

Symposium
Weathering the Storm: Stabilizing Communities
in the Wake of Foreclosure
May 7, 2007

Session: Breakout Session D
Title: REO Property: Nonprofit Solutions
Moderator: Mary Tingerthal, <i>Housing Partnership Network</i> Panelists: Harold Simon, Consultant to <i>Housing and Development Services</i> ; Rob Curry, <i>Cleveland Housing Network</i> ; Colin Bloc, <i>BlochWorks</i> ; Sara Gerecke, <i>Neighborhood Housing Services of New York City</i>
Submitted by: Jennifer Kibby
<p>This breakout panel explored four very different approaches to dealing with vacant properties.</p> <p>Rob Curry from CHN presented a financially viable business model for weak market cities. The Cleveland-based strategy includes:</p> <ul style="list-style-type: none">• Selection of 6 target neighborhoods and development of an approach for every vacant home.• Tackling 200 homes a year, demolishing 100 structures, converting 50 into tax credit projects, and rehabbing 50 for sale.• The belief that it takes critical mass to change market prices. Sales gaps are covered by tax credits from the finance agency and city developer.• Full engagement of every property owner and careful relationship building. CHN has brokered detailed agreements with loan services identifying point people who have on the spot authority to deal with a family's situation when in foreclosure. <p>HANDS targets pivotal problem REOs whose redevelopment can spur neighborhood-wide revitalization in northern NJ. Their strategy includes:</p> <ul style="list-style-type: none">• Documenting and tracking problem properties through an annual block-by-block survey.• Title clearance and site control, including use of powers granted under the Abandoned Properties Rehabilitation Act.• Workable subsidy programs from the state such as forward-funding commitments and awards before site control is established. <p>BlochWorks has developed a community land trust model in Washington, DC to create, retain, and sustain wealth for working and middle class families there. Key points:</p> <ul style="list-style-type: none">• City First Enterprises will build 1,000 permanently affordable units for 80% AMI HH or lower over 36 months.• 200 homes will be added to the portfolio through REO purchase or intervention.• Financing: \$10MM from DC, \$65MM from private socially responsive investments.• In exchange for downpayment assistance, buyers agree to share future appreciation with the next family purchasing the home. Upon resale, seller receives 100% downpayment, 100% equity built through principal payments, 100% of value of improvements, 25% of market appreciation.

NHS of NYC determined that the biggest barrier to REO projects in NYC is economics. Too often, servicers price REOs for what investors are willing to pay – investors who buy properties sight unseen and aren't concerned with bringing buildings up to code or reselling them to qualified owner occupants. NHS of NYC is bridging this price gap via:

- Working with down-market specialists to develop independent appraisals to use as leverage during negotiations.
- Sending photos of the building's interior to the servicer. Often servicers have not seen the property and have no idea how deteriorated it is.
- Working with the city to enforce building codes and fine owners of non-conforming properties.
- Driving by REOs every 2 weeks and documenting when properties re-default and who they are sold to.