



**THE HOUSING FINANCE
POLICY CENTER AT
THE URBAN INSTITUTE**

*Celebrating Ten Years of
Data and Innovation for
a More Equitable Future*

Community Buyers Survey Presentation

Analyzing barriers preventing nonprofits from acquiring distressed residential assets



With the generous support of the Robert Wood Johnson Foundation

Buyers of Distressed Properties Need Better Financial Tools and Rehabilitation Assistance to Better Serve Vulnerable Communities

Project Aims



NCST Aims for the Project



NCST seeks to

Identify and analyze barriers preventing nonprofits from engaging in affordable housing initiatives through the acquisition of single-family distressed properties and non-performing loans.

This research seeks to



Preventing foreclosures and creating affordable housing opportunities



Shaping strategic interventions and future initiatives



Identifying actionable strategies



Enhancing the operational capacity of nonprofits to expand homeownership opportunities

Why NCST?

NCST is uniquely-positioned to conduct this project



NCST has conveyed +28,000 properties to local housing providers who rehabilitate and resell homes to owner-occupants.



NCST works with +300 organizations (nonprofits, mission-driven for profits, and governments and municipalities).



Over 1,300 buyers have purchased property through NCST.



Our housing partners have operated in 48 U.S. states and cover 3,500 different cities and nearly 5,556 zip codes.



Local housing providers saved more than \$300 million by buying their properties at a discount through NCST's First Look Program.



Property Sources

Nonprofits have needed to adapt to diversify their sources



NCST has evolved with market conditions and has been supportive of nonprofits to diversify their sources through the REOMatch™ platform.



It is a multi-program platform partners with the GSEs and bank and non-bank mortgage servicers to make REO properties accessible to mission-driven developers.



REO Track, a post-closing reporting feature, has been integrated into the platform to provide information related to the final disposition of properties acquired through NCST.



More recently, NCST has integrated FHA's Claims Without Conveyance of Title (CWCOT) program and partnerships with online auction platforms as part of a proactive response to improve access to distressed properties.

Buyers of Distressed Properties Need Better Financial Tools and Rehabilitation Assistance to Better Serve Vulnerable Communities

Data



NCST Surveyed Mission-Oriented Buyers to Identify Challenges in Today's Market

To qualify for the survey, buyers had to

- Have a stated affordable housing or community revitalization mission
- Demonstrate experience with property acquisition and rehabilitation
- Previously purchased or currently receive offers to purchase properties through NCST

140 buyers responded to the survey, out of 658 qualifying buyers, for a 21% response rate.

- 96 nonprofits
- 32 mission-oriented for-profits
- 12 government organizations

Survey and Interview Questions

Survey and Interview Questions could be categorized as:



Organizational Overview and Structure

Example: Evaluating your organizational capacity over the years, what was the FTE (full-time equivalent) of staff members dedicated exclusively to property acquisition 5 years ago (2019), 10 years ago (2014), and 15 years ago (2009)?



Program Scope and Community Focus

Example: Who are the primary end-users or which communities does your program serve?



Property Acquisition Activities and Sources

Example: Considering your past experiences acquiring property, what have been the reasons for your organization to decide not to acquire a property?

Survey and Interview Questions

Survey and Interview Questions could be categorized as:



Capital Sources and Financing Challenges

Example: What do you perceive as the greatest challenges in securing favorable financing terms and conditions for your organization?



Partnerships, Technical Assistance, and Legal/Logistical Resources

Example: In your experience, what legal impediments, restrictions, or ambiguities have hindered your organization or other nonprofit buyers from engaging in large-scale acquisitions?

Buyers of Distressed Properties Need Better Financial Tools and Rehabilitation Assistance to Better Serve Vulnerable Communities

Background





Distressed Properties Undermine the Homebuying Ecosystem

- Displaced Homeowners
 - Significant impact on credit scores & limited access to future credit and homebuying.
- Communities
 - House price depreciation of neighboring properties.
 - Lower local tax revenue from property taxes.
- Property supply
 - Vacant properties may fall into disrepair; limiting inhabitability and wealth building.
- Lenders, servicers and investors
 - Foreclosure alternatives have lower loss severities than foreclosure.

