YourHomeCounts™
HSBC’s Pilot REO Disposition Program

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Your **HomeCounts™**

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.
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)
Your **HomeCounts™** 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
Your**Home**Counts™ 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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