

Homeownership Opportunities Utilizing HUD REO



CCDO National Conference

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What is FHA?



- Federal Housing Administration (FHA) is a federally sponsored mortgage insurance company within the US Department of Housing and Urban Development (HUD)
- Mortgage insurance premiums paid by borrowers create a fund that provides a guarantee of repayment to lenders to originate FHA insured loans.
- The guarantee allows lenders to make loans to higher risk borrowers

FHA

is the largest seller of residential
real estate in the nation

51,000 Homes sold in FY 2006

78,000 Average Sales Price

Competitive Sales

- 90% of FHA REO are sold through competitive sales.
- Finance REO with FHA insured loans
 - ✓ \$100 down
 - ✓ Up to 3% in buyer closing costs including origination fee
 - ✓ Free appraisal

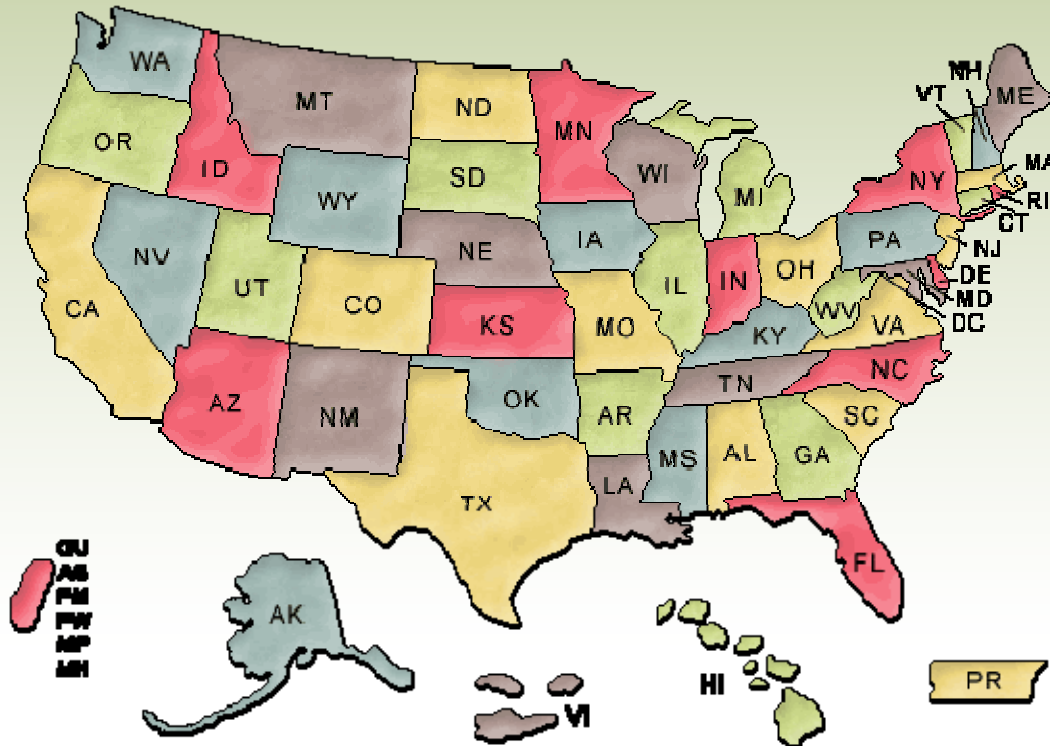


HOMESALES.gov

Homes for Sale by the U.S. Government

Homes for Sale by the U. S. Government The *HomeSales.gov* web site provides current information about single family homes for sale by the U.S. Federal Government. These previously owned homes are for sale by public auction or other method depending on the property. Anyone can buy a home for sale by the U.S. Government, but you must work with a real estate agent, broker or servicing representative to submit an offer or bid.

