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National Community Stabilization Trust

January 8, 2019

A New Year With Similar Challenges, Cincinnati Buyer Success, Policy Corner, Free Industry Webinars, and more

A New Year with Similar Challenges

by Rob Grossinger, NCST

Welcome to 2019. As we begin our work, we recommit to our challenge of revitalizing neighborhoods through single family rehabilitation and affordable resale. Although the housing market in most of the country has stabilized, there are still many areas that are struggling. Consequently, major challenges remain for NCST and its partners. Today, I'm going to concentrate on two of them. First, in many neighborhoods within our urban focus markets, housing stock remains blighted, abandoned or very substandard. Second, previously owner-occupied single family housing stock is being quickly converted to rental properties by large institutional investors.

Simply driving through many of our urban neighborhoods illuminates the stark contrast between healthy and unhealthy housing markets. While the majority of the portfolio coming through NCST is not in the dire condition of years past, NCST still sees properties that qualify for $1 sales due to the property's condition. In 2019, as in all other years, NCST is redoubling our commitment to finding both buyers and the capital necessary to rehab and sell these properties as affordable, owner-occupied homes. Without massive building of new housing, which seems unlikely, making the best use of existing housing stock remains a priority. Wherever blighted single family housing stock can be saved, NCST will work with developers and capital providers to accomplish that outcome.

One of the more disheartening consequences of the housing crash of 2008 has been the influx of private equity into this distressed market, resulting in a huge transition of single family housing from owner-occupied to rental. Over 5.4 million single family houses have converted from homeownership to rental during this time. This equates to a jump in the percentage of single family homes as rental from 17% to 23%. While single family rental has long been part of the landscape, this large jump is not a healthy development for homeownership or for neighborhood stabilization.

NCST will continue to work with all of our partners to increase the rehabilitation and re-occupation of single family homes for homeownership. We will also seek new capital for our buyers to allow for the acquisition and rehabilitation of the properties offered through *our First Look* program.

In 2019, we look forward to continued partnership with you as we keep up our best efforts to create a sustainable environment for single family rehabilitation work and to seek new capital solutions. I invite your ideas and thoughts – send me an email and let's talk.

Rob Grossinger serves as President for NCST

Collaborative Effort Revitalizing Cincinnati Neighborhood to Meet Community's Desires

NCST Community Buyer, Homesteading & Urban Redevelopment Corporation (HURC), has been working in the focus neighborhood of Walnut Hills since 2015, in collaboration with the City of Cincinnati, Walnut Hills Community, and Walnut Hills Redevelopment Foundation. The Port of Greater Cincinnati Development Authority (the Port) manages the HURC, and from transformative housing development to financing redevelopment of historic landmarks, they're integral in moving this vibrant, urban neighborhood forward.

With the community's support, The Port concentrated its REACH (Rehab Across Cincinnati & Hamilton County) Walnut Hills program on Morgan Street in the neighborhood's historic Peebles Corner District, with the acquisition and renovation of four vacant, single-family homes and the addition of six newly constructed single-family homes, representing a $1.5 million housing investment in Peebles Corner. The Port's Neighborhood Revitalization team engaged the community and responded to their desire to build on its existing assets, such as walkability, quality building stock, and civic engagement.

This vacant, abandoned, bullet-riddled house, built in the late 1800s, is on a corner that was known by the local police as a hotbed for drug dealing. The Port began a complete renovation of the home, and wanted to ensure that historical details, like the banister and spindles on the stairway and trim throughout the house, were kept intact and modern amenities such as a brand new kitchen, plumbing and HVAC were added. During renovation, the back of the home collapsed and was rebuilt. After investing $269,440 in the rehab, the Port sold the home to a family with two children for $270,000.

The Port's REACH program has accelerated the development of market rate residential housing in Walnut Hills sooner than expected. There are now several market rate, residential developments being undertaken in this focus area, including a mixed use development directly across the street from this home, as well as five market rate townhomes nearby.

