





How to Navigate the REO Acquisition Process with NSP Training Workshop



Dublin, Ohio , June 9 –10, 2009



Training Objectives

1. Review Neighborhood Stabilization Strategic Considerations: Tipping Point Vs. Redevelopment Area
2. Review NSP Compliance Requirements
3. Assess Components of Local NSP Delivery Systems
4. De-Mystify REO Acquisition Process and Issues To Consider in Ohio Urban and Suburban Markets
5. Provide an Overview of Negotiation Strategies
6. Explore Marketing Strategies and how to pitch: “A Custom Rehab Home of Your Own for What You Pay in Rent.”
7. Cultivate an NSP Implementation Manager as well as Members of the Development Team.



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Agenda – Day One “NSP Acquisitions”

9:00	Welcome, Introductions and Training Objectives
9:30	NSP Overview: What are the important HUD and State Requirements?
10:00	NSP Delivery System: Who Does What, When, With What Resources and Held Accountable By What?
10:30	BREAK
10:45	What’s the Universe of Abandoned & Foreclosed Property?
11:00	Acquiring REO Properties: Part 1 – Before You Buy... •Complying with NSP Definitions; Forming Your Acquisition Team; and Understanding Your Neighborhoods and Markets
12:15	LUNCH
1:15	Acquiring REO Properties: Part 2 – Go Forth and Acquire •Get REO Listings....Today and Understand Negotiation Techniques of REO Agents
2:15	BREAK
2:30	Acquiring REO Properties: Part 3 – Develop the Internal Acquisition Management Systems •Comply with NSP & Federal Requirements and Prepare for a Visit from HUD & IG
3:30	Activity: Assess Your Acquisition Delivery System
4:30	ADJOURN and Thank you!


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Agenda – Day Two “NSP Home Marketing

9:00	Welcome, Training Objectives & Introductions
9:15	Let’s Review the NSP Delivery System
9:30	NSP Overview: Congressional Intent. HUD & State requirements.
10:30	BREAK
10:45	Strategy: •Neighborhood Based – “Tipping Point” and “Redevelopment” Areas and/or •Population-based e.g. low-income veterans
11:15	NSP Delivery System: Who Does What, When, With What Resources and Held Accountable By What? Exercise: Purchase Rehab Flow Chart
12:15	LUNCH
1:00	REO Acquisition Systems
2:45	BREAK
3:00	Integrating Rehab Specs: Code, Energy Efficiency & Marketability
3:30	Viral Marketing
4:00	NSP II: What is on the Horizon
4:15	What Will You Do Different Over The Next 30 Days?
4:30	ADJOURN and Thank you!


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How Are NSP Things Going?

1. How are You Organized to Implement your local Neighborhood Stabilization Programs?
2. What are your biggest concerns about implementing your local Neighborhood Stabilization Programs? What hurdles have you already encountered?
3. How much can you get done with Your Allocation of NSP Funds?



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NSP Regulations: From HUD to Ohio



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NSP Eligible Activities

- **Financing Mechanisms** for purchase and redevelopment of foreclosed upon homes and residential properties
- **Purchase and Rehab Homes and Residential Properties** that have been abandoned or foreclosed upon in order to sell rent, rent or redevelop such homes and properties;
- **Establish Land Banks** for homes and residential properties that have been foreclosed upon;
- **Demolish Blighted Structures**
- **Redevelop Demolished or Vacant Properties**

For Policy Guidance, Go to

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/index.cfm>



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Meeting a National Objective

- Low and Moderate Income
- Direct Benefit – Housing Activities
- Area-wide Benefit
- 120% AMI
- No Slum and Blight
- No Urgent Need
- Any Land Bank activities must meet Area Benefit



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Meeting a National Objective

- Federal Rule that at least 25% of all funds go to serve people at or below 50% AMI
- But there's a Nuance to meet Set-Aside!
- The Units must be Permanent Housing and on:
 - Foreclosed Upon and Rehabilitated Residential Property or
 - Redeveloped demolished or vacant property that is foreclosed upon and residential. (It means that foreclosed, residential vacant land is eligible now)

NSP is CDBG

Remember the Federal Requirements

Environmental Review

Uniform Relocation Act (URA):

- Voluntary Sale Certification
- URA Qualified Appraisals
- Submit Relocation Plan. Minimize Relocation

Davis Bacon:

- Applicable - over 8 units of Housing
- State Requirements related to "Public Building" projects
- Section 3 Plans



CAPITAL ACCESS

NSP is CDBG

Remember the Federal Requirements *Continued*

Procurement

Affirmative Action:

- Make sure Fair Housing Marketing Plan is up to date
- Prepare Analysis of Impediments

Disaster Recovery Grant Reporting

Rehabilitation Standards, Lead-based Paint and Asbestos

HUD recordkeeping requirements at 24 CFR 570.506



**How to Get There:
Delivery System
Approach to NSP**





Using NSP to Acquire REO Properties



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Universe of Foreclosed Properties

- REO Listings
- Tax Lien Foreclosed Properties
- Mortgage Foreclosures via Trustee's/Sheriff's Sale
- Bulk Purchase

**REO Listings are your best and safest bet.
Here's why....**



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Overview: NSP Acquisition of Foreclosed Properties

Part 1: Before You Buy...

- Understand NSP Definitions and Compliance Considerations
- Form Your Acquisition Team
- Plan for Success...Understand the Marketability and Neighborhood Typology of Targeted Property



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Overview: NSP Acquisition of Foreclosed Properties

Part 2: Go Forth and Acquire!

- Form Relationships with REO Agents
- Find and Narrow Down the REO Listings
- Conduct Your Due Diligence
- Negotiate, Close the Deal, and Buy the Property

Your staff may not need to know this, but your Acquisition Agent should!
The purpose of this section is to assist you in asking the right questions to hire the right Agent.



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Overview: NSP Acquisition of Foreclosed Properties

Part 3: Setting up Your Compliance & Management Systems for an IG Audit

- Your Acquisition Checklist
 - Documents the Seller will Sign
 - Documents the Seller will Provide
 - Internal Due Diligence that complies with NSP & Federal Requirement Due Diligence
- Setting up the Acquisition File



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Part 1: Before You Buy....

NSP Definitions & Compliance Considerations



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NSP Definition Updates

- **Foreclosed:** A property “has been foreclosed upon” at the point that the mortgage or tax **foreclosure is complete**.
- HUD will not consider a foreclosure to be complete until after Title for Property transferred from the former Homeowner under a foreclosure proceeding or transfer in lieu of foreclosure (***in accordance with state or local law***)
 - Documentation is a Deed showing that ownership transferred to the Bank
 - Purchase Residential Property ONLY!



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NSP Definition Updates

- **Abandoned:** Property that is vacant, has not paid taxes **or** mortgage for at least 90 days, and when foreclosure proceedings have begun.
- **Appraisal:** Certified “Third Party” Appraiser accepted by both Seller and Buyer.
 - “Broker’s Price Opinion” may be accepted in the case of a bulk purchase negotiation at HUD’s discretion



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NSP Definition Updates

- **Discount Price:** The *discount price* is at least 5% of “as is” appraised fair market value of the property to be acquired for NSP.
 - *Example:* A property appraises for \$100,000. NSP requires a an NSP portfolio average of 5% reduction in market value which translates to a purchase price of \$95,000. The Discount price is \$5,000.



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NSP Due Diligence

Required for Every Property Acquisition!

1. Environmental & Historic Review
2. URA Notice of Voluntary Acquisition
3. Third Party Appraisals
4. Purchase Price at 5% Discount of As-Is Appraised Value
5. Proof of Foreclosure and Vacancy



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NSP Due Diligence: Environmental & URA

- Environmental & Historic Review
 - 24 CFR 58.34-37 – Environmental Review
 - Section 106 – Historic Review
 - Lead and Asbestos
 - Historic Districts and Property Elements
- URA Notice of Voluntary Acquisition
 - Fair Market Value & 5% Discount Requirement
 - No Eminent Domain *with/without Power to do so*
<http://www.hud.gov/offices/cpd/library/relocation/nsp/index.cfm>



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NSP Due Diligence: *APPRAISALS*

What Appraisal Qualifies?

- Completed within 60 Days of Final Offer
- Five Elements of Appraisal:
 - (1) Property Description
 - (2) Approach to Value
 - (3) Comparable Sales
 - (4) Statement of Property Value
 - (5) Valuation Date with appraisal date, signature, & certification of appraiser

- Source:

http://www.schousing.com/library/NSP/appraisal_guidance%20NSP.pdf 25



NSP Due Diligence: *APPRAISERS*

Which Appraisers Can You Use?