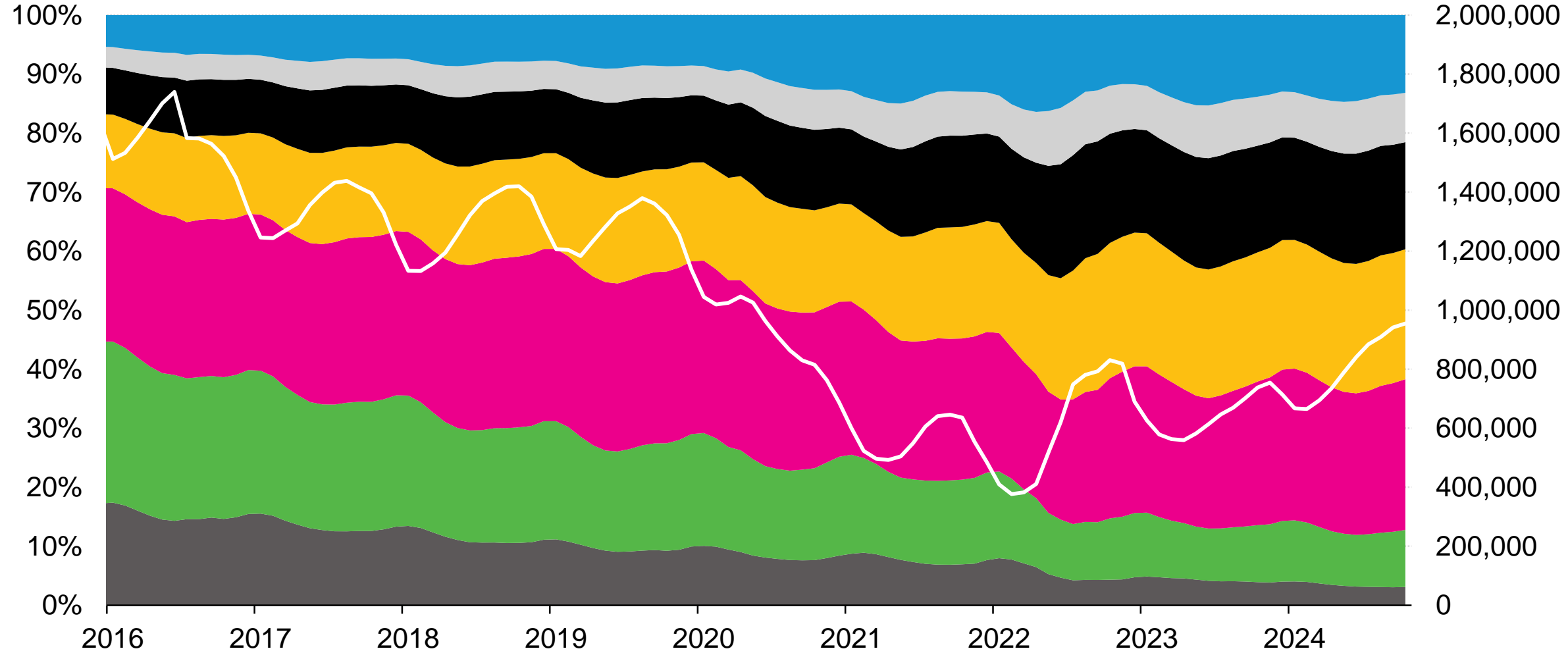


Affordable Housing Supply is Reduced

Active Listings by Price Tier Over Time

- Under \$100K
- \$100 - \$200K
- \$200 - \$350K
- \$350 - \$500K
- \$500 - 750K
- \$750K - \$1M
- Above \$1M
- Total Active Listings (Right)

Share of Active Listings

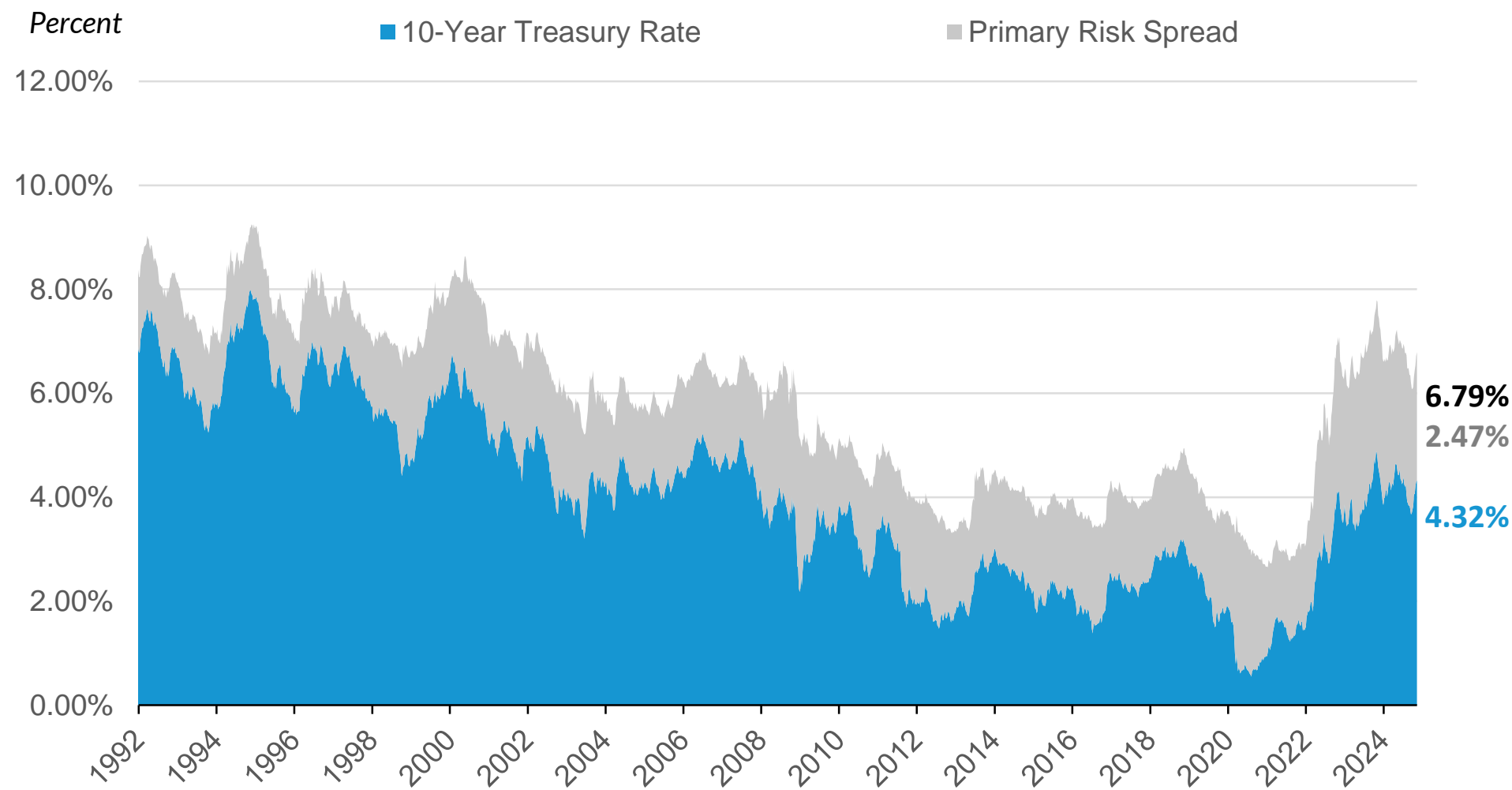


Sources: Realtor.com and the Urban Institute.
 Note: Data as of October 2024.

High Interest Rates and Sharp house Price Growth Contribute to Unaffordability for Homebuyers