"The Port truly does a great service in the community. … I've been able to grow my own business from two employees to 10, and help as people come to the neighborhood where we're working by giving them jobs to help on our projects. We've been able to take some of the worst houses in the city and turn them into houses people are proud to live in..."
Eric Hunn, Owner - Hunn Construction

Thanks to the teams at HURC and The Port for engaging their community and responding to their desires to ensure the great work they're doing truly meets the neighborhood's needs. Way to go!

Before Rehab:



After Rehab:



Policy Corner > Neighborhood Homes Investment Act Can Plug the Value Gap for Single Family Homes

by Theodora Chang, NCST

For most folks, ringing in a new year usually involves reflecting on the previous twelve months and making new goals, and NCST is no different. Our team has spent a lot of time thinking about one of the key pieces of feedback we received last year around what we call the "value gap," a situation that occurs when acquisition and rehab costs exceed the expected resale price.

NCST sees the value gap reflected in our REOMatch data, where buyers consistently reported they turn down properties in their service areas because the cost of rehab and the low expected resale price would lead to a significant financial loss. Our Community Development Managers and Senior Asset Managers also hear this complaint from our buyers. With dim prospects for a new federal subsidy program like HUD's Neighborhood Stabilization Program to plug the gap, we've been thinking about new ways the federal government can provide assistance to the communities in which our buyers work.

The idea that we believe holds the most promise is the Neighborhood Homes Investment Act (NHIA), which NCST has drafted in coalition with a number of other organizations working to achieve similar goals. NHIA would create a single family tax credit designed to attract private capital for for-sale housing development by filling the value gap. This approach is similar to the very successful Low-Income Housing Tax Credit (LIHTC), which has financed over 3 million multifamily housing units since 1987, as well as the New Markets Tax Credit. The credit would target struggling housing markets and homeowners up to 140 percent of the area median income.

Under NHIA, states will allocate the credits based on competitive proposals from developers, as is the case for LIHTC, enabling the state to have control over where the credit is deployed. Once rehab is complete and the house is sold to a qualifying homeowner, investors receive their tax credit. Credits can also be allocated for repairing homes that are already owner-occupied.

Enacting the NHIA could add millions of dollars to a state's ability to offer single-family home rehabilitation funding. Estimates show that each $1 billion in NHIA investment would lead to:

- 25,000 homes built or rehabilitated;
- more than 33,000 jobs in construction and related industries; and
- $4.25 billion of total development activity.

A new Congress provides a fresh opportunity for us to secure bipartisan support and introduce this legislation. However, to give this idea its best shot, we will need to make an evidence-based case for its enactment, which is where NCST's community buyers come in.

In the coming months, we will update the reporting fields in REOMatch to enable our buyers to enter in more specific information about the value gaps they encounter, which will provide us with the kind of data we need to tailor our Hill briefing materials for different geographic areas. We will also use the existing REOMatch data to identify buyers who have repeatedly reported value gap challenges, and will reach out to them to learn more about their experiences.

Detailed information about the NHIA bill can be found on NeighborhoodHomesInvestmentAct.org, where you can also see a list of coalition members (and join the coalition if you'd like).

As always, we welcome feedback and comments from all of our buyers. If you have information you would like to share about the issues you have faced with the value gap, please email me: tchang@stabilizationtrust.org.

Cheers, and best wishes to all for a productive 2019!

Theodora "Theo" Chang serves as Senior Policy Associate for NCST.

NCST's Julia Gordon quoted: Eviction filings and code complaints: What happened when a private equity firm became one city's biggest homeowner

MEMPHIS — She was late on rent and back in eviction court. Second time this year. Fourth time in the past two. Cassandra Brown, married mother of two, was fighting to stay in a house that her family had owned for years, until they lost it to the bank shortly after the 2008 financial meltdown. Now, she and her family continued to live in the same house as renters, paying more each month in rent than they once did in mortgage. Brown didn't want to uproot her children, even as the house passed from one investor to the next, finally landing with the $35 billion New York private equity firm Cerberus Capital Management.

