Getting Started with the National Community Stabilization Trust

A GUIDE FOR STATE AND LOCAL NSP RECIPIENTS
What is the National Community Stabilization Trust?

The Stabilization Trust is an unprecedented collaboration of six leading community development nonprofit organizations – Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), National Council of La Raza (NCLR), National Urban League, and NeighborWorks America.

The Stabilization Trust facilitates the transfer of foreclosed and abandoned property from financial institutions to localities to 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 solves two challenges that local housing providers face in productively stabilizing neighborhoods — access to foreclosed property and access to flexible financing.

1. Assistance with Acquiring Properties. The Stabilization Trust helps state and local programs acquire foreclosed and abandoned properties from financial institutions by:
   - Saving Time and Effort – Acting as a single point of contact with the leading financial institutions holding and managing these properties, the Stabilization Trust saves considerable time and effort.
   - Simplifying the Process – The Stabilization Trust provides a standardized and simplified process for inspecting properties and evaluating offers from financial institutions.
   - Offering Exclusive Access and Pricing – The Stabilization Trust allows localities an opportunity to acquire a property before it goes to market, resulting in better property conditions and more control and predictability in the property acquisition process.

2. Providing Financing. The Stabilization Trust also provides short- and intermediate-term financing for the purchase and rehabilitation of foreclosed and abandoned property. The Stabilization Trust offers flexible financing that uses philanthropic and HUD NSP dollars to leverage private capital.
Who are participating financial institutions?
Most of the leading financial institutions in America that own or manage REO are participating with the Stabilization Trust.

Who are eligible buyers?
An eligible buyer is an entity working on behalf of a local community stabilization initiative or representing a state or local HUD NSP grantee that has the authority to purchase vacant and foreclosed property on behalf of that initiative. The eligible buyer could be a local government, housing authority or redevelopment agency, nonprofit housing or community development organization or for-profit entity.

What criteria should qualified buyers meet?
The Stabilization Trust wants to ensure the success of these important programs. Emphasis is placed on working with programs that can demonstrate capability in five different areas:

1. **Collaboration.** The local neighborhood stabilization effort involves an established partnership with government agencies, nonprofit organizations and other local stakeholders that defines the roles and accountability of each participant.

2. **Concentration.** The local neighborhood stabilization effort focuses on one or more clearly defined geographic areas to increase the likelihood that a significant, visible impact can be achieved.

3. **Comprehensive.** Bricks and mortar activities such as the acquisition and rehabilitation of properties purchased through the Stabilization Trust are complemented by a broader strategy that leverages related social investments and infrastructure improvements, incorporates foreclosure prevention, and otherwise integrates other community efforts.

4. **Capacity.** The local neighborhood stabilization effort should include organizations with the ability to assess, acquire, manage, rehab and convey properties at scale.

5. **Capital.** The local neighborhood stabilization effort should have sufficient resources from HUD Neighborhood Stabilization Program (NSP) funds and/or 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:

1. **“First Look” Program.** The First Look program gives buyers the opportunity to inspect and acquire foreclosed and vacant properties that are new to the financial institution inventory before they are listed for sale through traditional means. The First Look program results in an adjusted purchase price that reflects savings passed on to the buyers from avoided expenses associated with prolonged holding periods.
2. Targeted Bulk/Aged Inventory Program. The Targeted Bulk/Aged Inventory Purchase program gives buyers the opportunity to purchase distressed properties as single transactions or as bulk transactions with dozens of properties. These properties generally consist of aged inventory from the sellers, including low value properties, and are offered at pricing similar to the First Look program.

How do the Stabilization Trust programs help get the best price for properties?

It is important for buyers to 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 pricing methods incorporate the cost savings to the financial institution related to holding the property, the conditions of the local real estate market, and other factors. All transfers are well documented for HUD reporting purposes.

How will closings be executed?

The Stabilization Trust will not acquire property. Instead, the Stabilization Trust will facilitate the transfer of properties by providing standardized documentation and procedures between buyers and sellers.

How many entities can participate as buyers from a jurisdiction?

The Stabilization Trust typically works with a single entity that serves as the lead contact for each state or locality for interactions with the Stabilization Trust. In most locations, this will 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, however the geographic boundaries of the areas where the different entities operate typically do not overlap. Direct to consumer transactions are not supported by the Stabilization Trust.

When a buyer is working with the Stabilization Trust, does this limit their ability to acquire properties from other sources?

No. Participation with the Stabilization Trust does not prevent a buyer from purchasing properties from real estate brokers, directly from financial institutions, or from other sources.

How many properties must a buyer purchase to participate with the Stabilization 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, the process is designed to generate steady, scalable volume. Local programs seeking to acquire small numbers of properties may want to seek an alternate approach.
Why should I access foreclosed property through the Stabilization Trust?

Working with the Stabilization Trust helps simplify the complex challenges of accessing the right properties at the right price. The Stabilization Trust provides:

• One stop shopping for all your foreclosed property
• A standardized, predictable process consistent with NSP requirements
• Ability to view REO properties and make offers before they are more broadly marketed
• No cost to the buyer for property transfer assistance

How could your financing prove helpful to my program?

The Stabilization Trust uses flexible financing made available from philanthropic and public sources to link HUD NSP funding with private capital sources. In turn, these funds can:

• Allow you to expedite payment to REO sellers for foreclosed property
• Leverage private capital for the development of foreclosed property
• Reduce risk related to the acquisition and rehabilitation of foreclosed and abandoned property

What types of financing are available?

Short- and intermediate-term financing is available to support state and local programs. Financing may be used for:

1. Property acquisition bridge loans
2. Property acquisition and rehabilitation
3. Property acquisition, rehabilitation and short-term hold as rental housing.

How do I get started?

An NSP grantee or an authorized participant in a local community stabilization program may email the Stabilization Trust at: info@stabilizationtrust.com to reach a Community Development Manager for your state.