- Develop the Appraisal Scope of Work and Procure Qualified, Independent Appraisers
- Lender's Appraiser and Appraisal are eligible if conducted in accord with regulations
- Grantee may use In-House Appraiser (which requires no procurement or scope of work)

Source:

http://www.schousing.com/library/NSP/appraisal_guidance%20NSP.pdf



NSP Due Diligence: *Proof of Foreclosure and Vacancy*

What proves Property is Foreclosed Upon?

- Deed showing that ownership transferred from the Homeowner to the Bank
- REO Agent should have this, if not the County Clerks or Recorder's Office

What proves Property is Vacant?

- Utilities shut off or transferred over to Bank
- Appraiser notes that property was vacant during his inspection
- Visit the property yourself and cite in the file that it is vacant



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NSP Due Diligence: *Proof of Abandonment*

What proves Property is Abandoned?

- Any legal notice demonstrating foreclosure proceedings begun (Notice of Lis Pendens)
- Any legal notice demonstrating that tax or mortgage payments not made for at least 90 days (Notice of Default; letter from Bank)
- See Proof of Vacancy Slide

However, due diligence to prove Abandonment while meeting NSP & Federal Requirements is challenging, time consuming & risky. Better to stick with REOs!



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Part 1: Before You Buy...

Forming Your Acquisition Team



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NSP Acquisition Team

External Team of Professional Services:

- Use Procurement Requirements to **Conduct a Request for Qualifications to Form Your Team of NSP Program Partners:**
 - Appraisers
 - Title Companies
 - Lead Based Paint & Environmental Risk Assessors
 - Realtors
 - Developers / Rehabbers / General Contractors
 - Housing Counselors

Ask for Certifications and Fee Schedules.



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NSP REO Acquisition Team

Internal NSP Management Team

- Who is Going To Do The Work?
- What are the Tasks?
 - Is there Staff Available or Do You Outsource?
 - How long does this all take?

Exercise:

- Draft a Job Description and Required Qualifications for an NSP Acquisitions Manager.



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Acquisition Exercise

Exercise #1:

Draft a Job Description and Required Qualifications for an NSP Acquisitions Manager.

Exercise #2:

1. You received an allocation of \$_____ in NSP funds. How many properties must you acquire each month to meet the 18 month obligation period?
2. How many properties should you make offers on in order to get to a single settlement?



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Part 1: Before You Buy...

How Marketability and Neighborhood Typology impact Your NSP



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“Neighborhood Stabilization” Defined for Ohio’s Market Challenges

HOME, CDBG and other Federal, State and Local Community Development Programs, traditionally, focused on:

1. **Preservation**
2. **Revitalization**
3. **Redevelopment**

This economic recession and housing crisis redefined our profession and switched our focus to *“Stabilization.”*



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Stabilizations Strategies based on Neighborhood Type

Redevelopment Area

Tipping Point Area

- **What is your definition?**
- **How do Neighborhood Types impact Marketability?**



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Coordinate The Components of *"Neighborhood Stabilization"*

- Re-use of Foreclosed and Abandoned Property to Stabilize Neighborhood Blocks and Markets**
- Code Enforcement on Vacant and Rental Property. Challenge Mortgagees to Maintain their properties.**
- Homeowner and Rental Rehabilitation**
- Streetscape Improvements**
- Multifamily Rental**



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The Components of
“Neighborhood Stabilization” (cont’d)

Make the *NSP Home the
Nicest and Highest Value
Home on the Block!*

- Code Compliance
- Energy Efficiency
- Marketability



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What is the PROGRAM Focus of
Your NSP Allocation?

Acquisition, Demolition and Redevelopment

- Scattered-Site Purchase Rehab and Sale
(or Lease-Purchase?)
- Scattered-Site Purchase Rehab and Rental
- Multifamily Rental
- Acquisition and Land Bank Until a Market
and Use Emerges



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What is the *GEOGRAPHIC* Focus of Your NSP Allocation?

Where are your Areas of Greatest Need?

- Have you noticed that the 8 to 10 HUD Risk Scores are areas where it is tough to sell a house?
- Are areas with HUD Risk Scores of 6 to 8 easier places to sell a house?



