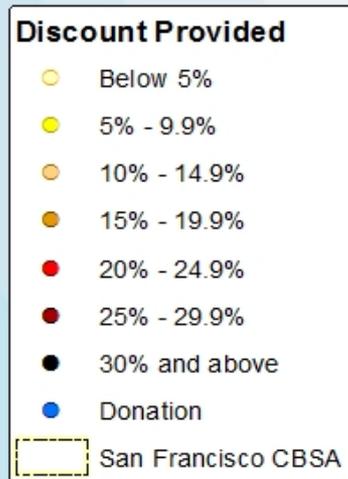
- Donation (1)
- FHA (101)
- First Look (1587)
- Veterans (0)

San Francisco CBSA



Sources: Esri, DeLorme, NAVTEQ, USGS, Intermap, IPC, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, 2013

FIRST LOOK OFFER DISCOUNTS | San Francisco CBSA



Sources: Esri, DeLorme, NAVTEQ, USGS, Intermap, IPC, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, 2013



Veterans

Expand housing opportunities and support for veterans and military families.

- + Connecting a growing number of nonprofit organizations with strong housing capabilities in new partnerships with veterans service organizations
- + Currently working with 27 high-production nonprofit housing developers in 16 states
- + NCST is harnessing best practices to create, for the first time, a set of national set of standards for transforming distressed properties into new housing opportunities for veterans.
- + More than 700 of-value donation properties have been placed with participating nonprofit organizations since September 2012.
- + NCST will continues to collaborate with **Bank of America** to meet ongoing donation goals throughout 2014, and will be working with additional financial institutions in the coming months.



Requirements for Program Participants

- ☑ High capacity non-profit developers with existing capital sources for rehabilitation
- ☑ At resale to a veteran family, properties are discounted at a minimum of 10% from fair-market value.
- ☑ Participating Organizations must fully donate a percentage of its portfolio to Veteran/Military families
- ☑ Donation properties can be resold to First Responders and Teachers within 120% AMI, with a minimum 10% discount, after the first 60 days of marketing to veterans only

REO Capital Fund

Financing for Property Acquisition and Rehabilitation

NCST, through its REO Capital Fund, has made \$33M in interim financing commitments to local organizations for the acquisition and rehabilitation of vacant or foreclosed properties in 2010. Sixteen local borrowers have utilized NCST REO Capital Fund financing, the majority of which used this financing to leverage NSP grants or in combination with other types of private debt.

In 2014, additional \$10-15M in prospective loans are under consideration with partner CDFIs. The Fund, capitalized by a PRI from the Ford Foundation, can continue to finance neighborhood stabilization activities until 2017.

Products

- + Financing for acquiring and rehabilitating vacant, foreclosed and abandoned homes.
- + Fixed interest rate, currently about 5.75% to 6.25%.
- + First mortgage lien on each property is required as security.
- + 100% recourse to the Borrower
- + Lines of Credit start at \$1 Million

Partner CDFIs

- + Community Housing Capital
- + Enterprise Community Loan Fund
- + Housing Partnership Fund

Low Value Distressed Assets

Persistent Problem:

Despite declining REO inventories, many communities must still contend with vacant, low value property stuck in pre-foreclosure.

- + Servicers call these low value assets “charge-offs”. Communities see these properties as “walk-aways”.
- + Loans in Limbo: Pushing these low-value assets through foreclosure process is not an economically viable option for Servicers, especially in judicial foreclosure states.
- + **These are the properties holding back neighborhood revitalization.** They tend to be concentrated in the communities hit hardest by the housing crisis, and disproportionately affect low-income and multicultural neighborhoods.
- + Federal agencies and state and local providers are increasing the focus on how to move these assets out of the current intractable state to reinvigorate community reclamation efforts.

New Solution



Convey **non-performing notes** for ‘walk-away’ properties to a special non-profit entity that can work with local providers to facilitate the proper community-focused solutions for each asset that help families and benefit neighborhood revitalization.

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About Us: National Community Stabilization Trust (NCST) is a national nonprofit organization working with the nation’s largest financial institutions and local housing providers across the U.S. to reclaim neighborhoods hard hit by high levels of foreclosure and abandonment. To support the recovery of distressed neighborhoods, NCST ensures local housing providers have the right tools to transform empty, foreclosed properties into community assets that increase the stock of affordable ownership and rental housing.

Please visit www.stabilizationtrust.com for more information