

# First Look Programs

**F**lorida's NSP communities are not the first in the game to purchase dramatically reduced foreclosed residential properties from the banks. Private investors and speculators have come back full strength in Florida's real estate market, spiking home sales above 2005 levels in some areas. The list price of the homes offered by the banks is in many areas being bid up with multiple buyers- in one astonishing case in Lee County there were 41 offers on one house. Given the high level of private sector competition along with the strict ground rules a local government using NSP funds must use, NSP communities are turning to properties shunned by investors for needing substantial rehab, or utilizing First Look programs.



established by the broker. The NSP manager would then make an offer contingent upon the appraisal. The purchase agreement can be amended once the appraisal is available. The prospective buyer has five days to present the appraisal and make a final offer based on the amount of the appraisal. If unknown problems are found during the appraisal, the offer might reflect those conditions. At this time the procedure unfolds according to the purchase agreement. Most lenders will allow for a 45 day closing period. Another benefit of the First Look process is that, in some programs, the earnest money deposit is either waived or is nominal for buyers using NSP funds.

## First Look Process

When the foreclosure is final on the courthouse steps and the bank is the owner of the real estate, there is a time lag before the NSP managers (term being used for the local government staff person in charge of coordinating NSP activities) can process the unit in-house, get broker opinions on list price and then establish it for sale through the multiple listing services. During this period, the NSP manager can view "coming properties" (newly foreclosed properties that have not yet been put on multiple listing service) on the various websites of the lenders. NSP managers should contact the lender to set up a relationship as an NSP community so that they are assigned an associate to work with. This can either be through the eventual listing agent or the lender itself. When interest is expressed in a coming property, there is a 15 day window opened when, in the case of the Fannie Mae program for example, no offers will be accepted unless they are from the owner occupant or a public entity using NSP or other funds. This enables the community to conduct basic due diligence: driving by the unit; getting access; and making an offer. This occurs once a listing opinion is

The usefulness of First Look programs can vary from community to community depending on the nature of the foreclosure market. In areas where there is a high level of investor competition, the programs may be the most direct way to have access to acquiring move-in ready homes. This can be a significant advantage in communities such as Cape Coral, a highly competitive market where multiple bids frequently far exceed the seller's list price.

In areas where there is an abundant supply of homes that are in need of significant rehabilitation or in stressed neighborhoods, it may not be necessary to rely on the First Look program. In Miami Dade, for example, the market is changing rapidly. Since the required purchase price discount was reduced to just 1% below appraisal, the purchase of REO properties is now successfully underway. Real estate agents are presenting properties that can be acquired, but there is a concern by housing providers that the eventual rehab costs will far exceed the appraised value and there will be greater subsidy requirements than anticipated. In most areas, working directly with a Realtor who is committed to presenting offers promptly to sellers is the most direct way to make offers and negotiate a purchase.

# Donation Programs

Some lenders are willing to donate properties to qualified nonprofits. Properties that have languished and/or have listings set to expire are the type of properties which are good targets for donation. The NSP manager need only identify the properties and ask the seller for a donation. In these instances the seller will ask that in return the local government waive any liens that have encumbered the property. Since these properties clearly have marketing problems due to the need for extensive rehabilitation, being located in a flood plain or other issues, they may be good candidates for demolition and land banking.

At the Florida Housing Coalition Conference, JP Morgan Chase Vice President-Program Manager of the REO Gifting and Discounted Sales Program described the process and welcomed requests. The goal is to leverage resources in order to stabilize communities and maintain housing stock while providing affordable housing through collaborative partnerships. The bank will work with individual non-profits and government entities and NSP jurisdictions to donate or sell Chase, WaMu REO properties within their service areas that will assist to stabilize neighborhoods with high foreclosure activity. Properties of interest are identified by nonprofit, government entities and NSP jurisdiction. The availability of properties is confirmed and property viewing is arranged. Nonprofit, government entities and NSP jurisdiction confirm interest in properties after viewing. The properties are transferred.

Some of the other provisions that may be found in First Look programs include the following:

- Purchase contract language is rarely negotiable and there are addendums that are drafted by the seller that are not open to revisions.
- Bulk discounts are not available- each unit is separately priced. However, a single transaction can occur for over five properties.
- NSP managers must ensure that the listing broker and the seller's agent are aware this is an NSP purchase. If not, the seller has no way of knowing that this is a priority purchase.
- After 15 days, if no offer is made, the properties are listed for the general market. It is still possible to continue the negotiation but the NSP manager is now competing with the private sector. We found one case where on the 14th day a property was put in an

auction. A call to the lender brought the property back, illustrating the importance of a good working relationship with the broker and seller.

- The Bank of America First Look program allows sub-recipients to be designated to participate in the program.

**The National Community Stabilization Trust** is a collaborative first look program. If the NSP communities engage the National Community Stabilization Trust, the NSP manager gains access to the properties of the larger lenders (there are currently 12 national lenders participating). Offers are made on behalf of the NSP communities by the Trust. It is possible when signing on to opt out of the Fannie Mae program so that direct purchases can be made through Fannie Mae. Otherwise all offers must go through the Trust. The Trust is still mobilizing in Florida and even though many communities are considering working with the Trust, others are making progress independently.

**Fannie Mae** Visit the Fannie Mae REO website at [www.homepath.com](http://www.homepath.com) and email requests to Fran Pheeny at [frances\\_m\\_pheeny@fanniema.com](mailto:frances_m_pheeny@fanniema.com) or to Keith Bell at [keith\\_a\\_bell@fanniema.com](mailto:keith_a_bell@fanniema.com)

**Freddie Mac.** visit the Freddie Mac REO website at [www.Homesteps.com](http://www.Homesteps.com) or contact the call center at 800-972-7555.

**Bank of America** Contact Robert Grosinger at [robert.grossinger@bankofamerica.com](mailto:robert.grossinger@bankofamerica.com) or call 312-904-9677. Purchase Requests should be sent to [tom.lin@bankofamerica.com](mailto:tom.lin@bankofamerica.com) or 805-579-5803

**JP Morgan Chase** Email [Yves.mombelleur@chase.com](mailto:Yves.mombelleur@chase.com) or call 866-803-9844

**Wells Fargo** Visit [www.wellsfargo.com/about/wfhf/realestateowned](http://www.wellsfargo.com/about/wfhf/realestateowned).

**Nonprofit Organizations** may write to [REODiscountedPropertiesProgram@wellsfargo.com](mailto:REODiscountedPropertiesProgram@wellsfargo.com) or call (612) 667-5131.

**Local governments** should contact Jeff Mathison at Wells Fargo Home Mortgage/Premiere Asset Services [Jeff.mathison@wellsfargo.com](mailto:Jeff.mathison@wellsfargo.com) or email [pasinquiry@wellsfargo.com](mailto:pasinquiry@wellsfargo.com) or call (612) 312-9773

**National Community Stabilization Trust** Contact Racquel M. Reddie, Community Development Manager, East Coast Direct: (214) 710-3423 Mobile: (813) 919-5136, Email: [rreddie@stabilizationtrust.com](mailto:rreddie@stabilizationtrust.com), [www.stabilizationtrust.com](http://www.stabilizationtrust.com)