30-year Fixed Mortgage Commitment Rate

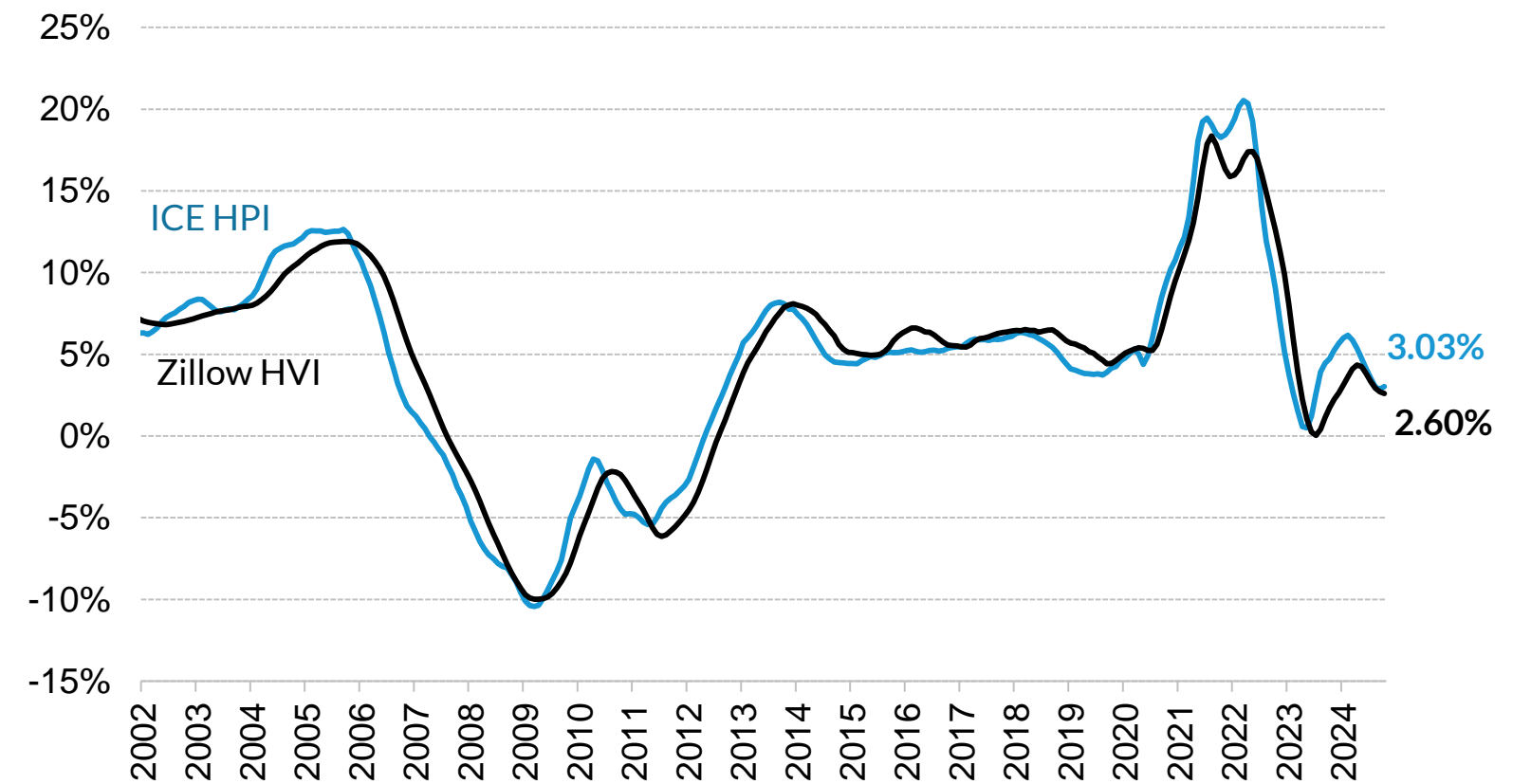
By 10-year Treasury and risk spread



Source: U.S. Board of Governors of the Federal Reserve System and Freddie Mac: Primary Mortgage Market Survey. Data as of November 8, 2024.
 Note: The 30-year fixed rate mortgage is the sum of the 10-year treasury rate and primary risk spread.

National Year Over Year House Price Growth

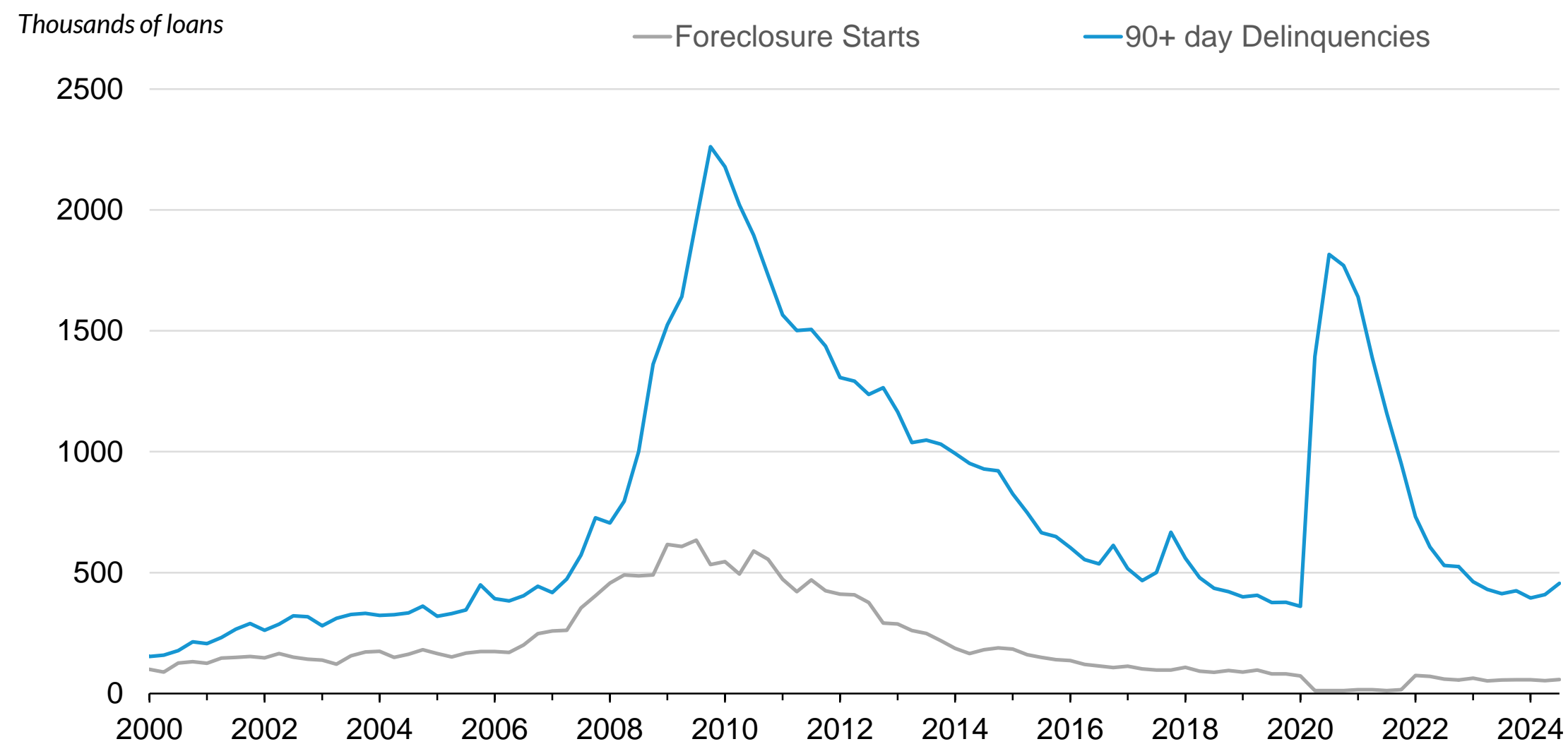
Year-over-year growth



Sources: ICE, Zillow, and Urban Institute.
 Note: ICE modified the methodology behind their HPI in February 2021, resulting in changes to historic price estimates.
 Data as of September 2024.