Cerberus has become in just three years the largest owner of single-family homes in this Mississippi River town, with nearly 1,800 houses rented out to thousands of residents.
It also uses unusually aggressive tactics to recover late rent. The property manager it owns and operates, FirstKey Homes, files for eviction at twice the rate of other rental home

property managers in the Memphis area and threatens renters with removal at the highest rate among the area's large management firms, going to court more than 400 times this year alone, according to a Washington Post analysis of county records and interviews.

Cerberus-owned homes in Memphis also racked up property code violations this year at a consistently higher rate than other single-family rentals in the same neighborhoods, equal to a new violation every day or two. The 190 total citations were usually minor, such as for unmown lawns, but they also have included major problems such as a burned-out house not far from Graceland that sat for nearly a year before the city recently condemned it. ...

Nationwide, single-family homes — white-picketed symbols of the American Dream — are increasingly owned by far-flung investors, with the percentage held by landlords growing from 13 percent nationally to 17 percent between 2008 and 2016, according to the Census Bureau's American Community Survey. These homes are offered to local residents only as rentals, reflecting a profound shift in who profits from homeownership today, with communities struggling at times to handle the fallout. Since the 2008 financial crisis, no major city has suffered a bigger percentage drop in owner-occupied single-family housing than Memphis, partly the result of predatory mortgage lending giving way to a flood of foreclosures. ...

"This is the new feudalism," said Julia Gordon, executive vice president at the National Community Stabilization Trust, a nonprofit organization created in response to the 2008 housing crash. "Many of these homes are not going to go back to traditional single-family homeownership."

>>> Click here to read the whole story

Buyer Resources

FREE Webinar – LISC Institute: Local Housing Solutions

- **Date:** Wed., January 16
- **Time:** 2pm - 3pm EST
- Representatives from the NYU Furman Center and Abt Associates will discuss Local Housing Solutions, an online, interactive tool that provides resources to help cities, towns, and counties develop comprehensive and balanced local housing plans. With housing costs continuing to outpace income growth, such plans are increasingly crucial to enhance affordability, to protect low-income residents from displacement, and to foster inclusive neighborhoods.
- The webinar will cover how practitioners can engage with the site, and feature a deeper-dive into the site's policy framework. Participants will also explore two of the site's 19 policy objectives:

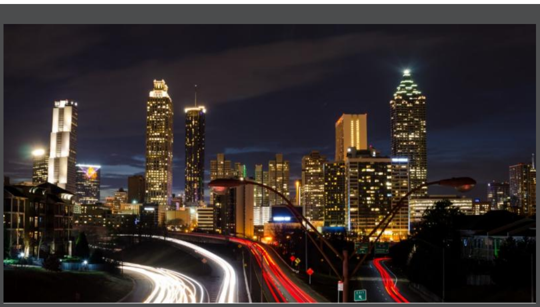
FREE Webinar - Opportunity360 Overview and Q&A

- **Date:** January 17, 2019
- **Time:** 2pm EST
- Enterprise Community Partners (Enterprise), a nonprofit that brings together nationwide know-how, partners, policy leadership and investment to multiply the impact of local affordable housing development created Opportunity360, a comprehensive approach to understanding and addressing community challenges by identifying pathways to greater opportunities using cross-sector data, community engagement and measurement tools. With this insight, partners in community development will be better positioned to make smart investments and create collaborative solutions that transform communities across the country.
- The suite of tools and resources in the platform provides a comprehensive view into a neighborhood and facilitates a strategic, asset-building approach to community development. From benchmarking a project to designing an

preventing displacement and promoting homeownership.
- **Who should attend this webinar?** Anyone interested in learning how to use Local Housing Solutions to develop a more effective, equitable, and inclusive local housing strategy.
- **>>> CLICK HERE TO REGISTER TODAY**
- *About LISC - they help residents connect to safe, affordable housing, quality education and job training, financial coaching and more.*

evaluation of specific interventions, Opportunity360 can be integrated seamlessly into your process, providing the foundation for developing a holistic programmatic and investment strategy to increase opportunity in neighborhoods across the country, identifying strategic cross-sector partnerships, and determining the impact of a single project or an entire portfolio of work.
- If you're new to Opportunity360 or would like a quick refresher on all of the tools and resources they offer, join this webinar.
- **>>> CLICK HERE TO REGISTER NOW**

Industry Conferences



Happy New Year to all of our readers! We look forward to 2019.

