



June 13, 2019

Message from our new COO, new life brought to a "Fire House," note sales policy update, and more!

A Message From Our New Chief Operating Officer



by Carlos Alcazar, NCST

I'm writing this column to introduce myself as the new Chief Operating Officer of NCST. This is my ninth year at NCST, and for the past four years, I've served as the organization's Comptroller, where my focus has been to ensure that NCST has a strong financial position. I've been able to achieve that goal by working closely with NCST's excellent board, committees and president, while closely monitoring our revenues and expenses.

In my new role, I'll continue my work on NCST's finances, but also will focus on a full range of issues both internal and external. Internally, I will oversee NCST's information technology, office space, and human resources functions. Externally, I will become more involved in NCST's work to help our Community Buyers access well priced capital for acquisition and rehab work as well as our work to develop new resources for NCST's continued operations and growth.

As many of you know, NCST has long been working in this space through our REO Capital Fund. However, the ten-year investment that made the REO Capital Fund possible is drawing to a close this fall. Thus, NCST is looking to create a similar but even more useful capital resource going forward. We are in conversations with many potential partners and investors in the hope of bringing you capital to enable you to take your work to an even higher level.

Finally, just a little bit about me personally. While you can read more in my bio on the NCST website, I hold a B.A. in Political Science from Arizona State University and an MBA from Keller Graduate School of Management, and I've been in the mortgage and housing industry for almost two decades. More importantly, I am honored to be a husband who cooks and does the dishes, a father who coaches speech and debate, and a friend who listens.

As REO inventory continues to decline and housing becomes ever less affordable, NCST faces many challenges. However, throughout my career in the housing industry,

I have never known a time where fluctuation and change are not the norm. In my view, times of change can also offer real possibilities for exciting growth. I'm excited to tackle these challenges with flexibility and determination.

I look forward to working with you on our shared mission.

Carlos Alcazar is NCST's Chief Operating Officer.

Buyer Spotlight

Rehab Breathes Life Back Into Fire-Damaged Home



by Kathy Carter, NCST

Two years ago, the house at 8120 Santa Fe Drive, just outside Baltimore, MD, sat vacant and abandoned - blackened and severely damaged from a fire that ravaged most of the home including the garage (which had been converted into a small bedroom), both floors and the basement. Today, the house is fully rebuilt— and will soon be up for sale.

"Actually, when we first got in the house, we could only go about five feet inside. The building just wasn't safe," said Stacey Ingerson, director of [From House to Home, Inc. \(FHTH\)](#), a NCST community buyer since 2016.

To repair the damage from the April 2017 fire, Ingerson said the initial plan was to demolish the garage, then renovate the house; however, during the demolition it became obvious that it was going to be more efficient to simply rebuild. Unfortunately, there was so much damage that couldn't be seen initially that FHTH decided it was best to start fresh and build a new home.

Unlike other FHTH rehab projects, the "fire house" (as it's aptly named) proved to be their biggest project to date. First shown through NCST's First Look [Neighborhood Stabilization Initiative](#) program in June 2018, this cape-cod styled home only had two bedrooms and 1.5 bathrooms. It is now a new colonial with four bedrooms, 2.5 bathrooms, an open floor plan, first-floor master suite and a beautiful wraparound deck that could easily be modified to accommodate a wheelchair.

Ingerson hired architects and permits were applied for shortly after purchase in September and work began once all were approved in January 2019. She said the work cost about \$190,000, including demolition, utilities, the rebuild, fees, new water lines, HVAC, electric and cleanup; smoke detectors and sprinklers are also installed throughout the home.

Once construction began, a neighbor approached the FHTH team to thank them. "Every morning I woke up and saw that burned-out house," he told them. Another neighbor - a fire fighter who was the first to respond to the fire - shared photos with FHTH. Luckily, no one was seriously injured during the fire. Neighbors were very pleased to see a new home in the neighborhood that replaced what was once an eyesore among very nice homes on the block. Neighbors even allowed the FHTH crew to use their electricity before the power

could be connected to the property. “The neighbors have been amazing and so cooperative,” Ingerson said. “We have been so fortunate to have our largest undertaking surrounded by such supportive people!”

Kathy Carter is NCST's Community Development Manager - Northeast/Mid-Atlantic Region.

Fire damage to the home:



The finished home:



Policy Corner

HUD Solicits Input On Note Sales



by Julia Gordon, NCST

Recently, the Federal Housing Administration (FHA) issued an [Advance Notice of Proposed Rulemaking \(ANPR\)](#) related to its Distressed Asset Sale Program (DASP), also known as the Single Family Loan Sales program. In the DASP program, FHA bundles pools of nonperforming FHA-insured mortgage loans together and auctions them off to the highest bidder, usually a private equity fund or other Wall Street entity, after which they are no longer FHA loans.

