



September 16, 2024

The Honorable Julia R Gordon
Assistant Secretary for Housing, Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

RE: FR-6051-P-02 Federal Housing Administration: Single Family Sale Program

Dear Commissioner Gordon,

The National Community Stabilization Trust (NCST) is pleased to submit comments on the Federal Housing Administration's (FHA) proposed rule regarding the Single Family Sale Program.¹ We are appreciative of the Department's commitment to improving this program by soliciting feedback from external stakeholders, policy advocates, and affordable homeownership practitioners.

NCST is a national nonprofit that supports the restoration of distressed single-family homes, strengthens neighborhoods, and increases sustainable and affordable homeownership opportunities. NCST's property acquisition platform, REOMatch,² links financial institutions with real-estate-owned (REO) properties to mission-focused housing developers who rehabilitate these homes to stabilize neighborhoods by providing affordable homeownership and rental opportunities. Our organization offers a multifaceted approach to revitalize vacant and abandoned properties through 28,000 transactions, further best practices for community development across the nation, and advance federal policies to support affordable homeownership.

To ensure NCST's policy recommendations are rooted in the practitioner perspective, the organization manages a nonprofit-led advocacy coalition called the Homeownership Alliance.³ The mission of the Homeownership Alliance is to increase access to homeownership to narrow the racial wealth gap, improve access to long-term affordable housing, and revitalize disinvested communities without gentrification. Alliance members work to elevate the successes and pitfalls of various homeownership development and rehabilitation models, propose tangible reforms to existing programs, and advocate for legislative and regulatory reform to further empower a nonprofit delivery system as a key method in addressing homeownership gaps and housing affordability.

As the Department is well aware, there is a dire shortage of lower priced, high-quality, single-family homes for potential homebuyers across urban, rural, suburban, and tribal areas. This affordability deficit is partly attributable to the fact that new housing starts in the single-family sector never fully recovered after the 2008 financial crisis. The conversion of single-family homes to rental housing owned by investors also plays a significant role in this shortage, and continues to present an obstacle to prospective owner-occupants who

¹ [Notice of Proposed Rulemaking: FHA Single Family Sale Program](#), (July 16, 2024). U.S. Department of Housing and Urban Development.

² [Property Acquisition](#), (2024). NCST.

³ Established in 2021, the Homeownership Alliance is a practitioner-led coalition of 20 CDFI and nonprofit housing developers serving 16 states, (2024). [The Homeownership Alliance](#).

struggle to compete with all cash buyers.⁴ These factors, coupled with historically-low levels of housing construction in the single-family sector,⁵ have left the nation with a devastating lack of affordable housing supply, and has resulted in unprecedented increases to rental and home purchase prices alike.

It is NCST's fundamental belief that robust engagement with on-the-ground, mission-driven practitioners is a central component in revitalizing the nation's dormant and distressed housing stock. Market forces alone will not stabilize cost constraints placed on low- and moderate-income (LMI) families. Nonprofit organizations dedicated to affordable housing, including members of the Homeownership Alliance, possess a unique and necessary expertise in designing supply- and demand-side solutions to the affordability challenges faced by their communities and have the ability to expertly layer public and private dollars to channel affordable housing resources to LMI households. Embracing a nonprofit delivery system as a method to responsibly acquire, rehabilitate, and resell distressed properties guarantees these units are kept in the hands of owner-occupants.

The need for affordable units continues to grow, and as such we appreciate FHA's proposed reforms to this important program. With the right changes and an effective implementation strategy, nonprofits can adequately compete within a market typically dominated by for-profit entities that do not possess a mandate to commit to affordability. By strengthening the ability of nonprofit organizations to participate in the Single Family Sale Program, this stakeholder base can more fully work to address the decreasing single-family housing stock that has hindered potential homebuyers from entering the market.

