



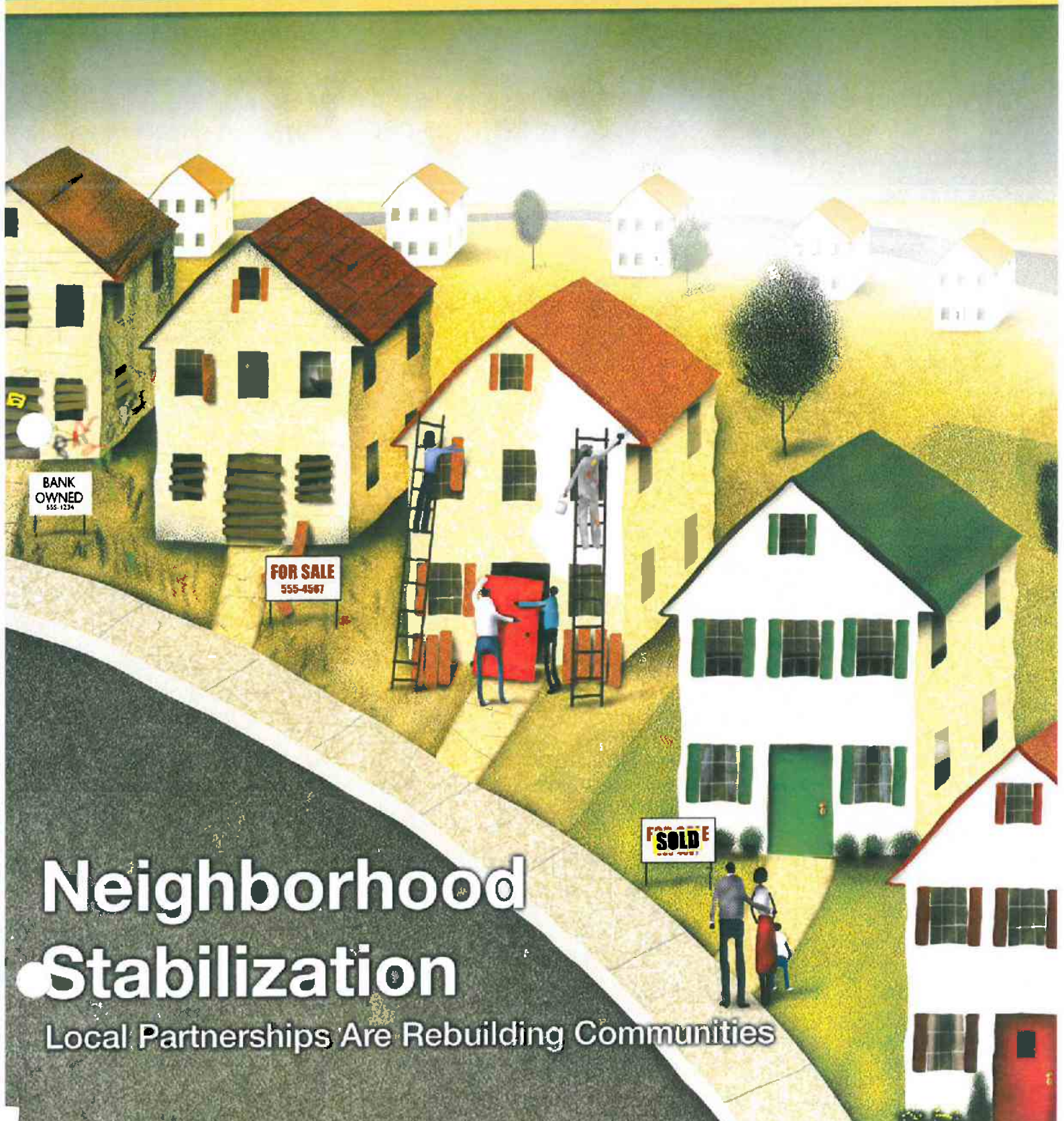
Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

Community Developments

Fall 2009

The OCC's Community Affairs Newsletter



Neighborhood Stabilization

Local Partnerships Are Rebuilding Communities

vacant and deteriorating properties to nonprofits capable of finding buyers or renters for them. In turn, this can improve the value of neighboring homes and businesses in a community where the lender has other investments.

Lesson 2: Maintain institutional memory during times of change.

Bulk purchases, like any complicated transaction, benefit from the attention and continuity of the lender's staff, and when that isn't possible, well-documented records. Meyer said the JPMC deal was delayed and took more than a year to close because of staff turnover after WaMu failed and JPMC acquired the thrift. JPMC employees, lacking sufficient records, needed time to understand and then conclude the deal. If the recession continues, other financial institutions are likely to fail and be merged, resulting in staff turnover. But Meyer hopes that its experience with JPMC will make similar bulk buys of mortgage notes easier for others.

Lesson 3: Recognize the value of nontraditional roles and partnerships.