NCST considers this ANPR highly significant for neighborhoods, homeowners with FHA loans, and anyone working in community development and/or the vacancy/rehab industry, and we would like to encourage you to submit a response to the ANPR. NCST will be circulating a draft comment letter during the last week in June. You can also use the information contained in the draft to assist you with your own letter - we think it's most useful for HUD to receive comment letters that reflect the individual experience of organizations working in the community development field – or you can sign onto our letter.

Currently, the deadline for a response to the ANPR is July 5, 2019. Please note that some organizations, including NCST, believe HUD should extend the deadline until after FHA has released updated results on the DASP sales that took place between 2012-2016, but for now, assume the deadline will remain as it is.

The ANPR focuses on the DASP program through which HUD sells so-called “forward” mortgages. As described in more detail below, HUD also sells [HECM \(reverse\) mortgages, multifamily loans, and health care facility loans](#). While those programs were announced by notice in the Federal Register, it does not appear that there was any opportunity for public comment. See [81 FR 84610](#) (November 23, 2016); [82 FR 26708](#) (June 8, 2017); and [83 FR 9533](#) (March 6, 2018).

BACKGROUND

After the foreclosure crisis hit in 2008, the Federal Housing Administration found itself with hundreds of thousands of nonperforming mortgages on its hands. Many FHA servicers did not do a good job of pursuing the loss mitigation strategies that the program required, plus there were certain strategies, such as principal reduction-based loan modifications, that FHA did not permit at all. Consequently, the pipeline of seriously delinquent mortgages began to back up precipitously.

Seeking ways to reduce the pipeline, FHA turned to a program that it had created in 2002 to dispose of mortgages prior to foreclosure, a 2002 program known as the Single Family Loan Sales (“SFLS”) Program. This program had been quite small, commensurate with FHA’s rapidly shrinking footprint during the subprime lending heyday. While FHA had issued an ANPR in 2006 regarding this program, they had withdrawn it in 2007 and the program was proceeding as a so-called demonstration program.

In the summer of 2012, without any new effort at rulemaking, and with no advance notice to homeowners, FHA began to ramp up this program significantly. Renaming the program the Distressed Asset Stabilization Program (“DASP”), FHA began to offer large pools of distressed FHA mortgages for auction. Their rationale was that selling assets in bulk would most effectively minimize losses to the Mutual Mortgage Insurance Fund and also would give those borrowers who had failed to get effective loss mitigation from their original servicers a second and perhaps even better chance of getting assistance, as the new purchasers would be able to offer principal reduction (which FHA believes it does not have the statutory authority to do).

Starting in 2012, DASP offered two types of pools for auction: large pools with no outcome requirements or other rules relating to homeowners or communities; and smaller auctions known as Neighborhood Stabilization Outcome (“NSO”) pools, in which buyers had to meet certain neighborhood-positive outcomes for at least 50 percent of the mortgages. The vast majority of these pools were purchased by private equity funds and other Wall Street firms; nonprofit organizations purchased only about two percent of them.

After a great deal of advocacy by community groups and consumer advocates, HUD added additional protections for both types of DASP sales in mid-2015, improving loss mitigation requirements, providing nonprofits with an opportunity to bid on small portions of larger pools, and establishing nonprofit only auctions that featured much smaller loan pools.

However, soon after these new rules went into place, HUD stopped doing DASP sales, with the last DASP sale occurring in 2016. At that time, HUD began ramping up types of loan sales that did not have the same rules and protections as DASP or the NSO pools. These included multiple auctions of vacant properties that had FHA reverse mortgage (HECM) loans, along with some auctions of multifamily and health care facility loans.

Altogether, approximately 108,000 loans representing \$18.4 billion in unpaid principal balance have been sold through DASP. (This large number underscores that the DASP program was no mere “demonstration,” although that is HUD’s reason for not having done rulemaking previously.) Additionally, more than 4,100 HECM mortgages have been sold, worth almost \$900 million.

ANPR SUMMARY

The ANPR’s intention is to “inform FHA on potential options to improve program participation, performance, and enforcement. The objective of seeking comments is to gather input from the public that will be used to review current single family forward note sale program requirements, including those pertaining to asset eligibility, the assignment claims process, loan delivery, sale structure, purchaser requirements, and enforcement mechanisms. This information will be applied to develop a regulatory framework for single family forward note sales that provides clarity about the requirements and objectives of the Program for all participants and stakeholders.”

The ANPR directs questions to several different audiences. First, it asks participating servicers who are sellers of loans into the program a series of questions about drawbacks of the loans, administrative issues, and servicing issues. Second, it asks bidders and purchasers of the pools about obstacles to participating, administrative issues, and post-sale servicing issues. Third, it asks a few questions about community impacts. There is also an open-ended question for input on anything else the commenter desires to discuss.