Targeting Your REO Listings of Interest

Program & Neighborhood Priority:	Tipping Point	Redevelopment	25% AMI Set-Aside
Property Type:	Marketable for Fast Re-sale	Land Bank & Site Assembly for Future Development	<ul style="list-style-type: none"> • Foreclosed Multi-family • Single-Family Purchase Rehab • Lease-Purchase



What is the MARKET Focus of Your NSP Allocation?

What's going on in Your Current Market?

- What's selling? What's not? Who's buying?
- What's happening with Your Economy?

Who are Your Target markets? Why?

- 120% AMI or below (Well, obviously)
- Demographics and Family Structure
- What do they pay in rent and what do they get for that? *Apartment or House? Size? Location?*

What do Your Target Markets demand?



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ACTIVITY:

So Tell Us about Your Acquisition Plan

- What makes certain Neighborhoods and Houses “marketable” for Buyers at or below 120%?
- What are your Challenges and Opportunities in purchasing Foreclosed Property in Marketable Neighborhoods?
- What are Your Strategies for Acquisition?
 - Who's on Your Team? (*Who to recruit?*)
 - Acquisition Goals over Award Term? (*Monthly?*)



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Part 2: Go Forth and Acquire! How to Get Real Estate Owned (REO) Listings...Today



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Who Manages Foreclosed Property for the Banks?

- **Real Estate Owned “REO” Representative:**
 - Bank or Lender in charge of REO division
 - Asset manager within bank or contracted by bank
 - Realtor broker and agents for Bank or Lender
 - Attorney for Bank or Lender



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Sources of REO Listings

- Realtor Listings
- Multiple Listing Service
- Newspaper
- Internet
- Foreclosure Attorneys
- Clerk at Sheriff Sale Office
- Elected Officials Yelling at You About A Blighted Property on.....



Cultivating Relationships for REO Listings and Acquisition Negotiation

What Information Do You Need to Provide An REO Listing Agent?

- NSP-Eligible Target Area Boundaries
- NSP Funds available for Acquisition
- NSP Contingencies
- Property Condition and Amenities



Cultivating Relationships for REO Listings and Acquisition Negotiation

NSP Restrictions and Contingences:

1. Foreclosed or abandoned properties
2. Residential properties only:
 - Single family
 - Multifamily rental
 - Vacant land zoned residential
3. Time to perform NSP Appraisals and Requirements and Due Diligence Inspections Analysis



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Part 2: Go Forth and Acquire!

NSP Acquisition Due Diligence to Identify Target Properties and Get Ready to Negotiate a Purchase



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Step 1: Narrowing Down the List by *GEOGRAPHY*

- Compile and Map the Listings in Your Focus Areas
- Is the Property in a **Tipping Point** or **Redevelopment** Area?
 - Vacancy and Homeownership Rates
 - Trends in Sales Activities and Prices
 - Competition with Other Investors
 - Proximity to Anchors and Amenities
 - Recent Public Investment and/or Planning



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Step 2: Narrowing Down the List by *PROPERTY*

Redevelopment Area

Tipping Point Area

- How would you identify Properties as Good Candidates for NSP Acquisition?
- What is **Marketable** in Your Community?



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Step 3: Examine the Multiple Listing Service (MLS)

The screenshot displays three real estate listings from a Multiple Listing Service (MLS). Each listing includes a photograph of the property, a street map showing the location, and a table of key details. The listings are:

- 902 S 64th St, Philadelphia, PA 19143:** RES ACT, \$34,900. Features include 156 sq ft, 1-1/2 baths, and 1-1/2 stories.
- 6318 Chester Ave, Philadelphia, PA 19143:** RES ACT, \$69,900. Features include 1,000 sq ft, 2-1/2 baths, and 3 stories.
- 9317 Chester Ave, Philadelphia, PA 19143:** RES ACT, \$19,900. Features include 1,114 sq ft, 2-1/2 baths, and 3 stories.

Each listing also provides information on taxes, school districts, and other property characteristics. The interface includes a search bar and navigation options.

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Step 4: The Property Inspection

- **“Seeing is Believing.”** Drive around to view targeted listings and its surroundings
- **Access to Property for Inspection**
 - **Ensure vacancy!**
 - Confirm structurally sound
 - Indicate potential environmental issues
 - **Rough estimate for scope of work and cost**

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Step 5: Using the NSP Team

- Determining and Coordinating Your Team to **Assess and Access** the Property
 - Rehab Developer or Buyer
 - Code Inspector or Architect
 - Environmental Risk Assessor
 - Appraiser
 - Title Company



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Part 2: Go Forth and Acquire!

