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### Workshop Agenda

Introductions

2 Topics

- REO Property Sources
- Keys to Successful Acquisition

**\*Stop me and ask questions at any point\***

U.S. Department of Housing and Urban Development Neighborhood Stabilization Program 2

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### REO Property Sources

**Routes to accessing REO properties:**

- Open market
- Direct relationships with servicers/lenders
- Intermediaries
- HUD/FHA
- Other - (Tax foreclosure, failed developments, etc.)

**\*Multiple acquisition strategies are necessary\***

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## REO Property Source: Open Market Purchases

### Traditional approach to purchasing properties

- Simplest route to accessing REO properties
- Can be managed internally or contracted out to a broker
- Competition from homebuyers and investors
- REO properties may not reach the open market
- REO purchases are different from normal real estate purchases




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## REO Property Source: Servicer/Lender Programs

### Many national servicers have direct sale programs targeted to local governments and nonprofits

- **Standard contracts** – servicers allow few if any modifications to their purchase agreements
- **Established process** – usually a 30-day closing timeline, some programs allow for longer closing periods
- **Limited competition** – some programs have a period where only certain buyer types can make offers
- **Understanding of the NSP program** – the majority of these programs were created to help NSP participants access REO properties




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## REO Property Source: Examples of Intermediaries

### Intermediary Approaches

- Real estate brokerage firms specializing in REO purchases
- Regional purchasing entities – aggregate the purchasing power of multiple NSP programs
- Process Facilitators – act in a manner similar to a broker
  - National Community Stabilization Trust (NCST)
  - REO Clearinghouse




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## REO Property Source: REO Clearinghouse

The REO Clearinghouse acts as an intermediary between communities and servicers, assisting in the transfer of REO properties

- Aggregates the inventory of multiple servicers and provides a list of REO properties each month to local partners
- Assists in negotiating the purchase or donation of selected properties
- Can assist communities in identifying the servicer for strategic properties
- Currently operating in over a dozen markets and working with multiple national servicers

**Principals - Heidi S. Coppola and Robert Klein**




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## REO Property Source: HUD/FHA

FHA has a number of programs that offer discounted REO properties to local governments and approved nonprofits

**• Initial Listing**

- Properties can be obtained at up to a 30% discount
- Available for only the first 5 days a property is listed

**• Bulk purchase program**

- Must be an NSP grantee or sub-grantee
- Purchase 10 or more properties
- Properties have been on the market for 60+ days
- Sliding discount scale based on appraised value

**• \$1 Homes**

- Property must have been on the market for 180+ days




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## Keys to Successful Acquisition

To successfully compete for REO properties an NSP program must have a strong process

Keys to successful acquisitions:

- Verify property eligibility
- Know your real estate market
- Create a target property profile
- Make NSP purchase offers competitive in the market

NSP funds will cover failed acquisition costs **but** this is not the best use of limited funds




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## Acquisition Key: Making NSP Competitive

NSP funds are less attractive to sellers because of real and perceived 'strings' the funds carry, to make NSP competitive:

### Reach out to real estate professionals around NSP

- Educate brokers on the Neighborhood Stabilization Program
- Seek ongoing partnerships in place of one-off transactions
- Connect brokers with the acquisition and disposition process

### Conform NSP to the normal real estate process

- Attempt to match the typical closing timeline as closely as possible
- Standardize the purchase agreements you use as much as possible **and**
- Use contingencies clauses to allow for flexibility where possible




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## Acquisition Key: Property Eligibility

Verify NSP eligibility before making an offer **or** incorporate contingencies clauses into your purchase agreement

### Basic NSP eligibility requirements\*:

- Foreclosed status
- Target area – limits locations
- Reallocation Act and other tenant protections
- Appraisal – to prove 1% discount
- Environmental review including lead hazard
- Historical preservation review

\* This is not a comprehensive list of NSP eligibility requirements




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## Acquisition Key: Local Market Data

Understanding the market is critical to identifying and successfully acquiring REO properties

### A strong program understands:

- Source of properties
- Volume
- Price points and trends
- Quality of the housing stock
- Other buyers in the market

A broker or staff person who knows the market and understands your NSP program is priceless




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