



Tips for Running A Successful Homebuyer Program



by Lisa Hoffmeyer

Whether you are acquiring and renovating single family homes for resale under the National Stabilization Program (NSP) or developing new construction units with HOME, your nonprofit's success is often dictated by your program design. The new HOME guidance issued in May requires homebuyer units be under a ratified sales contract

to an eligible buyer within six months of completion or the units permanently become rental properties. To meet the NSP national objective and close out your grant, NSP-funded homes must be occupied by an eligible buyer.

Here are some program design tips you should consider now to avoid an oversupply of NSP inventory or becoming an unintentional landlord of HOME-assisted units:

1. Plan Homebuyer projects thoughtfully. Enlist the help of a market analyst to make sure you know the extent of the need in the community before you buy the land or commit to the project.
2. Familiarize yourself with housing prices to ensure you offer the right product at the right price. Again, a market analyst can assist. Remember, the new changes in the HOME program require an evaluation confirming market need must be conducted prior to the Participating Jurisdiction issuing a commitment for funding.
3. Have access to sufficient down payment assistance to make the deal work. If you are trying to sell a \$100,000 house to borrowers whose income cannot exceed \$30,000, you need to know whether they will need \$5,000 or \$50,000 in purchase assistance and have a committed source for those funds.
4. Develop policies and procedures for a Homebuyer program. Include application and waiting list procedures, maximum and minimum subsidy amounts, buyer contribution requirement, recapture or resale policies, first mortgage guidelines, etc. Keep your program simple, avoid additional layers of red tape and use best practices gained from other programs.
5. Build your buyer pipeline. Offer homebuyer education early, and identify the serious buyers from people who need more than a year to get ready. Work with both groups to clear credit issues, sending people with serious credit issues to a nonprofit credit counseling agency.
6. Find Partners:
 - a. Lenders - Learn which lenders or credit unions in your community are lending and on what terms. Ask how these lenders can help (teach homebuyer education, prequalify buyers, contribute to the down payment...).
 - b. Credit Counseling Agencies - Send credit-impaired clients to counseling and keep in touch with them so they come back to you when their credit is mortgage ready.
7. Market, Market, Market. The days of "if I build it, they will come" are gone. List with a good Realtor, have open houses, put up signs, target nearby employers and partner with other nonprofits.
8. Require presales. It can be hard for a first-time buyer to commit to a new construction house that only exists on paper or a foreclosed property still in need of major rehab, but it will help ensure you have a buyer for the house. On the flip side, sometimes good hearted developers are unwilling to enforce the terms of the presale agreement (i.e., keep the deposit money) if the buyer backs out.
9. Adjust the price if the home does not sell. Lowering the price below market is a double edged sword, the house may sell, but nearby property values may suffer. If you need to lower the price, you may take a loss—it may be only \$1000 of your developer fee, but it could be significantly more than that, and

could jeopardize the financial health of a small developer.

10. Plan B-Rental. Do a proforma now to determine the bottom line. If the home does end up converting to rental, you'll have an idea of how much money you are likely to make (or lose). Have a game plan for property management too—are you doing this in-house or hiring a professional property manager?
11. Plan C-Lease Purchase. For NSP, the NSP Help website at <https://hudnsphelp.info> contains

a comprehensive toolkit of Lease Purchase documents. The new HOME guidance is silent on lease purchase, so if that option is available it may give you extra time to find a qualified buyer. **HNN**

The Florida Housing Coalition is available to assist you in designing a new Homebuyer Program or evaluating and fine tuning your existing program. For assistance with this or any other training and technical assistance needs, call us at 850-878-4219 or email info@flhousing.org.

Listen To The Homebuyer



by Suzanne Weiss

By virtue of having a robust homebuyer program in place when Neighborhood Housing Services of South Florida (NHSSF) obtained NSP2 funds in Miami-Dade County, we had the benefit of our own focus group and market study. The attentive housing developer who listens to potential homebuyers can

be guided to create the right product that fits the buyer's needs.

Our pool of potential buyers told us emphatically they wanted and needed at least two bathrooms in their single-family home. That simple market tip guided our acquisition team to purchase the great majority of our NSP2 properties with a minimal two-bath count. NHSSF is also committed to long-term affordability for the buyer and has incorporated many green and energy efficient features into each home. Although these green details have not yet resulted in a tangible increase in appraised value, these details are real value additions to the purchase and make our products stand out from other inventory for sale. As a result, NHSSF has sold each of its renovated homes within days of each Open House events. NHSSF has no standing inventory.

NHSSF attempts to make the buyer's purchase experience as pleasant and exciting as a typical real estate transaction. We have found that well designed and informative sales material help the buyer in their decision and Open House events featuring immaculately clean, fully renovated and properly lighted, heated or air conditioned homes show well and excite our customers. Be ready with a contract

at the Open House-many people have shopped for a long time and have been sorely disappointed when their offers were turned down. If necessary, follow up—have trained and informed associates contact the buyer to discuss the home and help the buyer to arrive at a reasoned, unforced decision that is best for their needs. By treating potential buyers with respect and courtesy, even if they do not purchase that home, you are establishing a buyer pipeline for the next home you will sell.

Engage a local title company or attorney to represent you, even if the seller of the REO stipulates an out of area title company or law office. Independently examine the title, all exceptions and proposed title cures. Local representation is valuable in resolving /deciphering municipal liens or code violations. We have had the experience when a seller's out of state attorney claims their letter will "insure over" a title exception, our local title examiner declined that cure, and when the matter was subsequently sent to the Florida title fund, they also did not accept the attorney's letter. The seller then remedied the issue and ultimately delivered clean title. If we were not supported by a knowledgeable title examiner in our corner, we may have been swayed into accepting this proposed cure and property with a blemished title. **HNN**

SUZANNE WEISS, NHSSF Associate Director, heading the Broward County operations. NHSSF is a NeighborWorks® affiliate and has been in the South Florida market for more than 33 years.