Final Negotiations and Sales

A large, 3D, golden-yellow graphic of the word 'SALE!' with a dollar sign as the first letter. The letters have a metallic, reflective texture and are set against a dark background. There are small white starburst effects on the letters.



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Learning to Close the Deal

- When do you negotiate on price?
- What strategies can you use to get the best value?
- What is negotiable?
- What is a reasonable expectation?



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Acquisition Negotiation Tips

- Keep it simple!!!
 - Minimize contingencies to expedite sale.
 - Cash over Financing.
 - Will a considerable at risk deposit buy confidence?
 - Flexibility on making settlement date can relieve pressure.



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Acquisition Negotiation

- Cultivate REO Agents to advocate on your behalf
 - Respect everyone else's time.
 - Quietly emphasize your Cash and Purchase Power.
 - Offer to hire agent for resale or lease up.
 - Make selling to you easy and efficient.



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Acquisition Negotiation *(continued)*

- Cultivate REO Agents to advocate on your behalf (continued)
 - Offer to list lender as preferred lender on resale, (but only if you are comfortable with their reputation!)
 - Share information on what else affects your perception of value
 - If intent is to demolish the structure is worth less because you incur demolition costs



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Acquisition Negotiation *(continued)*

- What is the value of your relationship with the REO representative?
 - You have already taken the REO representative on a journey beyond what is typically expected.
 - If they have been cooperative in going this far, you may want to try harder to make it worth their while.
 - Your Reputation can become currency.



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Acquisition Negotiation *(continued)*

- Know your Rehab Scope and Costs
 - Are you over budgeting what you need to do to make the property marketable?
 - Are you willing to risk some contingency to get a deal done?
 - How much time and money have you already invested in your due diligence?
 - Is it a complicated or simple job to get to resale?



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Acquisition Negotiation *(continued)*

Know your market areas and competition

- If there are competitors, such as speculative investors, what are their advantages over you? How can you be more competitive?

How badly do you need to acquire this particular property?

- How long has the property been listed?
- Is it part of a broader redevelopment agenda or are there other scattered sites to go after?



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Acquisition Negotiation: The “Art of the Deal”

- Is silence an answer or is the Seller needing some time to make the sale internally? Don't freak out!
- This is not an emotional decision, don't let personalities get in way of a close.
- Don't let sour deals create sour attitudes.
- Be clear about your position. Don't play games.



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The “Art” of the Deal (cont’d)

- How much have you already asked of the Seller in this transaction?
- **Patience is a Virtue, but don’t let it turn into Complacency.**
- Be Persistent.
- Keep your message consistent.
- Admit when you are wrong.



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The “Art” of the Deal (cont’d)

- What is a reasonable number of counter offers before a negotiation gets stale?
- **Can you identify Seller’s “bottom number”?**
- Respond to questions or offers quickly.
- **Keep the ball in the other person’s court as often as possible-put the pressure of a final decision on them. Never forget your objective.**
- Always remind yourself of when you can walk away.



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What's in the Purchase Contract?

- Standard purchase contract contingencies within the rules of NSP:
 - Waive environmental inspection (if you have already done it and are comfortable with what you found)
 - Waive financing contingency
 - Waive home inspection (if you already inspected site)



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Acquisition Negotiation: What can you do to make sale easier?

- Let Lender pick the Appraiser from Your List!
- Pay all closing costs rather than split them 50/50.
- Be flexible or able to move quickly on settlement date.
- Can you or your title agent clear liens that were missed through foreclosure?
- Ask the Seller what helps them most.



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Part 3: Setting up Your Management Systems

Compliance and Documentation



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Developing Your Acquisition Compliance Systems

- **Implementation Manual and Processes** that explain and demonstrate to your team exactly how each property acquisition should occur, what forms to use, and what information to ask for.
- **Tools and Templates** that comply with NSP and federal requirements, e.g. Standard Option to Purchase and Final Purchase Contract, ERR, URA Voluntary Acquisition Letter. This also includes **External Documentation**, e.g. Appraisals and Proof of Foreclosure, Utilities Bills to verify vacancy



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The Acquisition Timeline for a Targeted Property

A property that meets Your NSP and the Seller is willing to negotiate, what next?

