



YourHomeCounts™
HSBC's Pilot REO Disposition Program

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YourHomeCounts™

Summary Program Description

- ▶ Pilot program begun in early 2007
- ▶ HSBC partnered with community-based affordable housing developers in three markets.
- ▶ HSBC conveyed properties from its REO inventory to the community groups for rehabilitation and ultimate sale to LMI homebuyers.

Strategic Objective 1

- ▶ To develop a pilot REO-disposition program that leverages HSBC's REO properties to support affordable housing initiatives within the HSBC Bank footprint.



Strategic Objective 2

- ▶ To design a program that will simultaneously
 - Revitalize communities
 - Provide financial education to consumers
 - Expand access to bank products and services
 - Strengthen local economy
 - Increase homeownership opportunities



Strategic Objective 3

- ▶ To build and strengthen partnerships with credible organizations that have the infrastructure and capacity to receive, renovate and market properties for resale.



YourHomeCounts™

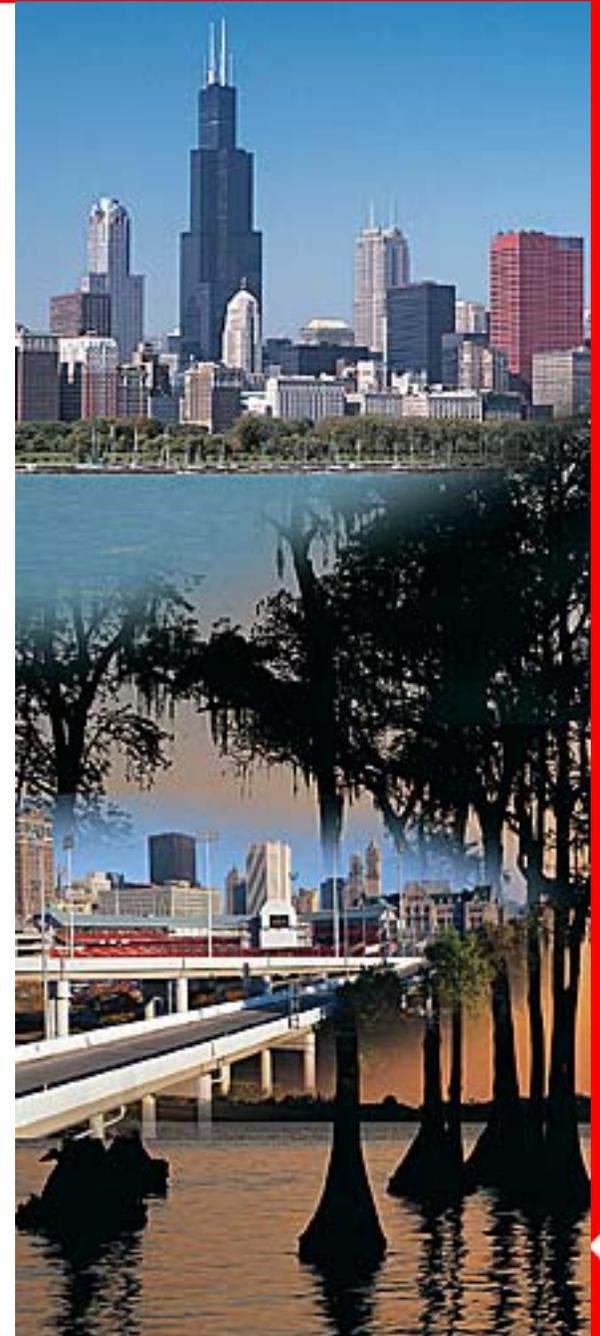
Pilot Cities and Scale

▶ 3 pilot cities:

- Chicago, IL – 4 properties
- Buffalo, NY – 4 properties
- Tampa, FL – 2 properties

▶ Considerations:

- Bank Footprint
- CRA Eligibility
- As-is value of the REO (loss to the business and/or cost to the buyer – difficult to recoup investment in high cost markets)



YourHomeCounts™ Community Partners

▶ Criteria

- Track record in substantial rehabilitation
- Pool of mortgage-ready potential buyers
- Experience in marketing rehabilitated properties to owner-occupants
- Experience in providing financial education and homebuyer counseling
- 501(C) (3) status
- Availability of grant/subsidy dollars to bring down final cost to homebuyer

YourHomeCounts™ Community Partners

▶ HSBC's partners:

- Chicago – Neighborhood Housing Services
- Buffalo – Belmont Shelter, Inc.
- Tampa – Tampa Bay Community Development Corporation



The YourHomeCounts™ Model

- ▶ HSBC identifies pilot market areas and community-based developers.
- ▶ HSBC and Developer jointly determine eligible properties, based on amount of rehabilitation needed and post-rehabilitation marketability.
- ▶ Developer inspects property, prepares feasibility analysis and initial cost estimate.
- ▶ HSBC and Developer create Memorandum of Understanding of terms and conditions under which lender can donate the property. Developer agrees to complete rehabilitation within stated time frame.
- ▶ HSBC provides value added: YourMoneyCounts financial education materials, credit facilities to support rehabilitation activities, mortgage options for ultimate buyers.