Hogar Hispano Inc. (HHI),⁶ a 501(c)(3) corporation and member of the Homeownership Alliance, collaborates with other community-based organizations to provide housing, promote community stabilization, and support wealth generation and preservation for LMI individuals and families of color. Since its inception, HHI has successfully acquired nearly 1,000 occupied non-performing loans (NPLs), 2,100 vacant NPLs, and 1,700 real-estate owned (REO) properties, all through the FHA's Distressed Asset Sales Program (DASP). In addition, HHI has successfully deployed nearly \$500 million to support, preserve and create affordable housing, and has also promoted homeownership through the Department's Single-Family Loan Sales (SFLS) and HECM/Vacant Loan Sales (HVLS) programs.

One of HHI's greatest achievements has been working with other nonprofit organizations as an aggregator, allowing the organization to raise equity, resolve vacant NPLs and provide other nonprofit partners a right of first refusal on REO created from their efforts. Early in HHI's founding, the organization operated with high-cost, impatient capital. More recently, they closed on their first fund of \$50 million, a lower-cost patient capital facility that has already enabled the acquisition of 55 assets, which is expected to be fully deployed by the end of 2024.

HHI is one of the few nonprofit organizations with this level of experience in distressed asset sales, repurposing NPLs and properties themselves for affordable homeownership. As the Department considers changes to further engage nonprofits to participate in the program, we recommend the FHA organize a convening to hear directly from practitioners with experience using this program. Doing so would allow HUD to

⁴ [Rental Housing: Information on Institutional Investment in Single-Family Homes](#), (May 22, 2024). U.S. Government Accountability Office.

⁵ A recent [report](#) from the Department of Commerce showed U.S. single-family homebuilding fell to an 8 month low in June of 2024, and permits for future construction of single-family houses dropped to a one-year low.

⁶ [Hogar Hispano, Inc.](#)



better understand the concerns facing nonprofits seeking to maximize their single family footprint through work with distressed assets. Facilitating an opportunity for mission-driven stakeholders to socialize best practices and learn from their industry peers will expand the reach and effectiveness of the program, and continue to inform the Department on necessary reforms moving forward.

Based on feedback from some Homeownership Alliance members and other national partners, NCST would support FHA incorporating flexibility in the use of third-party capital partners by nonprofits in both the bidding process and the deployment of equity from upside revenues - alongside necessary safeguards to ensure these flexibilities are not abused. Many Homeownership Alliance members are increasing their participation with willing for-profit entities and capital partners to access additional resources to add to affordable supply. This unlocks more supply opportunities for owner-occupancy, as well as responsibly-managed rental units while charting a path for homeownership for those households.

Our organization compels HUD to allow disregarded entities to participate in this program, which would remove a significant barrier that many nonprofits experience when seeking to be recognized by HUD as a qualifying nonprofit. The IRS does recognize disregarded entities in their definition of a nonprofit, and we recommend parity with HUD's certification process. Without this change, a significant portion of mission-driven organizations - particularly those that are designated as disregarded entities and are wholly-owned - cannot benefit from the incentives HUD is proposing that would benefit nonprofit participation in the program.

Finally, if HUD seeks to maximize the capabilities of nonprofits to participate in the Single Family Sales program, HUD should revisit the 95% value requirement that is currently mandated. Some Homeownership Alliance members asserted that this requirement renders the nonprofit carveout as useless, posing a detriment to affordable housing at large.

The current 95% requirement is based on market rate standard data, posing a challenge amid rising home prices - it has become increasingly difficult for nonprofit entities to compete. The Claims Without Conveyance of Title (CWCOT) program imposes a similar requirement, requiring a nonprofit buyer to pay 95% of the value of the asset with some, albeit minimal, discount consideration. As a result, very few mission-driven nonprofits are participating in this space. As HUD moves to make the Single Family Program permanent, we recommend the Department instead base the 95% requirement on the income of the area as opposed to the market values. This would provide an ease of sale to eligible families - particularly as home prices remain stubbornly high. Another option could be to further fine-tune the requirement by developing a formula: 95% of the average value minus both the cost of rehabilitation to the home and minus the holding costs if the asset is occupied.

NCST looks forward to additional enhancements as HUD works to make this program permanent and improve alignment with the Administration's objectives of increasing homeownership and expanding affordable supply. We thank you for your consideration of our perspectives.

Sincerely,

The National Community Stabilization Trust