As you're planning your year, what conferences will you attend this year? Does your conference have a need for one of our industry experts? If so, just email Sally and she'll work to connect you with one of our team members or partners.

Hope to see you on the road in 2019!

NCST team members attend and serve as panelists for selected industry conferences and events. We enjoy the opportunity to see and meet our partners, as well as share our industry knowledge.

January:
- **13-14:** NCSHA - The HFA Conference, Washington, DC

February:
- **18-22:** NeighborWorks NTI, Cleveland, OH
- **25-28:** MBA National Mortgage Servicing Conference & Expo, Orlando, FL
- **26-27:** IL Governor's Conf. on Affordable Housing, Chicago, IL

March:
- **13-14:** Greater Ohio Policy Center Summit, Columbus, OH

Community Buyers - Share Your Property Success Stories

Buyers - we'd like to share your accomplishments - please do brag a little! In REOTrack, when you submit your final reporting, click on the "Good Story Flag" box and we'll take it from there. Or email Sally or call her (214-710-3411) and she'll work with you on your story. **> Download this flyer for all the scoop.**

Industry News

Below are recent, notable headlines regarding our industry.

Zombie Property Survival Guide

- https://bit.ly/2CFpPjK
- In popular movies and TV shows ..., the zombie has become a go-to favorite when it comes to both monsters and metaphors. ... The housing industry has borrowed the zombie name to describe a persistent problem of its own, a monster born out of the previous decade's financial crisis but still lingering—the so-called "zombie property."
- During a DS News webinar ..., Timothy Meyer, SVP of Field Services, Altisource, summed up just how many challenges are involved for servicers, attorneys, and field servicers tasked with combating zombie properties, ... During the "Zombie Homes—Challenges and Guidance" webinar, moderator Rick Sharga, EVP, Carrington Mortgage Holdings, explained that the term was "coined during the heat of the foreclosure crisis." ... Sharga explained that the "zombie" nickname is tied to characteristics these empty homes share with their brain-hungry on-screen namesakes: "They're properties that are neither one thing nor another but a little bit of both. These properties are typically somewhere in the foreclosure process. They're vacant, having been abandoned by the borrower but are not yet under the control of the lender or servicer. They're often the byproduct of well-meaning but poorly executed legislation and regulations." ...
- Zombie properties tend to proliferate in states that feature a judicial foreclosure process, wherein the foreclosure proceedings have to make their way through the court system. Regulations in these states have sometimes extended the foreclosure process beyond 1,000 days, Sharga said. At the peak of the crisis, these foreclosures could sometimes drag on for as long as 1,300 days in states such as New York and New Jersey. The metropolitan areas with the most zombie foreclosures include New York, Newark-Jersey City, Philadelphia, Chicago, Miami, and Tampa-St. Petersburg. ...
- Thankfully, the number of zombie properties has been dropping steadily over the years. According to data from ATTOM Data Solutions, over 14,000 properties in the foreclosure process were vacant as of the end of Q3 2017. That's down from a peak of 44,000 properties in Q3 2003, and those 14,000 homes represent 4.18 percent of all properties in foreclosure. Vacant REO properties also face some—although not all—of the same problems as abandoned zombie foreclosure homes. ...
- **In a summer 2018 report entitled "Fast Track Foreclosure Laws: Not a Silver Bullet for Fighting Blight," the National Community Stabilization Trust (NCST), a nonprofit organization focused on restoring vacant properties, attempted to review the efficacy of such laws but was unable to reach a conclusion. The nonprofit explained there was insufficient data to truly examine fast-track proceedings in various states "either because some states do not specifically track data on motion filings and foreclosure timelines or because this data is not publicly available." Based on the available data and anecdotal evidence from interviews conducted in four states, NCST concluded even where "fast-track" foreclosures were available, the option was rarely taken.** ...