Most of you who read this newsletter will probably have comments either about how nonprofits can participate in purchasing notes or about the effect that these note sales have on communities. At NCST, one question we are particularly interested in is the problem created when HUD sells notes prior to foreclosure so that the properties never enter the HUD REO portfolio and do not pass through HUD’s First Look program. Should note buyers (both for profit and nonprofit) be required to put all their REO through a First Look program for nonprofits if distressed and for homeowners if not distressed before being sold to another investor or retained by the original investor for rental purposes?

There are lots of other important questions as well. These include questions about the quality of the loss mitigation being offered to homeowners, how properties – especially vacant ones - are maintained during the foreclosure and sale process, whether any of the foreclosed homes become owner occupied again, whether any rental of these properties is affordable and responsibly managed, etc. Some of the reports and resources below, especially the ones by the National Consumer Law Center and the Center for American Progress, identify more granular questions to ask.

RESOURCES

Some resources that might be of help as you consider a response to the ANPR include the following. NCST cannot vouch for any of the reports other than the Center for American Progress report (I co-authored this report when I worked there), but I've selected them because they represent several different perspectives as well as conclusions.

HUD Websites

Home page for asset sales:

https://www.hud.gov/program_offices/housing/comp/asset/hsgloan

Reports on sales (you will see a link to download the latest report from March 2017 as well as others): https://www.hud.gov/program_offices/housing/comp/asset/hsgloan

HUD Inspector General report requiring rulemaking regarding single family loan sales (there are two other IG reports on DASP, which you can also find on the website):

<https://www.hudoig.gov/reports-publications/audit-reports/hud-did-not-conduct-rulemaking-or-develop-formal-procedures-its>

External Analyses/Information

NYU law student paper 2018:

<http://www.nyujlpp.org/wp-content/uploads/2018/02/Greenburg-Consolidation-After-Crisis-How-a-Few-Private-Investors-Bought-Distressed-Federally-Insured-Mortgages-After-the-Foreclosure-Crisis-20nyujlpp887.pdf>

Fair Housing lawsuit against HUD from 2016:

<http://mobilizationforjustice.org/wp-content/uploads/Complaint-Washington-et-al-v.-HUD-et-al..pdf>

<https://www.nytimes.com/2016/08/15/nyregion/sale-of-federal-mortgages-to-investors-puts-greater-burden-on-blacks-suit-says.html>

National Consumer Law Center 2016 report: <http://www.nclc.org/issues/opportunity-denied.html>

Urban Institute 2016 report:

<https://www.urban.org/sites/default/files/publication/76626/2000568-Selling-HUD-s-Nonperforming-Loans-A-Win-Win-for-Borrowers-Investors-and-HUD.pdf>

Center for American Progress 2014 report:

<https://cdn.americanprogress.org/wp-content/uploads/2014/09/Edelman-DASP-report.pdf>

Right to the City Alliance 2014 report:

https://www.housingwire.com/ext/resources/files/Editorial/Documents/HUDDASP_RT_C_v15.pdf

Julia Gordon is the President of NCST.

Industry News

- Lingering Impact Of Foreclosure Crisis Felt Most In Hispanic And Black Communities, Study Says

https://www.washingtonpost.com/business/2019/05/21/lingering-impact-foreclosure-crisis-felt-most-hispanic-black-communities-study-says/?utm_term=.ae46e1f4121a

- HUD Secretary Ben Carson Defends His Oreo Gaffe And Blames People For Trying To 'Ridicule' Him, Saying 'Of Course' He Knows What An REO Is

<https://www.businessinsider.com/ben-carson-oreo-housing-mistake-congress-hearing-response-2019-5>

- Can Using A Racial Equity Lens Increase Capital In Communities Of Color?

https://shelterforce.org/2019/05/20/can-a-racial-equity-lens-increase-capital-in-communities-of-color/?utm_source=sfweekly&utm_medium=email&utm_campaign=051319FloodZone

- Here's How Much A Typical Starter Home Costs In Every State

<https://www.businessinsider.com/typical-starter-home-cost-every-state-2019-5>

- 'Build More Housing' Is No Match For Inequality

<https://www.route50.com/infrastructure/2019/05/build-more-housing-no-match-inequality/156921/>

- The Trump Administration Said These Tax Breaks Would Help Distressed Neighborhoods. Who's Actually Benefiting?

https://www.washingtonpost.com/realestate/opportunity-zones-are-loaded-with-tax-benefits-but-will-they-actually-help-residents/2019/06/05/0f80e1c6-7e68-11e9-8bb7-0fc796cf2ec0_story.html?utm_term=.95a66d0e2700

- Risky Borrowing Is Making A Comeback, But Banks Are On The Sideline

<https://www.nytimes.com/2019/06/11/business/risky-borrowing-shadow-banking.html>

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



About NCST: The National Community Stabilization Trust (NCST) is a non-profit organization that works to restore vacant and abandoned properties to productive use and protect neighborhoods from blight. Our programs facilitate the rehabilitation of vacant but structurally sound homes, enable safe, targeted demolition when necessary, and support creative and productive re-use of vacant land.

[View as Webpage](#)