Market Conditions Have Reduced Distressed Properties

Volume of Foreclosures and Serious Delinquencies have Dropped

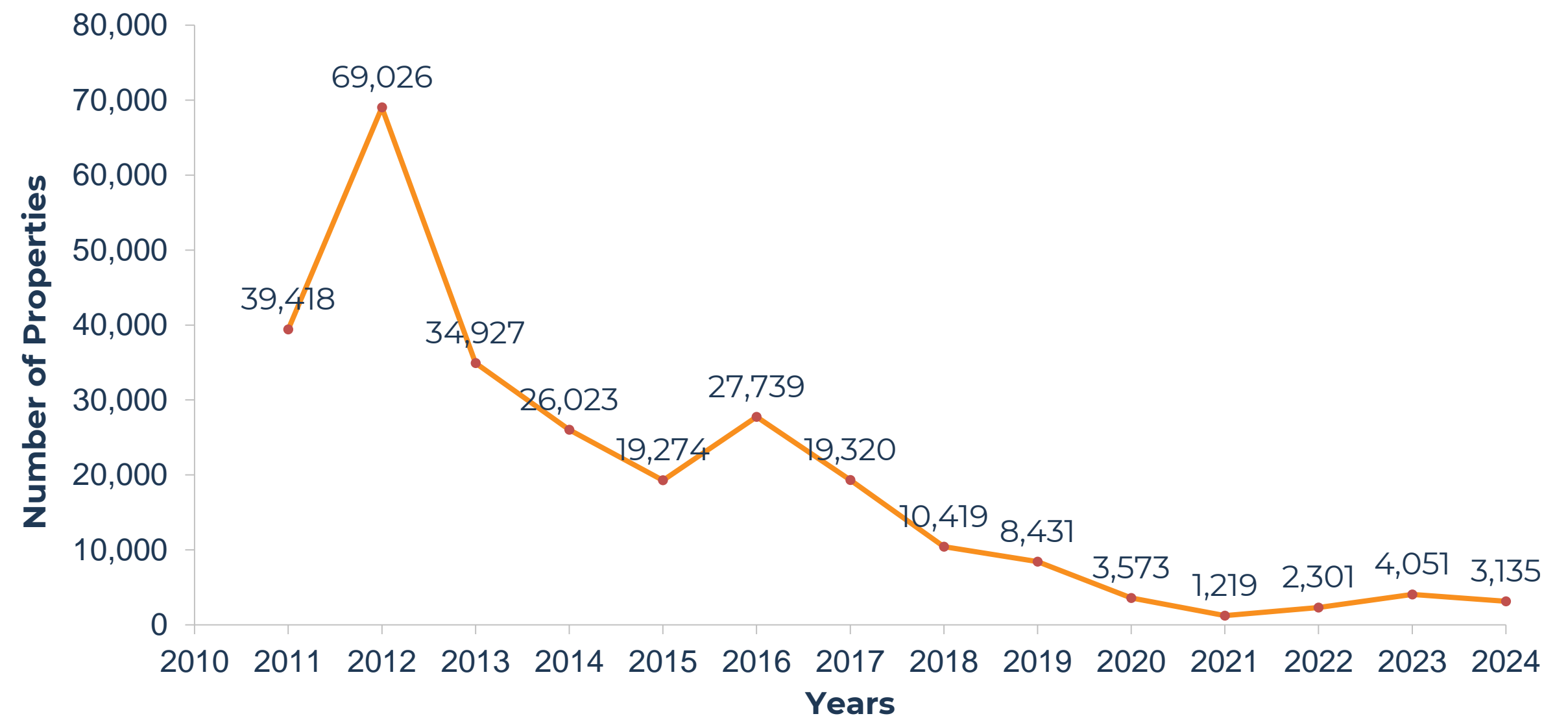


Source: Mortgage Bankers Association: National Delinquency Survey and Moody's Data Analytics.

Distressed Property Landscape



NCST Annual Inventory Property Counts



In the aftermath of the foreclosure crisis several programs like the Neighborhood Stabilization Program (NSP) were created to reduce the number of vacant and foreclosed properties through rehabilitation.

The inventory of distressed properties has declined as volumes of foreclosures and delinquent loans have reached historic lows in 2023.

Buyers of Distressed Properties Need Better Financial Tools and Rehabilitation Assistance to Better Serve Vulnerable Communities

Results



Buyers are acquiring fewer distressed properties and using different sources compared to 10 years ago

- Compared to prior years, **Nonprofits** were much less likely to get properties from financial institutions, federal programs and private donations.
- **For-profits** were less likely to use direct negotiation with property owners, short sales and partnership with other nonprofits.

Distressed Property Purchase Volume is Lower than Half of the Volume from 10 Years Ago

Median number of properties acquired, by year and organization type

	Nonprofits	For-Profits
2023	3	5
2014	9	19
2009	5	15

Share of Organizations Using Specific Sources of Distressed Properties

	Nonprofits			For-Profits		
	Prior Years	2023	Change 2023-Prior	Prior Years	2023	Change 2023-Prior
Direct negotiation with property owners	34%	30%	-4%	66%	38%	-28%
Land Banks	24%	20%	-4%	13%	3%	-9%
Government/Municipalities	35%	18%	-18%	22%	16%	-6%
Partnerships with other nonprofits	31%	18%	-14%	34%	13%	-22%
Federal programs	36%	16%	-21%	22%	22%	0%
Auctions	30%	14%	-17%	56%	44%	-13%
Private donations	32%	13%	-20%	0%	0%	0%
Financial institutions	42%	11%	-30%	28%	22%	-6%
Other	16%	11%	-4%	9%	16%	6%
Public-private partnerships	14%	9%	-4%	16%	22%	6%
Tax sales	10%	7%	-3%	19%	6%	-13%
Short sales	11%	6%	-5%	41%	16%	-25%
Bulk purchases	10%	4%	-6%	19%	6%	-13%



Market conditions or property prices was the biggest reason to not acquire properties

Nonprofits were significantly more likely to have insufficient funding or face financial constraints than for-profit buyers.

