



NEIGHBORHOOD STABILIZATION INITIATIVE – UPDATE

NSI PILOT PROGRAM ELEMENTS

PRE-FORECLOSURE STRATEGIES

The NSI program offers Detroit borrowers who are delinquent on their mortgages the opportunity to receive a loan modification that will reduce their monthly payments, help them avoid foreclosure and stay in their homes.

MyCity Modification – The new MyCity Modification has been added to the traditional loan modification programs (HAMP, Standard Modification, and Streamlined Modification) being offered by Fannie Mae and Freddie Mac in the city limits of Detroit.

- MyCity Modification allows for greater reduction in monthly mortgage payments.
- Delinquent borrowers will be evaluated for all Fannie Mae and Freddie Mac loan modification programs and will be offered the modification that results in the *lowest monthly payments* for them, if eligible.
- As of September 1, 2014, MyCity Modification is a mandatory offering of Fannie Mae and Freddie Mac.
- On average, MyCity Modification participants are seeing their monthly principal and interest payments cut in half.

The NSI program also includes a strategy that allows severely delinquent, low-balance loans to be transferred to a non-profit entity for resolution prior to foreclosure. Solutions offered by the non-profit may include, but not be limited to, a short sale or a deed-in-lieu of foreclosure, or a loan modification.

POST-FORECLOSURE STRATEGIES

The NSI program includes three strategies for disposing of foreclosed properties. These strategies are designed to increase home retention and decrease the number of vacant houses.

Quick Look – Through the Quick Look program, non-profit organizations are given an exclusive 7-day opportunity, immediately after foreclosure, to purchase properties from Fannie Mae and Freddie Mac. Participating non-profits receive notification and property information, so that they can evaluate and acquire properties prior to any public sales listing.

- Partnerships with 8 local non-profits have been established.
- Approximately 33 percent of all properties presented to non-profits since July have been purchased through the Quick Look program.

S U M M A R Y

The Neighborhood Stabilization Initiative (NSI) was jointly developed by the Federal Housing Finance Agency (FHFA), and Fannie Mae and Freddie Mac. Announced in May 2014, it is a pilot program designed to stabilize neighborhoods that have been hardest hit by the housing downturn.

The program promotes strategies to *help delinquent borrowers avoid foreclosure*, and strategies for more efficient *disposition of foreclosed properties*. A partnership with the National Community Stabilization Trust is leveraging ties to community organizations and local non-profits to meet these two goals. Initial piloting of the program has occurred within the city limits of Detroit, Michigan.



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Auction Sales – Occupied properties not acquired by a non-profit through the Quick Look period will be sold at auction.

- Investors who purchase these properties might negotiate new rental terms with the occupant.
- Occupied properties that are not sold at auction will go through the normal process of real estate owned (REO) disposition, which includes protection of the property and preparation for sale, while the redemption period passes.
- Auctions have already commenced in Detroit and early results are encouraging.

Enhanced First Look – Vacant properties that are not acquired by non-profits through the Quick Look program will go through the normal process of REO disposition, which includes preservation and protection of the property while the redemption period passes, and the Enhanced First Look program.

- The Enhanced First Look program segments properties based on their value and condition.
- Non-profit organizations are given incentives through a range of sales concessions to acquire these properties.
- As of September 12, non-profits have agreed to purchase almost 70 percent of all properties presented to them through the Enhanced First Look program.

BACKGROUND

The number of REO properties owned by Fannie Mae and Freddie Mac is declining and approaching pre-crisis levels in some states. At the national level, the REO inventory of Fannie Mae and Freddie Mac is declining from its 3Q10 peak of nearly 250,000 properties to 132,000 as of 2Q14, as dispositions outpace acquisitions. However, in some areas of the country REO inventory continues to increase or remains near historic highs. Some particular markets have large concentrations of distressed and low-value REO properties as well as large volumes of loans that have been delinquent for one to two years that are likely to become REO.

Given the unique challenges presented by these markets—high vacancy rates, weak for-sale markets, steep home-price declines—Fannie Mae and Freddie Mac are partnering with the National Community Stabilization Trust (NCST), a national non-profit organization experienced in stabilization efforts for distressed communities. Working together, they will leverage their ties to “boots on the ground” community organizations and local non-profits, and work closely with local governments to make timely and informed decisions about the best treatment of individual properties.