Legislation aimed at curbing land contract abuses gains ground

- https://bit.ly/2S7T1oo
- The campaign led by city activists to end predatory land contracts took a small step forward Monday night during a meeting of Youngstown's Housing, Community and Economic Development committee. City Prosecutor Dana Lantz presented the committee with a rough draft of an upcoming piece of legislation that would give the city the authority to require interior and exterior inspections of a property before it could be sold using a land-installment contract.
- Members of the Alliance for Congregational Transformation Influencing our Neighborhoods (ACTION) and various neighborhood organizations attended the meeting and have largely led the local charge against land-contract companies. The groups have been working to see a piece of legislation introduced to city council since October. After Lantz and Patricia Dougan, a lawyer with Community Legal Aid, revise the current draft, the legislation will go before council for a first reading the first week of January. After that, the legislation will be brought before ACTION members and other activists who will be able to review it and ensure it addresses their concerns, after which it will proceed to second and third readings, with a potential passage sometime in mid-to-late February.
- Lantz said the city would have to train inspectors to conduct both interior and exterior inspections, but that noncity inspectors could be used by prospective home vendors so long as they are approved by the city. She emphasized that for such an inspection program to exist, it would have to be financially self-sustaining. The current legislation only addresses

land-installment contracts. Rent-to-own land contracts will be the next piece of legislation the city and activist groups aim to pass. …

The Three Housing Stories to Watch in 2019

- https://bit.ly/2VuQZ44
- It's 2019, and while it may feel like not much has changed, we'd like to bring your attention to three stories that are likely to be big in the housing world this year.
- **"Opportunity Zones" heat up:** The Opportunity Zones tax incentive, in which investors can defer capital gains taxes in exchange for investing in distressed communities, got a big boost last month when Donald Trump signed an executive order to push more federal resources toward the zones. The program still needs two more rounds of regulations before investments can begin, the New York Times reports, although Opportunity Funds are already forming and real estate investors are already buying up properties in designated zones. Around 8,700 census tracts received Opportunity Zone designation in 2018. The program allows investors to defer or reduce capital gains taxes by investing the money in businesses in opportunity zones, or in funds that invest the bulk of their money in opportunity zones. …
- **More public housing may be privatized:** A formerly little-known federal initiative known as Rental Assistance Demonstration, which aims to repair and reinvest in public housing by transferring it to the private market, is poised to take off in a big way this year. The Obama-era program started with a cap on the number of public housing units that could be transferred to private developers — just 60,000. That was later raised to 185,000 units, and last year was lifted to 455,000 units. Supporters, including public housing authorities and developers, argue that RAD is the only way to get enough money to rehab public housing units that are in desperate need of repair. (HUD estimates it would take $30 billion to restore the nation's 1.2 million public housing units.) …
- **The end of single-family zoning?** When Minneapolis voted to approve a comprehensive plan that essentially ends single-family residential zoning by allowing more units on single-family lots, it grabbed headlines. But Minneapolis is by far not the only city casting a wary eye at single-family homes. Oregon lawmakers are drafting legislation that would end single-family zoning in cities with 10,000 or more people. Portland, Oregon's largest city, has been working on a similar proposal, Willamette Week reports. State economist Josh Lehner wrote that implementing that proposal — to allow townhomes and triplexes to be built on existing land in Portland — the city could accommodate one in seven of the new households Portland is expected to gain over the next two decades. …

