

# SERVICING DEVELOPMENTS - REO



# WHAT HAS CHANGED?

- REO inventories are at historically high levels due to increased foreclosures
- Excess supply is exerting further downward pressure on home prices
- Vacant properties, particularly in clusters, can have a destabilizing effect on neighborhoods
- Cities and municipalities are becoming increasingly aggressive in allocating responsibility to servicers, particularly in connection with “walks” where properties are not always continually maintained
- More state legislation and regulation is on the way

- Create a consistent firm wide approach to requests to participate in REP Disposition Programs that are under development
  - Stakeholders can include servicing, finance, Community Reinvestment, public finance, philanthropy, investor relations, legal and compliance, media relations and production
  - Leverage the different points of view and perspectives to enrich the strategy
  - Vehicle can be an internal working group or task force
- Develop and educate dedicated senior executives responsible for representing the firm in external efforts and serving as the points of contact for external requests
- Review the current disposition strategy and enhance with group recommendations

- National Community Stabilization Trust Fund
  - Designed to serve as an intermediary between sellers and buyers of REO
  - Services will include informational support, procedural assistance, financing and some ongoing property management services for buyers
  - Under design are a Right of First Offer program and a Bulk Purchase Program
  - Pilot scheduled to commence in the fall of 2008
- California HFA Community Stabilization Home Loan Program
  - Customized loan product to recycle REO to new home buyers at below market rates and up to 100% LTV
  - Targeted at specific zip codes and counties
  - Properties being provided by participating servicers at approximately 12% below current appraised value – but before any savings represented by reduced expenses

# OTHER OPPORTUNITIES

- State Housing Finance Agencies
  - Availability of CBDG funds under HERA
  - Increase in tax exempt bond financing
  - Looking for partners to develop products, provide REO and finance loans
- Land Banks
  - Will acquire properties
  - Will acquire land
- Community Intermediaries
- REO Gifting