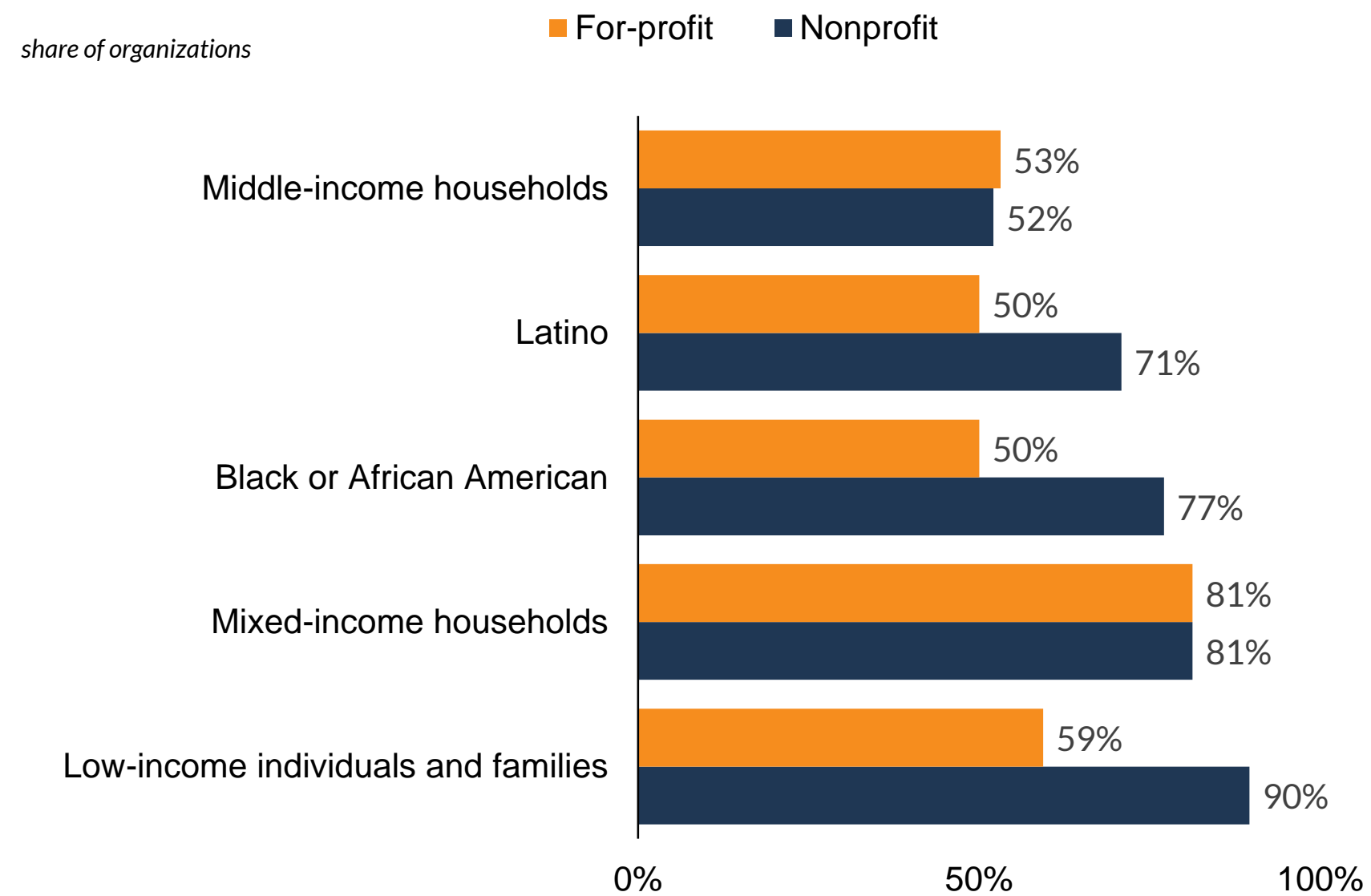
Reasons to not Acquire Properties

	Nonprofit	For-Profit
Market conditions or property prices	71%	63%
Limited availability of suitable properties	58%	59%
Insufficient funding or financial constraints	46%	6%
Property being occupied	39%	38%
Challenges in securing favorable financing terms	30%	13%



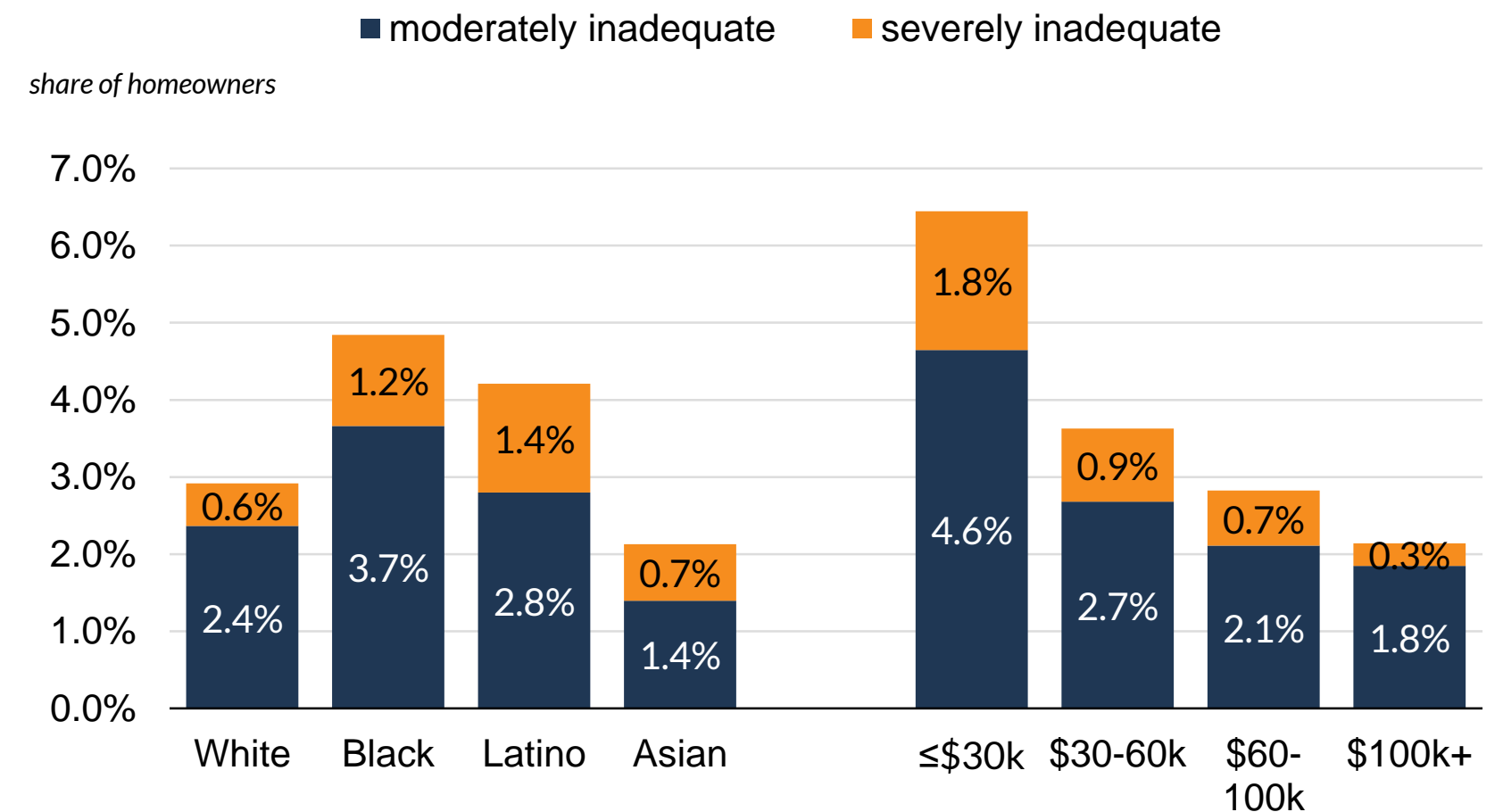
Nonprofits are more likely to serve communities of color and other low-income individuals and families