The YourHomeCounts™ Model (cont.)

- ▶ Developer has complete responsibility for marketing the completed property.
- ▶ Developer agrees to market the property to LMI homebuyers.
- ▶ Developer is responsible for providing homeownership counseling and education.
- ▶ Developer helps families secure mortgage financing (and available grants/subsidies)
- ▶ HSBC is responsible for clearing exceptions to title prior to conveyance

Issues and Obstacles

- ▶ High cost of rehabilitation
 - ▶ REO properties can sit vacant for several months or longer
 - ▶ Cost of rehabilitation can exceed market value for which the finished house can be sold
 - ▶ Developer must have access to subsidy sources to write down the cost to the ultimate homebuyer.
 - ▶ Developer must have the skill and expertise to determine which REO properties can be feasibly rehabilitated and then sold.



Issues and Obstacles (cont.)

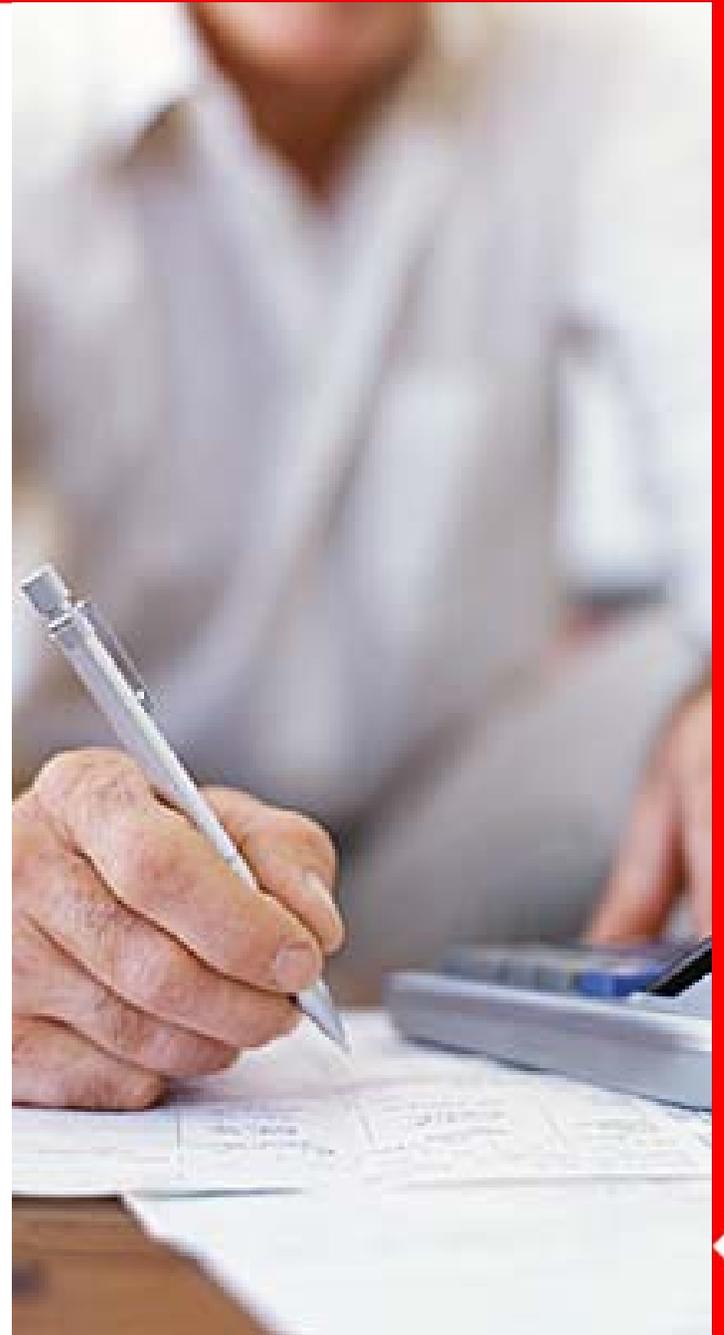
▶ Soft costs

(in addition to cost of donation/discount)

- Unpaid Taxes
- Utility Bills
- Appraisal Costs
- Legal Fees

▶ Timeline

- Can take months to clear exceptions to title.
- Entire process can take 9-12 months per property.



Rewards

- ▶ Preservation of neighborhood housing stock
- ▶ Homeownership opportunities for LMI families
- ▶ Business opportunities for community-based developer
- ▶ Neighborhood stabilization – vacant, foreclosed properties are a blighting influence.



For more information

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