Fannie and Freddie investors want us to forget about the housing crisis

- https://bit.ly/2zYejOC
- Wall Street investors in Fannie Mae and Freddie Mac are pushing a plan to take over the behemoth financial institutions after a decade in government control.They would reap billions of dollars on a bet made during the financial crisis that lawmakers would ultimately fail to fundamentally change the housing finance system, despite universal agreement that it was badly needed. To appreciate the audacity of their proposal, it is helpful to recall how we got here. In the early days of the crisis, Fannie and Freddie, which buy and guarantee the majority of the nation's mortgages, teetered on the edge of collapse, forcing the Bush and Obama administrations to commit hundreds of billions of taxpayer dollars to keep them operating so that mortgage credit could continue to flow. For a sense of how badly the support was needed, in the first few years of government control, the companies lost three times the amount of capital they held.
- This arrangement kept Fannie and Freddie from collapsing and dragging the economy into the abyss of depression, but it was always intended to be temporary, giving Congress time to replace a badly flawed model with something that posed less risk to the housing finance system. A decade and several failed legislative attempts later, we're still waiting. Taking advantage of this congressional impasse, several of Fannie and Freddie's largest investors have banded together to advocate a path out of this state of limbo. Remarkably, however, the path does not lead to a new system as policymakers had intended, but back to the very system we had before the crisis. …
- To their credit, the investors recommend retaining some of the reforms that have taken place in conservatorship, such as limits on what Fannie and Freddie can invest in, and higher capital levels. But they would leave untouched the fundamental structural flaw that was the system's ultimate undoing: the dominance of a duopoly that is too big and too important for the nation ever to let fail. This makes sense from the investors' point of view, as Fannie and Freddie's market power will bring them more profits. But it is absurd from the nation's point of view. …

Housing affordability crisis is nationwide

- https://bayareane.ws/2QcPTWU
- Californians are not the only ones confronted with a housing affordability crisis. According to ATTOM Data Solutions, U.S. housing affordability dropped to a 10-year low in the third quarter to its least affordable level since Q3 2008. Nationwide, the Q3 2018 home affordability index of 92 was down from 95 in the previous quarter and 102 in Q3 2017. "Housing is important to the health and welfare of our country. It's troublesome when studies indicate nearly a third of American households spend more than 30 percent of their income on a mortgage or rent," said Bill Moody, president of the Silicon Valley Association of Realtors.
- According to a nationwide survey conducted on behalf of the National Association of Home Builders, nearly three out of four American households believe the country is facing a housing affordability crisis. The majority of respondents surveyed reported this is a problem at their local and state level, as well. "These poll results confirm what builders from across the nation have been warning about — that housing affordability is an increasingly serious problem in communities across America," said NAHB chairman Randy Noel. "A mix of regulatory barriers, ill-considered public policy and challenging market conditions is driving up costs and making it increasingly difficult for builders to produce homes that are affordable to low- and moderate-income families."
- The national online survey of 2,203 adults conducted Nov. 27-30 found 73 percent of all respondents believe a lack of affordable housing is a problem in the U.S. Sixty-eight percent believe this is an issue in their state and 54 percent cited housing affordability as a concern in their neighborhood.
- More than half of respondents believe government should ease regulatory requirements and/or provide incentives to build more housing. Fifty-five percent believe it would be effective for their city or county to lower development and construction fees builders must pay so that more affordable units can be built, and 53 percent believe it would be effective to increase government subsidies to builders to produce more affordable units. ...

• Staff, Phone or Email Changes?

NCST Community Buyers: Had a recent staff change? Or updated your email address or phone number? Please alert our Buyer Team to any changes so they can update your records. To participate in our purchasing programs, it's very important we have the correct contact information for you and your team.

Please email updates to: Buyer@ StabilizationTrust.org.

NCST Email Addresses

Sending an email to an NCST team member? Please include the team email box. This ensures a timely response to your email in case your primary contact is out of the office.

- Desk@ StabilizationTrust.org - property transaction questions and assistance
- ReoTrack@ StabilizationTrust.org - post-closing questions and assistance
- Buyer@ StabilizationTrust.org - questions about program guidelines, target areas, and additional programs
- NewBuyer@ StabilizationTrust.org - for more information about becoming an NCST buyer