

Public-Private Partnership Foreclosure Recovery Program

*Stabilizing Communities, Strengthening Neighborhoods
& Creating Sustainable Homeownership*



A Pilot Project

For Civic Minded Builders and Developers:

- **Access to Discounted Bank-Owned Foreclosed Properties**
- **Access to Low Interest Acquisition and Rehab Loans**

Program Description

July 2010

PROGRAM SUMMARY

Greater Minnesota Housing Fund's (GMHF) Public/Private Foreclosure Recovery Program provides private sector builders/developers access to up to \$2 million in low interest loans and exclusive access to foreclosed bank-owned real estate for the purposes of engaging private builders to partner with local government and non-profits to foster stable home ownership, stimulate neighborhood revitalization and strengthen local housing markets.

Qualified builder/developers (borrowers) must have a strong track-record working with public and non-profit organizations in the creation of affordable housing opportunities for low-and moderate-income households.

Qualified builder/developers (borrowers) are provided exclusive access to a national pipeline of bank-owned foreclosed properties at discounted prices.¹ Borrowers must agree to meet GMHF income targeting requirements, HUD HQS standards, and the Minnesota Overlay to the Green Communities Criteria.

PROGRAM GOALS

Greater Minnesota Housing Fund (GMHF) supports efforts to stabilize and strengthen neighborhoods and communities in greater Minnesota hard hit by home foreclosures and disinvestment. In order to address the current scale of the foreclosure crisis, increased collaboration between public, private and non-profit development partners is necessary. Through this program, GMHF seeks to work with public and private entities to:

- Redevelop vacant, foreclosed and abandoned homes to stabilize local housing markets.
- Augment existing local Neighborhood Stabilization Program (NSP) foreclosure recovery efforts.
- Provide sustainable homeownership opportunities for low- and moderate-income homebuyers.
- Rehabilitate foreclosed homes to green and healthy building standards to foster energy conservation, improved health for families and sustainable communities.

¹ GMHF has partnered with the National Community Stabilization Trust (GMHF-NCST) to provide developers with the opportunity to acquire bank-owned properties that are discounted due to bad market conditions, declining values and current risk. Property discounts are geared to reflect lower values due to housing conditions and assumptions of risk in disposing of bank-owned REO properties. GMHF-NCST facilitates these transactions in order to pass savings along to provide a more affordable unit to end homebuyers. Access to NCST properties is reserved exclusively for use with GMHF interim financing through the Public-Private Foreclosure Recovery Program. For more information on National Community Stabilization Trust, see Appendix A.

- Create local green jobs in the residential construction and supporting industries.
- Engage civic minded builders and developers in community-based foreclosure recovery.

BUILDER-DEVELOPER PROGRAM RESOURCES

GMHF's Foreclosure Recovery Program provides several key resources to help speed local foreclosure recovery and neighborhood stabilization efforts, including: Low interest loans, access to exclusive discounted foreclosed home listings and technical assistance. GMHF's interim acquisition and rehabilitation loans complement existing federally funded Neighborhood Stabilization Program (NSP) activities underway in 12 communities in greater Minnesota. GMHF now seeks to actively engage reputable builders and developers interested in working to rebuild the communities and neighborhoods they serve.

GMHF will support foreclosure recovery acquisition-rehabilitation activities by private builders and local non-profit and government agencies to encourage synergy with local foreclosure recovery efforts and foster coordination between local builders and developers working with local public agencies on joint foreclosure recovery efforts. GMHF will provide the following resources and support:

1. **Low interest acquisition-rehab loans** to assist builders in financing the acquisition and rehabilitation of foreclosed homes in areas that are experiencing foreclosure impacts. One priority for use of funds is for foreclosed properties in "high need zip codes" as established by Minnesota Housing as part of the Neighborhood Stabilization Program (NSP) *Map 1, Table 3*. A second priority for use of funds is for properties in communities not served by NSP. All properties using GMHF financing must be on city water and sewer. GMHF will provide loan pool commitments of \$250,000 to \$2,000,000 to acquire and rehabilitate vacant and foreclosed homes. (7% interest, 3 year terms, full recourse, secured loans, due at point of sale. Terms and conditions subject to change. Click here for current terms and conditions: www.gmhf.com/lending/products.pdf). Full recourse loans to the borrower are secured by a mortgage on the subject properties.
2. **Access to discounted foreclosed homes:** GMHF will provide qualified builders and developers with access to an exclusive pipeline of discounted foreclosed homes before they are offered to the public. Access to the inventory of discounted bank-owned foreclosed homes is provided through the National Community Stabilization Trust (NCST) to foster foreclosure recovery in hard-hit communities. For more information on GMHF-NCST, see appendix A.
3. **Homebuyer down payment and value gap assistance** is available to homebuyers in certain locations through local municipalities who have received funding awards for foreclosure recovery through the federal Neighborhood Stabilization Program (NSP) and Federal Home Loan Bank (FHLB) programs. *Contact GMHF staff to find a local gap administrator in proposed targeted area for access to FHLB, NSP and other sources of subsidy.* Builders will be assisted to work with local NSP and FHLB Program Administrators currently funded to match homebuyers with down-payment assistance to rehabbed homes.
4. **Green rehab training** will be available for all builders and sub-contractors to help meet the Minnesota Overlay to the Green Communities Criteria. For assistance in meeting the Minnesota Overlay to the Green Communities Criteria, please refer to the Minnesota Green Communities Rehabilitation Specifications. <http://www.mngreencommunities.org/publications/download/Specifications-for-Housing-Rehabilitation.pdf>



National Community
Stabilization Trust



National Community Stabilization Trust (NCST) Program

A Program to Access Discounted Foreclosed Homes

A tool to save time, reduce costs and streamline the acquisition of bank-owned foreclosed properties.

GMHF has established a partnership with National Community Stabilization Trust (NCST) - a national initiative designed to facilitate the transfer of foreclosed and abandoned properties from financial institutions to state and local governments and their nonprofit and for-profit partners, to target the rehabilitation and resale of foreclosed homes, and to encourage more housing market activity and neighborhood stability. National Community Stabilization Trust works by providing access to "First Look Properties" and "Bulk Properties", which can be obtained by developer partners at a discount to help enable the transfer of properties to low- and moderate-income homebuyers.

National Community Stabilization Trust is designed to provide Borrowers access to properties in an efficient and timely manner. National Community Stabilization Trust removes the frustration of dealing with slow, unresponsive lender/servicer representatives to provide a streamlined process for property identification, inspection, offering and acquisition. Typically, when one tries to purchase foreclosed properties without National Community Stabilization Trust, days are spent trying to reach the real estate agent or negotiate with the bank. Properties are often lost during this time period to another purchaser. Since the National Community Stabilization Trust process is time-driven, deadlines help ensure that the entire transaction, from inspection, to purchase offer to closing happen on time and without frustrating delays resulting in the best price the lender can offer.

National lenders currently participating in this discounted foreclosed home disposition strategy include: Bank of America, Citi, Chase, Wells Fargo, Freddie Mac, HUD/FHA, Ocwen, US Bank and PNC. In addition to these banks, Fannie Mae, FDIC and Litton also list properties through NCST.

National Community Stabilization Trust requires a single point of contact and a single acquisition entity in order to keep the process efficient for the lenders. As such, GMHF has been working with 13 nonprofit and city partners and 7 for-profit partners throughout Minnesota. GMHF acts as the intermediary to acquire foreclosed homes at a discount from the lenders via the "First Look" and "Targeted Bulk Sale" programs.

The "First Look Program" allows the purchase of foreclosed homes before they are publically listed. All of the properties are past the six-month redemption period, the previous owners have vacated the property but the property is not yet on the market. The discounts are typically 15% plus below current market price due to the expedited system. Prices are based on a discount formula that passes on cost savings for the lender by avoiding certain holding and transaction costs. The price takes into account the need for below market pricing to enable purchasers to comfortably undertake projects.

The "Targeted Bulk Sale Program" allows the purchase of foreclosed homes after they are listed at a discount. The properties have typically been offered for sale through the MLS for a minimum of 30 days. There is no minimum number of properties to be acquired in spite of the term "bulk sale".

With the private sector, GMHF offers a "Second Look Program". This allows our for profit partners to purchase homes at a discount that the non-profit partners have passed. GMHF continues to act as an intermediary and acquires the foreclosed homes with a simultaneous closing that transfers the property to a for-profit partner.

The acquisition of homes through National Community Stabilization Trust is facilitated and administered by GMHF staff at a cost of \$1,500 per unit, which is paid in full at the time the purchase agreement is signed for the property with GMHF.