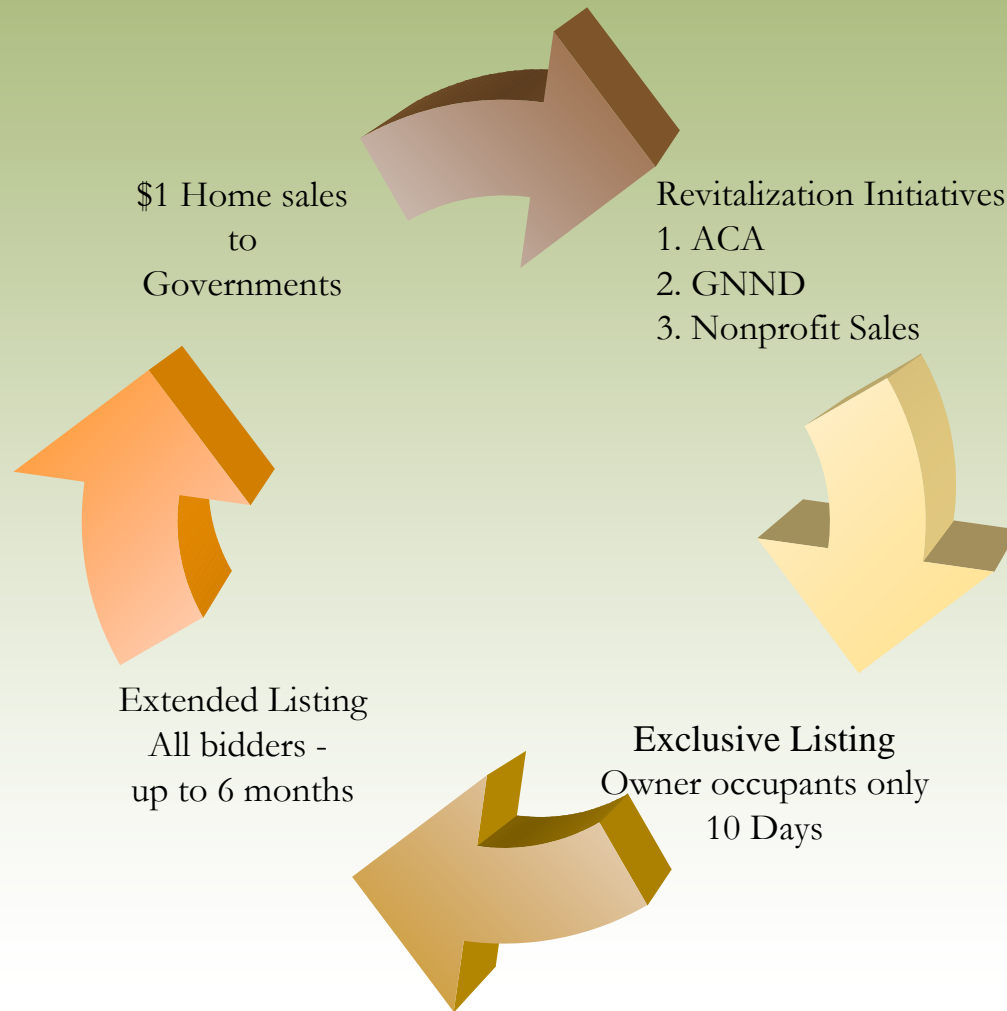
Currently the U.S. Departments of Housing and Urban Development (HUD), Agriculture (USDA/Rural Development), and Veterans Affairs (VA) have homes listed on this site. [Learn how to buy them.](#)



Community Revitalization Initiatives

- HUD sells REO properties at a discount to support local revitalization efforts
 - ✓ Asset Control Areas (ACA)
 - ✓ Good Neighbor Next Door (GNND)
 - ✓ Discount sales to nonprofit housing developers
 - ✓ Dollar Home Sales to Local Governments

Marketing Priority



Good Neighbor Next Door

➤ HUD REO homes are sold for 50% of As Is appraised value to:

- ✓ Law enforcement officers,
- ✓ Pre-K through 12 teachers,
- ✓ Fire fighters, and
- ✓ Emergency medical technicians



➤ Buyers execute a subordinate note for the amount of the discount. The note is forgiven if the buyer lives in the property for three years.

Nonprofit Sales

➤ 216 HUD approved nonprofit housing providers nationwide may buy



- ✓ Uninsurable properties in a revitalization area at 30% of the As Is appraised value.
- ✓ **Any** REO property in our inventory at a 10% discount

\$1 Home Sales



- **Only** offered to local governments
- Government may resell to non-profit or use for other public benefit
- Only properties that have been marketed for 6 months without sale
- Not limited to revitalization areas

Asset Control Areas

➤ Public / Private
Partnership



➤ HUD provides the real estate
at a substantial discount

➤ ACA Participants provide the capital
and operational capability

ACA Program Overview

- A contract between HUD and a City Government often working in conjunction with a nonprofit housing developer.
- ACA participants agree to buy all REO properties acquired within a designated revitalization area.
- Properties are discounted on a sliding scale from 50% of appraised value down to \$1.
- ACA participants must rehabilitate the properties and resell them to income eligible home buyers within a set time period.

