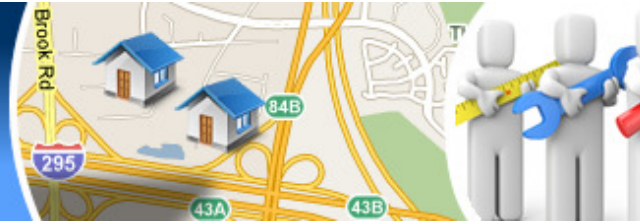


NEIGHBORHOOD STABILIZATION PROGRAM (NSP)



March 2011 | Neighborhood Stabilization Program (NSP)

Tips 'N' Techniques Newsletter

Acquisitions - Take Two

Many of our Grantees have come full circle and are once again looking for foreclosure bargains. DHCD would like to recap a few items to be aware of and provide you with a new tool to help locate foreclosures.

1) Location, Location, Location - Always remember to purchase in your approved neighborhood(s) or Census Tracts. If your market has shifted you must submit a request with documentation to move your neighborhood/area.

2) Price

- Complete all of the steps you learned in Boot Camp to determine the offer price and walking away price on these homes- use your worksheets.
- Some of our Grantees remain in a flat or slightly declining market. So please remember:
 - The 1% required discount is still mandatory,
 - Negotiate aggressively; many markets are still inundated with foreclosures,
 - Maintain your Realtor contacts for the BPO's,
 - Do not purchase a home that when rehabbed will exceed the current market value of the neighborhood.

3) Finding Foreclosures

- The Internet is a great place to begin your search through MLS,
- Realtors can provide up to date and new listings,
- Keep bank REO websites on a list of your favorites to visit frequently,
- FHA has begun a new "first look" program-more to come later,
- Virginia Community Stabilization Trust, please contact Overton McGehee at omcgehee@habitatvirginia.org

4) Communication

- Complete all of your funding reservation package paperwork just as before,
- Communicate with your Community Rep during the entire acquisition process notifying DHCD of discount achieved, closing date, appraisal value, etc...,
- Notify your Community Rep should you experience any issues, delays, withdrawals, etc.... .

FHA First Look Program

DHCD staff attended a recent HUD NSP training in Washington DC and during this visit we had the opportunity to try out a new service being provided to NSP Grantees. FHA has now launched their own First Look program- gone are the days of trying to deal with a regional contracted servicer who isn't even located in Virginia. Their first look program is very similar to a bank's first look program as the NSP Grantee views the property information prior to it being listed to the general public; the home is listed on the site even before it is assigned to an REO manager (usually a local realtor). You can also deal directly with the REO manager to view the home. One benefit to using FHA's first look program is that FHA will order the as-is appraisal; this is not a cost you have to bear. Once the appraisal is complete the home is offered at a 10% discount. To sign up for this exciting new service please visit:<http://hudnsphelp.info>. Under the Resource tab you will find: FHA First Look

Status Check

Your progress with NSP has been incredible. To date, over \$32 million of our entire \$38.7 has been spent and over \$7 million in Program Income has been generated. This means that already, you have turned a \$38 million program into a \$46 million program-great job on your work. Program-wide you have purchased over 230 homes and sold close 80 of these properties. As if you didn't already know how well you are doing, note that nationally, the expenditure rate is around 54 percent, so you are blowing away most NSP grantees. Keep up the good work. Special congratulations to Central Virginia Housing Coalition-leading the way in home sales and Program Income returned. And congratulations to the City of Franklin-the latest NSP grantee to compete their first home sale.

Avoiding A Conflict

Since we are starting to see a marked increase in home sales in the program we thought it would be a good time for a refresher on this topic. DHCD observes a very strict conflict of interest position and you should consult your Community Representative immediately if anyone involved in your program-this includes any elected and appointed officials, your employees or employees of any partners, or Program Management Team members-could benefit from NSP. It is better to be cautious and bring any potential situation to our attention early in the process. A detailed discussion can be found starting on page 29 of your Grant Management Manual.

Forecasting

Maybe you have closed on your first property and are ready to return a program income check so you can use PI funds. Before you can begin to draw program income (PI), you have to allocate funds in a budget format using the new Program Income Tracking ("PIT") form (as discussed in the NSP webinar in January). This form replaces the previous tracking form and automatically calculates the higher admin rate (8%) per activity plus provides a rolling balance which tabulates both ongoing program income and drawdowns. How much do you allocate in Acquisition, Rehab or Homebuyer Assistance? This is where forecasting comes in. Let's assume you averaged \$110,000 in Acquisition, \$30,000 in rehab, \$7,000 in Homebuyer Assistance, and \$7,500 in Transfer...roughly \$155,000 total per unit. Your PI will be determined by the amount of subsidy, closing costs forgiven, etc., so obviously a house using a higher subsidy will return less PI (e.g. 50% AMI returns 70% of sales price, 80%AMI returns 80% of sales price). So out of the \$155,000 unit cost, you figure you're returning an average of 60%, or \$93,000. If you have six units, that's almost \$560,000 in program income.

Using your average unit cost of \$155,000, you have enough to do three more houses, not including admin, leverage, or any funds remaining in your original budget. So now you can begin to allocate your funds on the PIT form and begin to schedule your completion timetable. If it takes you an average of 90 days from acquisition to resale, you can lay out a timetable to expend your remaining PI funds and budget respectively for the appropriate activity.

The key is to plan ahead. Work with your management team now and so you can begin developing a PI acquisition strategy, timetable and budget. And remember, stay in touch with your Community Representative.

Looking For Prospective Homebuyers? VIDA Can Help!

As many of you know, DHCD's VIDA (Virginia Individual Development Accounts) Program works with individuals and families across the state to prepare them for homeownership. This matched savings program provides homeownership and financial training, debt reduction and matches up to \$2,000 in savings at rate of \$2:1. There are currently 300 savers in the program and most, if not all, will be looking to buy a home within the next year as the current Assets for Independence Grant is coming to a close. Many may be ready right now.

If you have homes but need buyers, you should contact your NSP representative to let them know you want to connect with the VIDA program.



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