1. **URA Voluntary Acquisition Letter**
2. **Enter Option to Purchase with NSP Contingencies. Option contains “*Initial Offer Price.*”**
3. **Conduct NSP Due Diligence**
4. **Negotiate Final Purchase Price within 60 days prior to Appraisal**
5. **Enter Final Purchase Contract**



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The Process to Buy a Property

1. **URA Voluntary Acquisition Letter**

- Guideform for those with/without power of eminent domain and found at www.nsp.gov/nsp
- Deliver and make copy for your file



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Process (cont'd)

2. Entering an Option to Purchase with NSP Addendum

- Allows you as buyer to conduct your due diligence in timely & thorough manner
- Provides insurance for Bank as Seller with escrow payment for opportunity cost in event purchase does not go through
- **Important: Must enter final purchase contract in 60 days due to Appraisal**



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Process (cont'd)

3. Conduct Due Diligence

- Environmental Review Record
- Appraisal that must be conducted within 60 days prior to final offer (*Note: Let the Bank choose Appraiser as long as URA-compliant*)
- Site Inspection to assess structure
- Provide proof of foreclosure through Deed



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Process (cont'd)

3. Conduct Due Diligence (cont'd)

- Proof of vacancy through site inspection, appraisal and utilities shut off or transferred
- Negotiate purchase price to 95% of Current Appraised Market Value



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Process (cont'd)

4. Negotiate Final Purchase Price

- Must be at least a 5% purchase discount from Current Appraised Market Value

5. Enter Final Purchase Contract, Execute and Close on Property



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Document Templates and Tools

What documents will you need for the *Seller to sign and/or review?*

- URA Voluntary Acquisition Letter
- Standard Option to Purchase with NSP Addenda (that's reviewed by an Attorney)
- Standard Final Purchase Contract (that's reviewed by Attorney)
- List of URA-compliant Appraisers



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Document Templates and Tools

What documents will the Seller need to provide to You?

- Proof of Foreclosure which is a Deed showing ownership transferred to Bank
- Proof of Vacancy through Utilities transferred to Bank or shut off and/or Notice of Eviction



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Document Templates and Tools

What documents will you need to complete Your Due Diligence?

- URA-compliant Scope of Work for the Appraisal
- Environmental Review
- Standardized site inspection form that verifies vacancy and assesses structural condition of building



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Document Templates and Tools

- **General NSP Worksheet with:**
 1. Property Address
 2. Property in Area of Greatest Need and Eligible Census Tract
 3. Calculation of Purchase Discount Price
 4. Date Appraisal and Environmental Review completed
 5. Date Final Purchase Contract executed
 6. Communication Log and Notes



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What's in Your Acquisition File

1. **The NSP worksheet with dates, communication log, and notes**
2. **Map showing property in AGN**
3. **Calculation showing Purchase Discount Price**
4. **URA Voluntary Acquisition Letter**
5. **Option to Purchase with NSP Addenda**



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What's in Your Acquisition File

6. **Purchase Contract**
7. **Environmental Review**
8. **Appraisal**
9. **Proof of Foreclosure & Vacancy**
10. **HUD I Settlement Statement**



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Tax Foreclosures: Challenges and Opportunities



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Challenges of Acquiring Tax Foreclosed Property With NSP

- Timing and Access to Property to Conduct NSP Due Diligence
- **Redemption Period**
 - 18-Month Obligation Period
 - **Many Property Owners Often Pay the Back Taxes**
- Cash Requirements at Tax Foreclosure Auctions. Need source other than NSP at auction.
- **Local Entities managing Tax Foreclosure cannot reimburse themselves for Taxes Owed**



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How to Make Tax Foreclosures Work

- Learn the Process; Know the Nuances by Making the Treasurer Your Friend
- May Not Make Sense To Bid at Tax Sale; Wait to see if no bidders
- Work with Treasurer to Receive Property in Redevelopment Areas at Nominal Costs
- Utilize NSP and Tax Foreclosures to Enhance Local Land Bank



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Mortgage Foreclosures: Challenges and Opportunities



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Potential Points of Entry in Mortgage Foreclosure Process

- After “Notice of Intent to Foreclose” and Prior to Trustee’s/Sheriff’s Sale
- At Trustee’s/Sheriff’s Sale (after Court Enters Final Judgment)
- **Learn Your State and County Mortgage Foreclosure Process – each place varies!**



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Ways to Acquire Prior to Sheriff’s Sale

- **Short Sale:** Lender allows homeowner to sell and agrees to forgive any shortfall between sale price & mortgage balance.
- **Deed in Lieu of Foreclosure:** Homeowner voluntarily transfers title to Lender in exchange for cancellation of the remainder of mortgage debt.
- ONLY Acquire if:
 - **Property is Abandoned per HUD Definition!**
 - Conducted with NSP & Marketability Due Diligence
 - Purchase at 15% Discount
 - Clear Title



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What happens at a Sheriff's Sale?