ACA Considerations

- Local HUD REO volume
- Willingness and flexibility of local government
- Operational capacity of nonprofit
- Financial capacity
 - ✓ Acquisition/construction financing
 - ✓ Gap Subsidy
- Housing Demand



Current ACA Cities

✓ Los Angeles

✓ Reading

✓ Rochester



✓ Ogden

✓ Cleveland

✓ Chicago

✓ Salt Lake

✓ Dallas

✓ New York

✓ Camden

✓ Baltimore

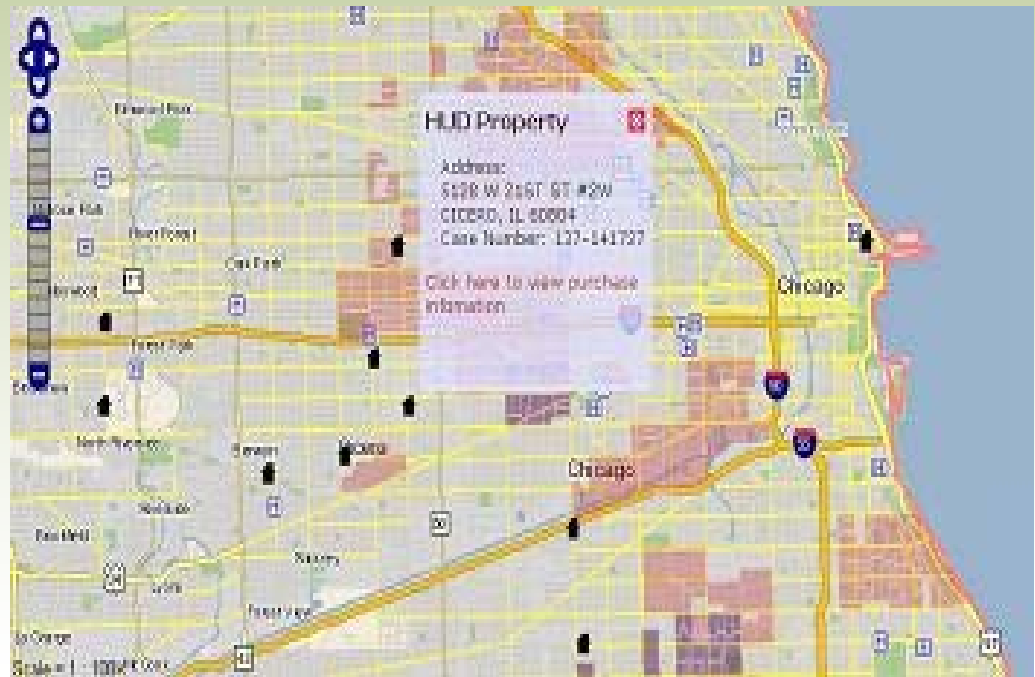
Revitalization Areas

➤ Discounted sales* are **only** offered in designated revitalization areas characterized by:

✓ Low homeownership

✓ Low income

✓ High rates of default and foreclosure



* Except \$1 Homes

Revite Area Designation - Be part of the process

- Identify a target area
- Document the demographics
- Identify program participants
- Send a written request to the HOC



Partnering for Community Revitalization

- Recommend markets for revitalization area designation.
- Obtain nonprofit designation to purchase HUD properties.
- Create an ACA.
- Work with local government to purchase \$1 homes.



HUD Nonprofit Approval - ML 2002-01

➤ Application package submitted to HOC

- ✓ 501(c)(3)
- ✓ Articles of Incorporation
- ✓ Identity of board, business partners
- ✓ Administrative capacity
- ✓ 2 years housing development experience
- ✓ Source of funds
- ✓ Geographic area of interest

WWW.FHA.GOV

**New FHA website is a clearinghouse for
consumer and industry information**