Nonprofit Organizations are more Likely to Serve Low-Income Households and Communities of Color than Mission-Oriented For-profits



Low-Income Homeowners and Homeowners of Color are More Likely than Higher-Income and White Homeowners to Live in Inadequate Homes

Share of homeowners living in physically inadequate homes

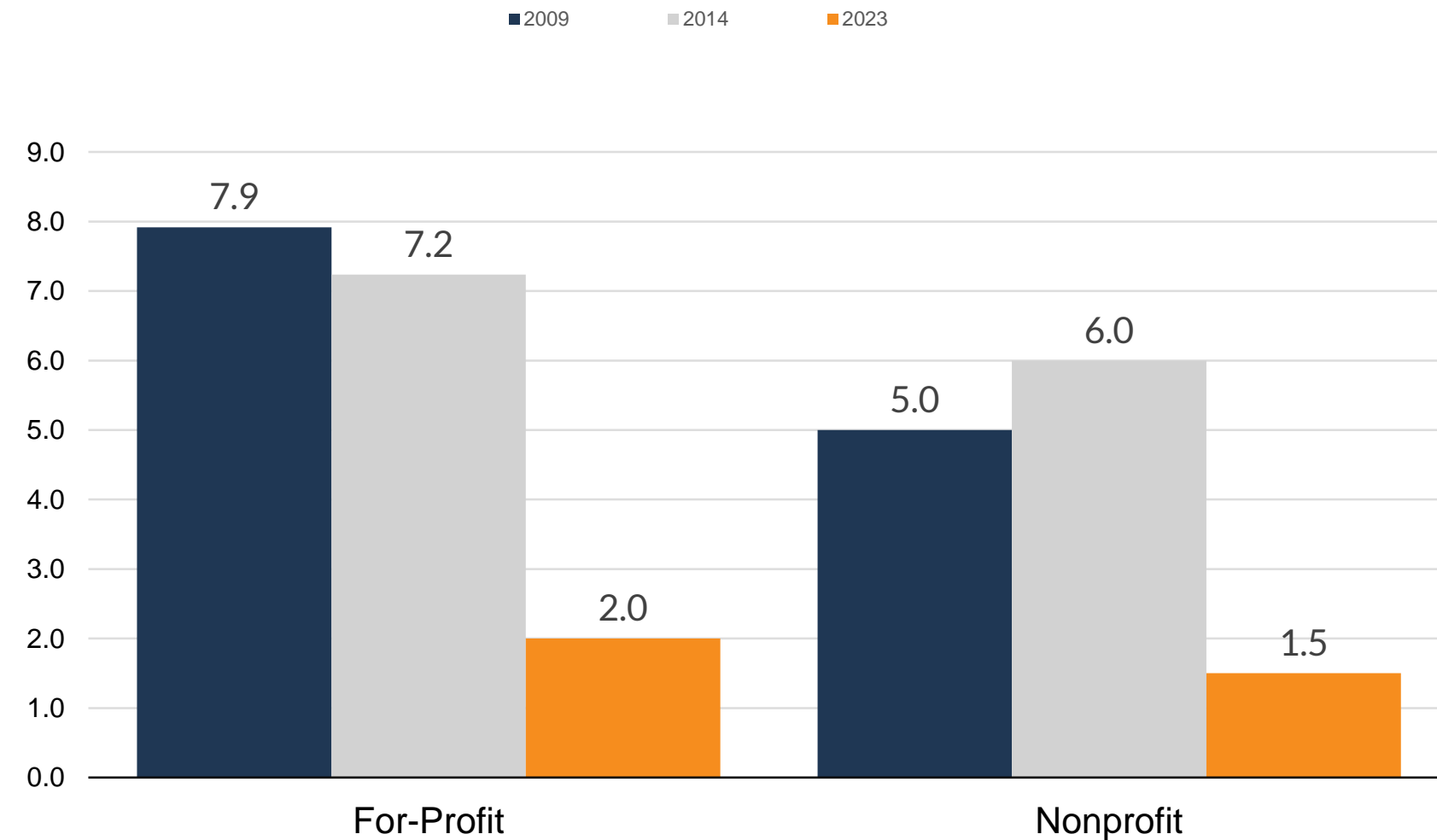


Source: 2023 American Housing Survey and Urban Institute Calculations.

Per employee, the typical for-profits has greater financial capacity and purchases more properties

