

National Community Stabilization Trust Guide for State and Local NSP Recipients

What is the National Community Stabilization Trust?

The Stabilization Trust is an unprecedented collaboration of the nation's four leading housing and community development nonprofit organizations – Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), and NeighborWorks America.

The Stabilization Trust facilitates the transfer of foreclosed and abandoned property from financial institutions to states and localities in a manner that can promote productive property reuse and neighborhood stability.

What services does the National Community Stabilization Trust provide to State and Local Programs seeking to stabilize distressed communities?

The National Community Stabilization Trust provides two types of services to state and local programs to assist with the acquisition and reuse of foreclosed and abandoned property:

- **Acquiring Properties.** The Stabilization Trust helps state and local programs (the “Buyers”) to acquire foreclosed and abandoned properties from financial institutions (the “Sellers”) in the following ways:
 - **Saves Time and Effort.** Acts as a single point of contact with the leading financial institutions holding and managing these properties - thereby saving Buyers considerable time and effort.
 - **Simple Process.** Provides a standardized and simplified process for inspecting properties and evaluating offers from Sellers.
 - **Exclusive Access and Pricing.** Allows Buyers an opportunity to acquire a property before it goes to market, resulting in better property conditions and lower acquisition and development costs.

- **Financing.** The Stabilization Trust will also provide short- and intermediate-term financing for the purchase and rehabilitation of foreclosed and abandoned property. The Stabilization Trust financing capabilities are expected to begin in the 1st Quarter of 2009.

Who are eligible Buyers?

An eligible Buyer is an entity that represents a state or local program affiliated with the Neighborhood Stabilization Program and has the authority to make vacant and foreclosed property purchases on behalf of that program. The eligible Buyer could be a local government, state government, nonprofit or for-profit entity.

Who are participating Sellers?

The leading financial institutions are participating with the Stabilization Trust programs supporting the transfer of foreclosed and abandoned properties. Additional financial institutions will be added in early 2009.

What are the characteristics for Buyers in the Stabilization Trust?

The Stabilization Trust wants to ensure the success of these important programs. As such, buyers participating in the Stabilization Trust should demonstrate capability in five different areas:

- 1. Collaboration.** The local community stabilization effort has established a partnership involving the appropriate government agencies, nonprofit organizations and other local stakeholders that defines the roles and accountabilities of each participant. Leadership roles should also be clearly identified.
- 2. Concentration.** The local community stabilization effort should be sufficiently focused on one or more discreet geographic areas so as to increase the likelihood that a significant, visible impact can be achieved.
- 3. Comprehensiveness.** Bricks and mortar activities such as the acquisition and rehabilitation of properties purchased through the Stabilization Trust should be complemented by a broader strategy that leverages related investments and infrastructure improvements, incorporates a marketing campaign, and otherwise integrates tangible and intangible community efforts.
- 4. Capacity.** The local community stabilization effort should include organizations with the ability to assess, acquire, manage, rehab and convey properties at scale.
- 5. Capital.** The program should have sufficient resources from the HUD Neighborhood Stabilization Program (NSP) fund and other public and private resources to conduct a successful stabilization program.

How do the Stabilization Trust property acquisition Programs work?

The Stabilization Trust offers two main types of acquisition Programs that are designed to help Buyers acquire significant numbers of foreclosed and vacant properties from Sellers:

- **“First Look” Program.** The First Look Program gives Buyers the opportunity to inspect and acquire foreclosed and vacant properties before they are listed for sale through traditional means. The First Look approach results in an adjusted purchase prices that reflect savings passed on to the Buyers from the Sellers from avoided expenses associated with prolonged holding periods.
- **Targeted Bulk Purchase Program.** The Targeted Bulk Purchase Program gives Buyers the opportunity to purchase portfolios of distressed property in bulk, usually up to dozens of

properties in a single transaction. These properties are typically comprised of aged inventory from the Sellers, and offered at pricing similar to the First Look program.

What is the procedure for participation in the Stabilization Trust?

The local grantee in a local community stabilization effort program should contact the Stabilization Trust or one of the four sponsors (Enterprise Community Partners, Housing Partnership Network, Local Initiatives Support Corporation, NeighborWorks America) to express interest in participating in the Stabilization Trust, and discuss how the Stabilization Trust would be able to assist with the local neighborhood stabilization program. You can contact the Stabilization Trust via email at:

info@stabilizationtrust.com

How does the Stabilization Trust meet NSP discount guidelines?

The pricing of properties is an important issue for Buyers as they seek the best price possible from financial institutions, while adhering to HUD Neighborhood Stabilization Program (NSP) guidelines. Through its Programs, the Stabilization Trust has established a method to reconcile the fiduciary responsibilities of the financial institutions with the discount required by HUD, in a way that provides savings to all parties involved. The Stabilization Trust's Program pricing methods incorporate the costs of holding property, the conditions of the local real estate market and other factors.

How will closings be executed?

The Stabilization Trust will not take title to properties. Instead, the Stabilization Trust will facilitate the transfer of properties by providing standardized documentation and procedures.

How many entities can participate from a jurisdiction?

The Stabilization Trust requires a single entity serving as the lead for each state or locality for interactions with the Trust. In most locations we expect this to be an umbrella entity that represents local government and a coalition of nonprofits and other housing providers. A state, large city or multi-county program might have more than one entity, but the geographic boundaries of the areas where the different entities operate should not overlap.

If a Buyer is participating in the Stabilization Trust, does this limit their ability to acquire properties from other sources?

No. Participation in the Stabilization Trust does not prevent a Buyer from purchasing properties from brokers, directly from financial institutions, or from other sources.

How many properties must a Buyer purchase participate in the Trust?

The objective of the Stabilization Trust is to assist the local programs in comprehensively addressing the factors contributing to market distress. Although a minimum number of expected property acquisitions has not been established for participation, local programs intending to acquire 100 or more properties annually will generally achieve the largest benefit. The Trust will prioritize state and local programs where sufficient capacity to acquire and reuse larger volumes of properties can be demonstrated.