



The Role of Realtors in the Neighborhood Stabilization Program



By Gladys Schneider

Realtors are a vital partner in implementing the NSP plans across the state. The Florida Housing Coalition is developing a training program for the Real Estate industry to complement the technical assistance available to NSP communities.

Lessons Learned

Many NSP plans initially featured as their centerpiece a purchase assistance strategy that was based on buyers working with Realtors to find homes, make offers and obtain financing. For many communities, as we have experienced from California to Florida, this strategy has not led to the obligation of funds within the short time-frame of the NSP program. It was learned that credit ready buyers are in short supply. For those who can qualify for permanent financing, loan closings do not occur as rapidly as the sellers of the homes expect. Federal standards and inspections for rehabilitation must be met and the novice buyer may not be able to meet these requirements. Homes that do not need much rehab are easily absorbed by the private investment sector who often outbid the lower income buyer who must offer the one percent discount below appraised value. Communities experiencing these difficulties are moving into other strategies that involve programs where the community itself or a nonprofit partner takes title to the property, rehabs it, and then resells the home to qualified buyers.

Role for Realtors in the Neighborhood Stabilization Program

- **Initial Property Acquisition.** Since most properties are listed by sellers on the Multiple Listing Service, the listing agent will be a party to any purchase. Some listing agents may be local and others from a national company. NSP managers are building business relationships with these brokers who tend to represent properties located in NSP target areas. Where there are multiple properties, bulk purchase and First Look programs can be explored. Many nonprofit housing providers who are under contract
- **Negotiations between the Seller and the Buyer.** Realtors who are experienced in REO sales can make rapid offers that contain the contingencies needed by NSP buyers including appraised value and due diligence items such as environmental inspections and rehab needs. A buyer's broker relationship allows the buyer to rely on the Realtor to firmly adhere to NSP requirements.
- **Marketing Rehabilitated Properties.** Once a property has been purchased and rehabilitated by the community or their partners, Realtors are experts at finding buyers and assisting them to qualify for permanent financing. Some have added NSP sales to their marketing and have found those lenders most willing to lend to buyers who are using some form of NSP financing mechanisms.
- **Property Management.** Realtors can play a vital and professional role in managing homes that have been acquired, rehabbed and occupied by income eligible renters. This can be in the form of permanent rental or in lease-purchase situations. Not all property managers have the will or expertise to manage scattered site single family homes but those who have chosen to master this niche are excellent partners.
- **Land Banking.** As the summer 2010 deadlines loom for obligation of funds, many NSP communities are seeking to acquire properties and put them into a land bank. Realtors can quickly provide an inventory of vacant or improved properties that will be suitable for land banking. They can continue on as manager of these properties to make sure grass is cut, and buildings are secured.
- **Realtor Associations.** Many local associations have embraced and supported the NSP program by offering their facilities for homebuyer training classes or

providing data and information to NSP managers and their partners. In communities where these partnerships are strong, the NSP programs are moving successfully forward to meeting their goals. Home shows, special events and media publicity are activities Realtors can provide to support the implementation of the Neighborhood Stabilization Program.

Gladys Schneider, Florida Housing Coalition, Technical Assistance Director, providing NSP technical assistance in California as part of a national NSP technical assistance team.



Challenges

- **Local NSP Plan Policies.** Some NSP plans take a “go it alone” approach where staff handles the bulk of NSP activities including identifying properties, contacting sellers, negotiating, purchasing and rehabilitating the properties. They rely on their partners for homebuyer counseling services and have a waiting list of buyers who have qualified to purchase a home. In these communities, the role of the Realtor is somewhat limited.
- **Seller Requirements.** The sellers of foreclosed homes are in the business of disposing of these properties. Communities who wish to alter purchase contracts, insert contingencies or need longer closing times are frustrated. Competition from speculative investors who purchase “as is” and close quickly far outnumber the slower moving and more methodical NSP buyers. First Look programs such as Fannie Mae’s Homepath, often find better results and a local Realtor who represents these properties can be an ally and partner.
- **Title Problems.** In spite of the removal of most liens during the foreclosure process, many properties become encumbered after the foreclosure with code or other liens. The NSP buyer does not have the time to resolve these and must move on to other properties.
- **Financing.** Homebuyers are finding mortgages with FHA but credit score requirements can be high. Other

programs that may be in place that would benefit Realtors to understand, include community land trusts, shared appreciation and shared equity. Realtors need to understand the mechanics of subsidies and the long term affordability requirements within the NSP rules.

- **Speed of Closing.** Most sellers require a 45 day closing. This allows for a ten day contingency period to get the appraisal and make inspections. Realtors need to assist rapidly and in correct format for the NSP rules. The NSP buyers must have in place an efficient system to make payments in time for the closing.
- **Documents and Forms.** Federal requirements for environmental inspections, tenant rights and occupancy situations must be met to the letter. Realtors must fully understand these requirements and work closely with the NSP manager to make sure these are handled correctly.

The Florida Housing Coalition looks forward to working closely with members of the Florida Realtors in providing NSP training that will develop the interest and level of productivity for Realtors in the NSP program. For more information, contact the Coalition at 850-878-4219.

HNN



The Florida Housing Coalition has been at the forefront since 2007 in providing technical assistance needed by housing providers statewide to meet the pressing demands of acquiring, rehabilitating and renting or selling foreclosed homes for affordable housing. Along with regional workshops, the Coalition has been providing on and off site assistance to the 48 HUD direct NSP grantees, as well as workshops to the 24 subgrantees of the Florida Department of Community Affairs. Technical assistance continues through grants from Fannie Mae, Freddie Mac, Bank of America and the Federal Home Loan Bank-Atlanta.

The Florida Housing Coalition is a partner with Training and Development Associates, Inc., a national technical assistance provider under the HUD NSP 2 initiative. Coalition Technical Assistance team members are working through this program statewide as well as nationally. Needs assessments, problem solving clinics and one-on-one sessions are taking place across Florida and team members have been to Arizona, California and Texas. NSP 1 or NSP grantees may request technical assistance either through the Coalition or may request Coalition assistance specifically on the HUD NSP website, www.hudnsphelp.info/index.cfm?do=viewTaRequest. For more information, contact the Coalition at 850-878-4219.