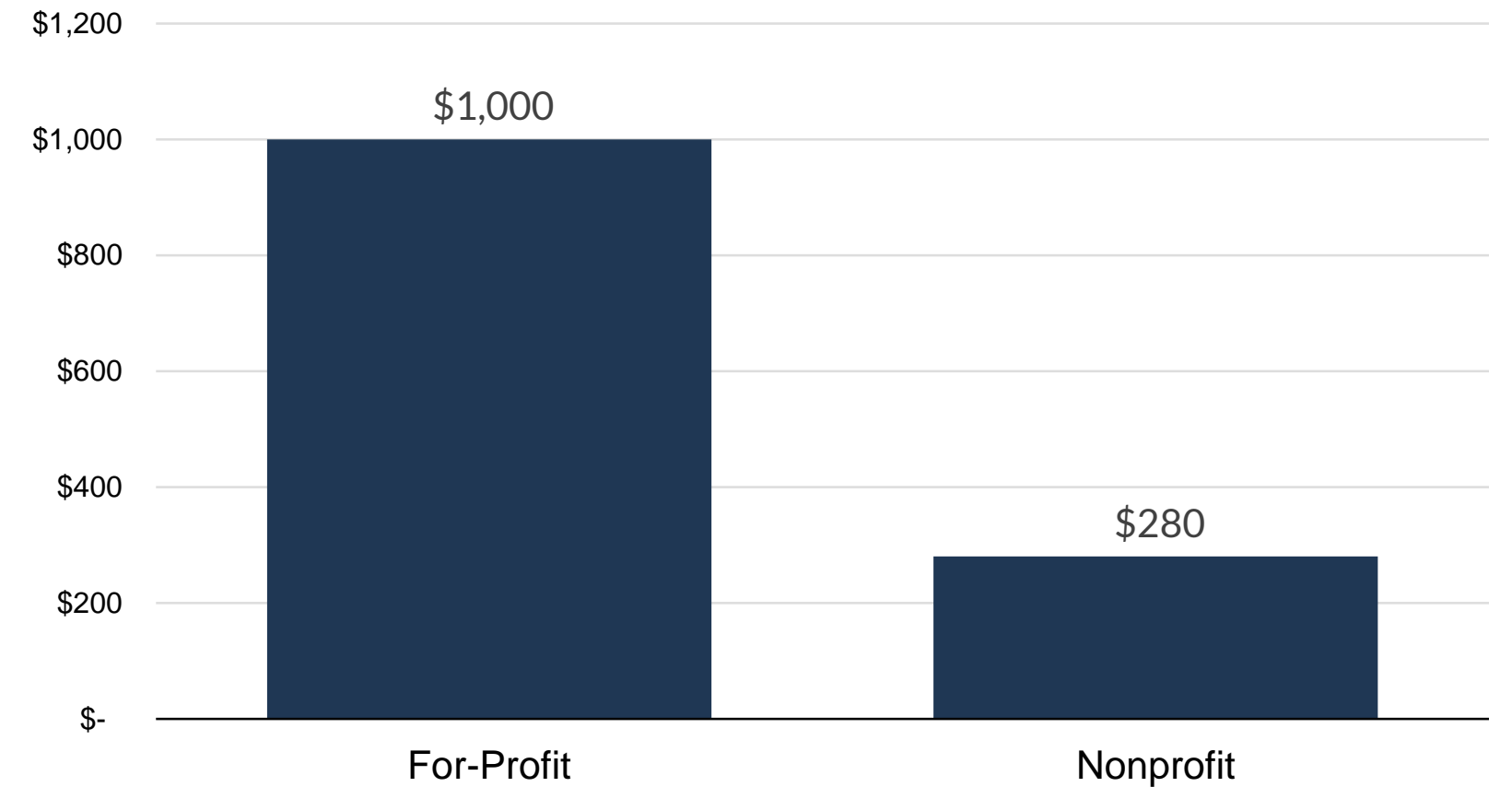
For-Profit Organizations Purchase More Properties per Full-time Employee than Nonprofits

Median number of properties per full-time employee



For-Profits have Greater Budgets Relative to Number of Employees

Estimated annual budget to full-time employees, thousands (\$)



Note: Estimated from mid-point of budget ranges. Organizations with budgets less than \$100k annually were estimated to have \$100k, \$100k-1M as \$500k, \$1M-5M as \$3M, \$5M-10M as 7M, greater than \$10M as \$10M.

Buyers of Distressed Properties Need Better Financial Tools and Rehabilitation Assistance to Better Serve Vulnerable Communities

Recommendations





Additional funds for renovations and repairs may preserve affordable housing

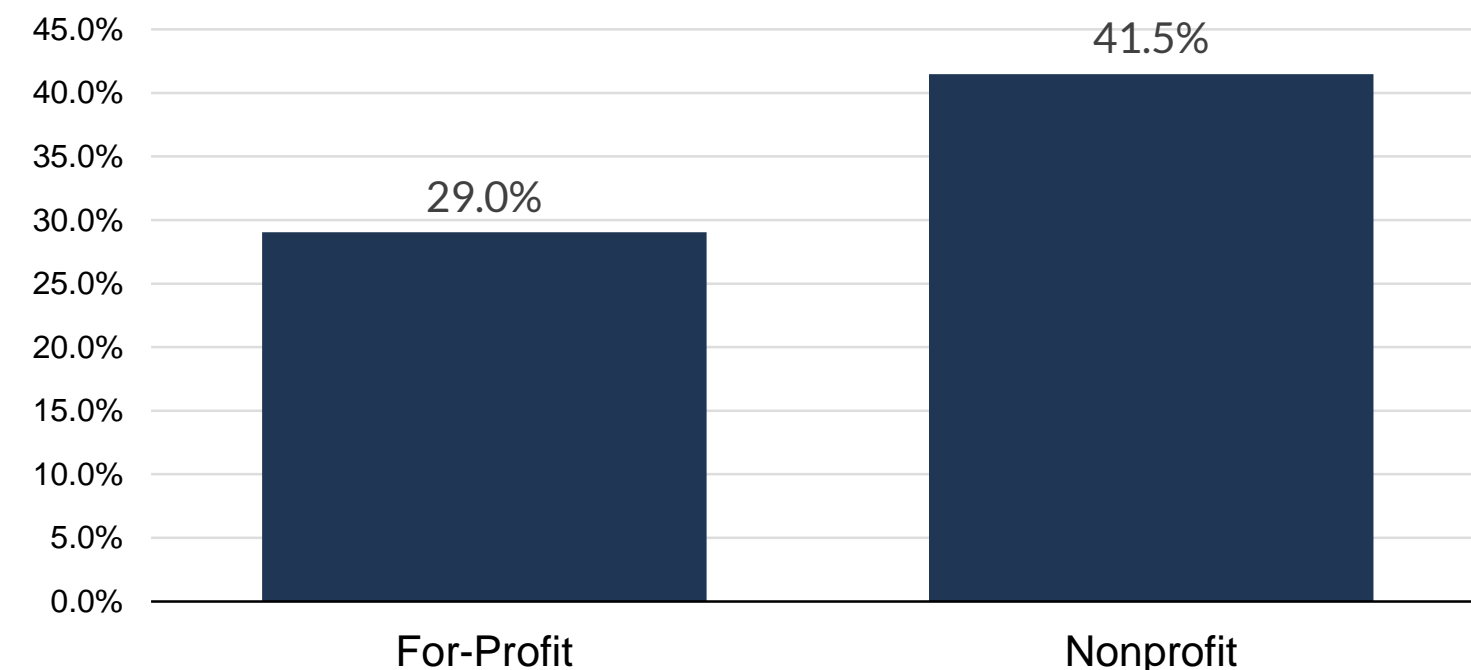
- The inventory of lower-priced houses has declined more rapidly than higher-priced homes.
- Affordable homes are more likely to be in disrepair.
- Nonprofit buyers, which are most likely to work with affordable properties and sell those properties to owner-occupants, face more funding constraints than for-profit buyers.

