Navigating Ownership & Control of Vacant Properties
Federal Reserve Symposium
Confronting the Neighborhood Impacts of Foreclosure
October 21, 2008
What is the National Community Stabilization Trust?

A Joint Venture of Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation and NeighborWorks America.

It will coordinate the transfer of real estate owned (REO) properties from Financial Institutions nationwide to Local Housing Organizations, in collaboration with State and Local Governments.
What Problems Triggered the Creation of the Trust?

For Neighborhoods

- # of vacant properties rapidly increasing
- Neighborhoods quickly becoming unstable
- Properties held by many owners
  - Hard to know who to call
  - Offer prices were unrealistic
- Little capital with which to buy properties
- Only other bidders are bad investor-owners
- Even with capital – unacceptable market risks

October 2008
What Problems Could a National Focus Address?

- Provide a more efficient and cost-effective mechanism for transferring vacant properties
  - Platform for exchange
  - Standard offer mechanisms
  - Standard valuation/pricing approach
  - Standard sale procedures

- Aggregate capital to support local efforts
  - Support passage of Neighborhood Stabilization Program
  - Raise additional private capital
  - Build local capacity
How do you get the Trust started?

- Bringing Servicers to the Table
Bringing Servicers to the Table

- Encouragement from OCC & Hope Now Alliance
- Understand their operations and constraints
- Get agreement on valuation and establishing offer prices
  - Net realizable value approach
- Memorandum of Understanding
  - Sets out expectations of buyers and sellers
  - Describes two sales approaches – “first look” and targeted bulk sales
Fundamentals of the “First Look” Program

- Identified and qualified local buyers
- Identified target areas
  - Buyers get “first look” only in target areas
- Servicers show properties while preparing them for sale
  - No time added to process
  - Quick “no” or “maybe” from buyers
- Agreed-upon valuation and pricing method
  - Adjusted offer price reflects quick close
  - Mirrors net realizable value method
  - Transparency reduces length of negotiations
How do you get the Trust started?

- Bringing Servicers to the Table
- Identifying and Creating Good Buyers
  - Collaboration
  - Concentration
  - Comprehensive
  - Capacity
  - Capital
Buyers – Collaboration

Minneapolis Foreclosure Recovery Plan 2009

New Foreclosures (All of Minneapolis)

3000 Properties (All of Minneapolis)

Foreclosure Prevention

HERA Funds: $5.6mm

City of Minneapolis (100* Properties)

Tear Down (100**)

Land Bank (85)

Non-Profit Developers (110)

For-Profit Developers (280)

“As-is” Occupants (150)

Market (2360)

Available Subsidy Required: +/- $5.6mm*

$1.7mm $1.7mm $2.2mm

No Subsidy Required

Coordinated: 640 of 3000 (21%)

* Request a planning estimate detail for estimated subsidy requirements

** There will be 100 teardowns with HERA funds and an additional 50 teardowns from existing funds for both 2009 and 2010
Buyers – Concentration

Minneapolis
Target Areas for
Foreclosure
Recovery Plan

October 2008
Pipeline of Foreclosures for Minneapolis Foreclosure Recovery Plan

Minneapolis Pilot  1 September 2008 - 31 December 2008

<table>
<thead>
<tr>
<th>Servicer Name</th>
<th>Redemption Month</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Pilot - Bank of America</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>8.93%</td>
<td>11.67%</td>
</tr>
<tr>
<td>Pilot - Citigroup</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>8.93%</td>
<td>6.67%</td>
</tr>
<tr>
<td>Pilot - Fannie Mae</td>
<td>26</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>46.43%</td>
<td>46.67%</td>
</tr>
<tr>
<td>Pilot - JP Morgan Chase</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>16.07%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Pilot - Wells Fargo</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>19.64%</td>
<td>15.00%</td>
</tr>
<tr>
<td>Total #</td>
<td>56</td>
<td>60</td>
</tr>
</tbody>
</table>

| Non-Pilot Properties*    | 116 | 140 | 122 | 125 | 503        |
| Pilot % of Total         | 33% | 30% | 33% | 23% | 30%         |
When Will the Trust Begin Operations?

- Currently testing systems and processes in the Twin Cities with two major loan servicers – Fannie Mae and Wells Fargo
- Will add additional loan servicers as they are ready – hope to 6 major servicers using the Stabilization Trust by year end
- Will add additional local/state programs as they are ready to participate
- Trust will be fully operational early in 2009
How Can I Learn More About the Trust?

For more information, please send specific questions and information to:

Info@stabilizationtrust.com