- After Final Judgment, Court orders Public Auction to sell Property
- Sold to highest bidder, anyone including Lender may bid
- If bids below Lender's costs, then Lender's Attorney will buy ("*Negative Equity*")
- Usually percentage of winning bid due at sale
 - Balance due within so many days or months
- Some states have Redemption Period:
 - Allows Homeowners time to pay mortgage, interest and fees in full. Otherwise, foreclosure complete.



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Bid on Property at Sheriff's Sale with NSP?

Timing and access to property may not be sufficient to comply with NSP:

- Property Inspection
- URA Compliant Appraisal
- Environmental Review, Lead-based Paint Risk Assessment, and other Due Diligence
- Clear Title
- Occupied vs. Vacant

Competing with Savvy and Experienced Foreclosure Speculators



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Conclusion: Purchasing Property with NSP during Foreclosure Process

Challenges

- Timing and Access to Property to conduct Due Diligence
- Clear Title
- Vacancy vs. Occupancy
- Contacting and reaching the Lender's Attorney or Representative



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Conclusion: Purchasing Property with NSP during Foreclosure Process

Opportunities

- Access to Property before Speculators
- Directly negotiating with Lender's Attorney may provide more flexibility
 - Assist with lowering Lender's Costs
 - Potential to purchase from Lender's and Attorney's Portfolio of Abandoned Property
- **However, Wait Until Foreclosure is Complete – Too Many Variables**



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Bulk Purchase: Challenges and Opportunities



Acquisition Negotiation: Bulk Purchase

Types of Mortgage Holders :

- Banks with Portfolio Loans
- Mortgage Backed Securities Investors and Asset Managers of Whole Loans and CDOs
- GSEs: Fannie Mae and Freddie Mac
- FHA and VA



Acquisition Negotiation: Bulk Purchase

- How many is “bulk”?
 - Typically ten or more properties
- Most Asset Managers working for mortgage holders want to sell in bulk and want to work with States or intermediaries, not a CDC or City.



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National Community Stabilization Trust (NCST)

- NCST is a collaboration of Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), National Urban League, and NeighborWorks.
- NCST seeks to link banks with local housing providers to help stem the decline of communities with high concentrations of vacant and foreclosed properties.
- Stabilization Trust facilitates the transfer of foreclosed and abandoned property from banks to states and localities to promote productive property reuse and neighborhood stability.



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Eligible Participants of NCST

1. Eligible Sellers

- Many of the leading banks in the U.S. are participating to sell their REOs (although there is no list of those banks on the NCST website.)

2. Eligible Buyers

- An entity representing (and with the authority from) a State or Local NSP Grantee to use NSP funds to buy abandoned and foreclosed properties.



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NCST Acquisition Programs

- **"First Look" Program** gives buyers the opportunity to inspect and acquire foreclosed and vacant properties before they are listed for sale through traditional means. The First Look program results in an adjusted purchase price that reflects savings passed on to the buyers from avoided expenses associated with prolonged holding periods.



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NCST Acquisition Programs

- **Targeted Bulk Purchase Program** gives buyers the opportunity to purchase portfolios of distressed property in bulk, usually up to dozens of properties in a single transaction. These properties comprise aged inventory from the sellers, and offered at pricing similar to the First Look program.



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Getting Involved with NCST

- **The grantee or an authorized participant in a local community stabilization program is encouraged to contact the Stabilization Trust using an online form.**

www.stabilizationtrust.com



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Now What?

- Inventory abandoned and foreclosed properties in your Areas of Greatest Need.
- Analyze the Property based on Marketability and Neighborhood Typology.
- Determine who you'd partner and/or contract with to get NSP work done: capacity is critical
- Work out Your Implementation Strategy: Who does What, When, Where & How? What Management Systems & Tools do you need?
- ***Get Those Properties Under Contract.***



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**See you Tomorrow for NSP Marketing.
Go Make Something Good Happen!!!!**

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