While banks have always worked with nonprofits to develop communities, the economic downturn is giving lenders the opportunity to work with new and nontraditional nonprofit partners. With the right set of skills, these partners can take on new roles and handle foreclosed and distressed properties in a way that can help save money and expand their presence and reputation in communities they serve. By expediting the disposition of nonperforming loans on vacant residential properties, banks may find opportunities to lower their holding costs and, in return, offer lower prices to affordable housing providers, such as HANDS. Such actions can benefit lenders, affordable housing providers, and the communities they serve.

For more information on HANDS, contact Patrick Morrissy at patrick@handsinc.org or visit www.handsinc.org.

Housing Our Communities

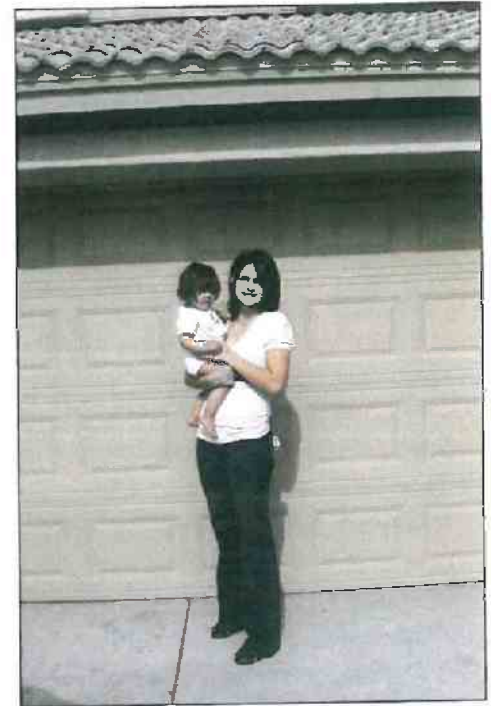
Consumer-Focused Strategy Helps Improve Neighborhoods

John R. Smith, President and Chief Executive Officer, Housing Our Communities

First-time homebuyers needing affordable housing in Maricopa County, Arizona—a community hard hit by the nation's worst real estate crisis in 30 years—receive help from Housing Our Communities (HOC). Now HOC's work is serving as an example for other nonprofit organizations and lenders across the nation.

Over the last two decades, HOC has earned praise for an impressive toolkit of strategies that connect prospective homeowners to affordable homeownership opportunities. Now as Arizona struggles to emerge from recession, this statewide housing organization is using its experience and community partnerships to connect potential home buyers with lenders selling foreclosed and abandoned homes. The support HOC offers is impressive. More than 99 percent of households helped by HOC since its founding in 1988 have fulfilled their mortgage obligations—and only four borrowers have lost homes to foreclosure.

From its headquarters in Mesa, HOC increases awareness of affordable housing options; provides home buyer education and counseling; and works to multiply the stock of affordable homes by acquiring and repairing abandoned and foreclosed homes for resale to low- and moderate-income home buyers, many of whom are first-time home buyers. HOC has helped more than 1,600 families find and buy affordable homes with individual prepurchase counseling and referral, home buyer and financial literacy education, as well as counseling and support after they buy homes.



Source: Housing Our Communities, Inc.

Housing Our Communities, Inc., helped the Franklin family find a new home through an REO purchase.

In addition, HOC helps first-time homeowners by providing assistance with down payments and closing costs. HOC has provided more than \$6 million in down payment assistance to home buyers who meet certain income requirements.

HOC's experience in expanding first-time homeownership and developing partnerships with municipalities and counties across Arizona has helped the nonprofit organization become a leader in the effort to use REO properties to provide affordable housing. HOC provides housing services to eight of 10 Arizona jurisdictions that are grantees of the Neighborhood Stabilization Program (NSP) (*see NSP article, p. 8*). HOC has been awarded NSP contracts in Avondale and Mesa.

A History of Supporting Homeownership

Long before NSP was created, HOC was helping to turn vacant and foreclosed properties into affordable homes for clients through partnerships with municipalities receiving funds from the federal HOME Investment Partnership and Community Development Block Grant programs. HOC used funding from these programs to buy, rehabilitate, and resell houses to clients needing affordable housing and to educate, prepare, and connect families with sustainable homeownership opportunities.

HOC creates sustainable homeownership opportunities and helps stabilize communities in two critical ways:

Acquisition, rehabilitation, and disposition: HOC acquires vacant properties by selecting the ones that are most financially feasible for

sale to low- or moderate-income homeowners. HOC rehabilitates the properties, improving major systems, appliances, and other physical issues, to ensure that home buyers do not immediately face significant repairs. Rehabilitated homes are guaranteed by a one-year home warranty. When ready for sale, HOC sells houses to low- and moderate-income families, typically qualified by requirements set by HOME, Community Development Block Grant, or NSP.

Preparing families for homeownership: HOC prepares clients to qualify for mortgage loans and to buy homes with financial and homeownership counseling. Families that complete training and are income-qualified typically receive assistance for down payments and closing costs and help in qualifying for affordable, fixed-rate mortgage loans. The training prepares home buyers to apply for mortgage loans and negotiate with banks and conventional

mortgage lenders. HOC also helps families develop the financial discipline and homeownership skills required to become home buyers. HOC requires clients to attend education and counseling sessions after they buy homes and provides foreclosure-prevention and financial-counseling sessions as needed.