Technical assistance is a valuable, and potentially under-utilized, resource

- The most common type of technical assistance was help from legal professionals
- Followed by help from local government agencies for nonprofits
- For-profits were likely to use affordable housing consultants and online platforms

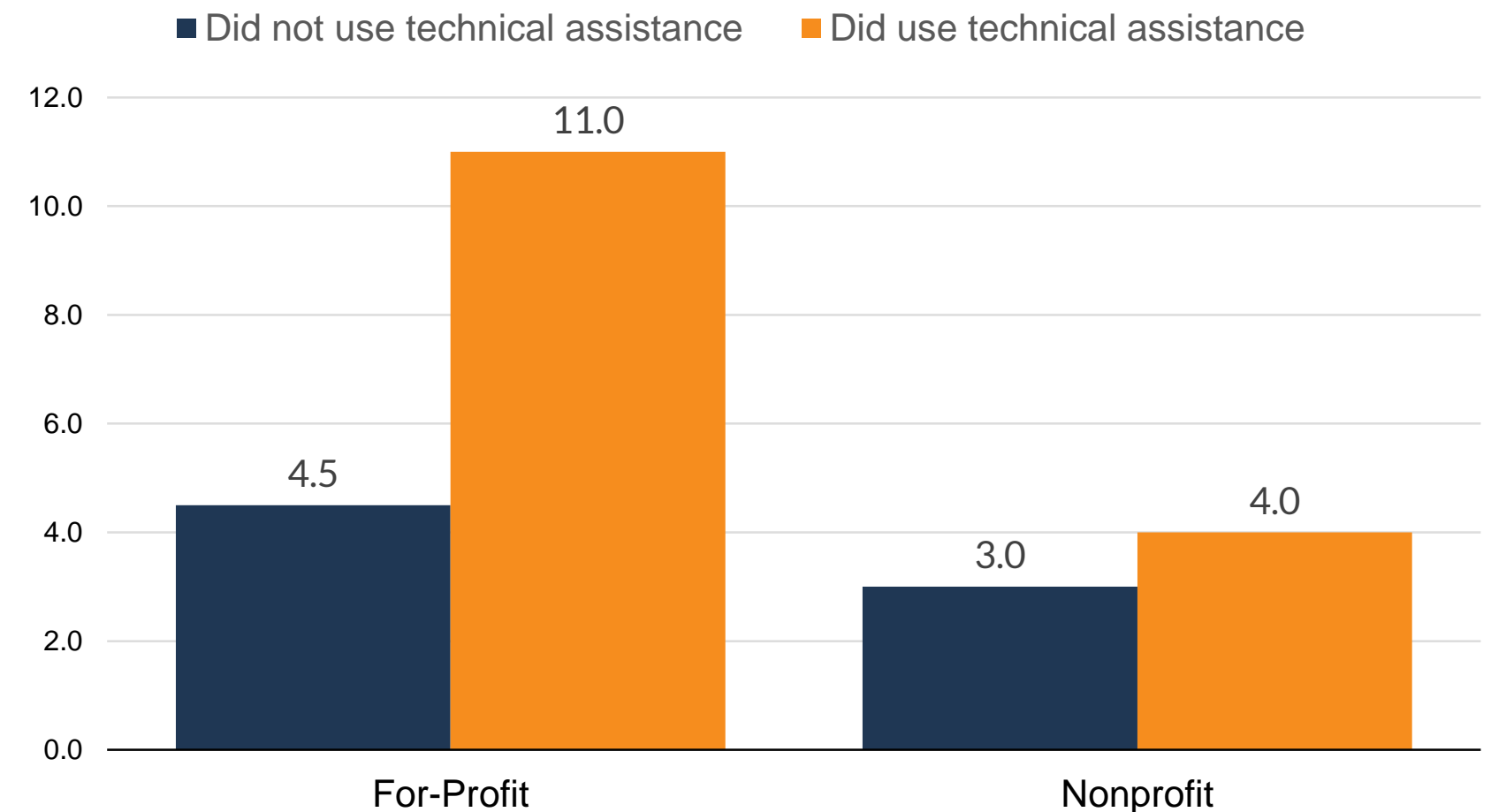
Nonprofits are more likely to utilize technical assistance than for-profits

Median number of properties acquired, by year and organization type



Organizations that use technical assistance acquire more properties, on average

Median number of properties acquired, by year and organization type



High interest rates is the largest barrier to financing

- After interest rates, nonprofits worried about access to capital.
- For-profit buyers' second largest concern was not the availability of capital but applying for it.

Challenges Securing Financing

	Nonprofit	For-Profit
Limited availability of low-interest loans or grants	65%	44%
High-interest rates on loans	55%	69%
Limited access to capital for nonprofits in certain communities	42%	9%
Uncertainty about government funding or subsidy programs	39%	13%
Lack of tailored financial products for community buyers	38%	25%
Lack of long-term patient capital	35%	13%
Stringent eligibility criteria from financial institutions	33%	31%
Complex application and approval processes	24%	31%
Inadequate collaboration or communication between community buyers and financial institutions	24%	6%
Insufficient financial literacy or capacity among community buyers	14%	3%
Lack of current audited financials (for your organization)	9%	0%
Other	8%	3%

Financial assistance can help nonprofits working in communities of color

Financial Models to Benefit Nonprofits Working in Communities of Color

	Nonprofit	For-Profit
Expanding access to low-interest loans or grants from government agencies	68%	53%
Developing targeted financial products or programs for nonprofits in communities of color	58%	25%
Establishing dedicated funds or initiatives focused on supporting nonprofit buyers in communities of color	56%	22%
Exploring alternative funding sources (e.g. Impact investors crowdfunding)	54%	34%
Fostering collaboration and knowledge-sharing among nonprofits financial institutions and government agencies	44%	22%
Increasing visibility and awareness of available financing options among nonprofits in communities of color	43%	22%
Advocating for policy changes that support equitable access to financing for nonprofits in communities of color	40%	19%
Facilitating capacity-building initiatives to enhance financial literacy and management skills	32%	19%

Stay connected to Urban's research

- **Visit the Housing Finance Policy Center website:**

<https://www.urban.org/policy-centers/housing-finance-policy-center>

- **Subscribe to the Housing Finance Policy Center biweekly newsletter:**

<https://www.urban.org/newsletters>

- **Check out the “Housing Finance At A Glance” Monthly Chartbook:**

<https://www.urban.org/tags/housing-finance-glance-monthly-chartbook>

Contact:

Michael Neal, Senior Fellow, Urban Institute

Housing Finance Policy Center
Office of Race and Equity Research

E: Mneal@urban.org

X: @mneal_econ