Ensuring Sustainable Homeownership

HOC is the lead agency for 14 nonprofit housing organizations working together as the Sustainable Home Ownership (SHO) Coalition. SHO was organized in 2008 with the help of the Local Initiatives Support Coalition office in Phoenix. The initiative's formation was financially supported by Citi Foundation, Countrywide Financial, Fannie Mae, Local Initiatives Support Coalition, Wells Fargo Foundation, and Wells Fargo Home Mortgage. SHO's mission is to develop sustainable homeownership by using REO in the greater Phoenix metropolitan area to benefit qualified home buyers.

SHO provides a way for local government agencies, REO servicers, and buyers to connect with partners experienced in providing affordable housing. The partners provide housing counseling, prepurchase education, housing rehabilitation, lending services, down payment assistance, and other services (*see SHO partners, above*).

By the end of July 2009, SHO partners helped 337 families buy homes, and of those, 297 bought REO houses; the rest acquired homes through short sales. As more NSP funds become available, HOC and SHO partners expect to buy additional REO properties from mortgage-service companies and to rehabilitate and sell the properties to homeowners. Meanwhile, HOC and SHO members remain committed to educating and empowering

SHO Initiative Partners:

- ACORN Housing
- Chicanos Por La Causa
- Community Housing Resources of Arizona
- Community Services of Arizona
- Desert Mission Neighborhood Renewal
- Greater Phoenix Urban League
- Housing Our Communities
- Labor's Community Services Agency
- National Farm Workers Service Center
- Native American Connections
- Neighborhood Housing Services of Phoenix
- Neighborhood Housing Services of Southwestern Maricopa County
- Newtown Community Development Corporation
- Habitat for Humanity Central Arizona

prospective home buyers, so they can buy homes directly and arrange to hire contractors to do whatever rehabilitation work is needed.

Though focused primarily on helping consumers, SHO and HOC also work with financial institutions to help them sell REO properties and make mortgage loans to the nonprofit organizations' clients.

SHO members provide a variety of services, including:

- Home buyer education and financial fitness education approved by the U.S. Department of Housing and Urban Development.
- Real estate support and services, provided by licensed Arizona real estate agents who agreed to work with prospective SHO home buyers.
- Support for lenders and servicers of REO properties, to prepare them to work with prospective home buyers.

- Lending and loan resources, including conventional 30-year, fixed-rate mortgage products and special, first-time home buyer products, Federal Housing Administration 203(k) products, and U.S. Department of Veterans Affairs loan products.
- Access to individual development accounts to help potential home buyers accumulate savings for down payments and closing costs.
- Rehabilitation services by licensed general contractors and subcontractors.
- One or more of the coalition members are working with all 10 jurisdictions receiving NSP funds in Arizona.

Recording REO Sales

An important part of HOC's work with SHO is developing a system to track sales of foreclosed and REO properties. Initiated by HOC in 2008, the database will retain data on REO sales, including the property address, seller, purchase price, mortgage lender, first and second mortgages, and the income of buyers. The database will track the progress of community stabilization efforts, the participation of lenders and financial institutions, and how homeowners fare over time. This information will be used to provide reports to funding organizations and NSP grantees, as well as to help HOC strategically plan future community stabilization efforts.

The database, along with HOC's proven services, skills, and collaboration efforts, positions this nonprofit organization to lead, support, and expand community stabilization efforts across Arizona and to serve as a role model for nonprofit organizations across the nation.

For more information, contact John R. Smith at john@housingourcommunities.org.

Compliance Corner

Sharon Canavan, Community Development Expert, and Yonda Eanes, District Community Affairs Officer, OCC

This *Community Developments* newsletter highlights how banks are working with nonprofit organizations and public agencies to return foreclosed properties to productive use. These partnerships are proving critical to efforts to stabilize communities that are struggling in the wake of the recession.

Some of the strategies these partnerships are using can position a financial institution for positive consideration under the Community Reinvestment Act (CRA). Activities that meet CRA requirements, including the geographic requirements of benefiting the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area, will be favorably considered during a CRA examination.

Community Development

The CRA, enacted by Congress in 1977, requires regulated financial institutions to meet the credit needs of borrowers in the local communities in which they are chartered—including low- and moderate-income neighborhoods—consistent with the safe and sound operation of the institution. The OCC and other federal financial supervisory agencies consider a bank's CRA compliance record when reviewing applications for new bank branches, relocations of a main office or branch, mergers, and acquisitions.

Banks may receive favorable CRA consideration by engaging in community development activities. The CRA regulation defines community development as affordable housing (including multifamily rental housing) for low- or moderate-income individuals, community services targeted to low- or moderate-

income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less, or activities that revitalize or

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stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the OCC, based on specific factors detailed in the regulation (12 CFR 25).

Some examples include providing:

- An investment or grant to a nonprofit organization supporting community revitalization activities in low- and moderate-income areas.