



NSP Problem-Solving Clinics

Workshop Objectives

Workshop focus:

- Marketing & sales of NSP homes (not rental units)

Participants will learn:

- The typical barriers to marketing
- How data about market demand and target areas informs the program design and marketing strategy
- The key elements of a marketing plan and steps involved in implementing it
- How to meet NSP and affirmative marketing requirements

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Barriers to Success

- NSP homebuyer requirements are time consuming and unfamiliar to buyers vs. open market sales
 - Application, income eligibility, counseling, etc.
- Difficult to identify eligible homebuyers
 - Those who want to buy and qualify for first mortgages
- Negative perceptions of target neighborhoods
- Challenges of buyers with a wide range of incomes
 - NSP assistance needed, may vary in amounts and terms
- Challenges of structuring recapture/resale provisions

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Overcoming These Barriers

- Design program and marketing plan so that clients have a clear and smooth path to home purchases
- Increase demand through good market research, effective marketing, and providing help in obtaining first mortgage financing
- Use market research to indentify “micro-areas” with stronger demand by owner-occupants (vs. investors)
- Design financial assistance and provide disclosures so that applicants clearly understand terms of NSP financing

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Researching Market Demand

- NSP acquisitions require supply-side research
 - To identify target areas in need of assistance
 - To find homes to acquire that meet NSP criteria
- Understanding market demand is just as crucial to success
 - To select target areas that are feasible for sales
 - To set prices in line with the market
 - To understand who is buying and what they want

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Data Sources

- Recent home sales data
 - Reveals prices, addresses, dates of sales, home size, as well as owner-occupant vs. investor purchases
 - Recent sales to owner-occupants are the strongest indicator of demand for NSP homes
 - Get from online sites like www.zillow.com or Multiple Listing Service sales data (from subscriber)
 - Tax assessor data can indicate owner occupancy
- For broader trends, use sources like Policy Map, Claritas, and other proprietary databases

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Data Sources (Cont.)

- Online listings of homes offered for sale
 - Shows competing products on the supply side but not an indicator of demand
- Interviews with real estate professionals
 - Can provide insights on where owner-occupants are buying, income ranges, and features wanted
- Interview recent homebuyers in NSP target areas
 - Harder to do but can give valuable insights on their motivations to buy – can inform program design, construction standards, and marketing messages

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Selecting Suitable Target Areas

- NSP programs that are still acquiring properties have discretion on where to buy
 - “Micro-areas” within NSP target areas can vary greatly
- Major factors in selecting marketable locations
 - Crime rates (check with police or online crime maps)
 - Physical condition and appearance of neighborhood
 - Quality of schools (check average test scores)
 - Proximity to retail stores, services, and public transit

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Elements of a Marketing Plan

- Description of marketing campaign
 - Messages, modes of outreach, presentation
 - Affirmative marketing
- Engaging the needed personnel
- Advertising and showing homes
- Prequalifying buyers, counseling, income certs
- Sales agreement, disclosures, terms of NSP financing (including long-term affordability)
- Marketing budget

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Key Elements of Campaign

- Key Messages – “Why to Buy”
 - Quality of homes, neighborhood features, pricing/subsidies, etc.
- Marketing modes – getting the message across
 - Brochures, face-to-face outreach, Website, Multiple Listing Services, print ads, radio talk show appearances, community fairs, site signs etc.
- Presentation
 - Clear simple design; consistency and repetition in all modes; translations to other languages if needed

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Affirmative Marketing

- Use fair housing logo on all marketing materials and in seller’s office
<http://www.hud.gov/library/bookshelf11/hudgraphics/fheologo.cfm>
- Fair housing statement on marketing materials:
 “It is the policy of the *[insert name of agency]* to provide services without regard to race, color, religion, national origin, ancestry, age, sex, familial status, physical handicap or disability.”
- Section 109 Compliant
<http://www.hud.gov/offices/fheo/library/part109.pdf>



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Affirmative Marketing (Cont.)

- Required for projects with 5 or more NSP-assisted units
- Grantee specifies outreach activities/procedures
 - Tie to Grantee’s activities to affirmatively further fair housing
 - Will vary by property/market
 - Outcome to be reported & assessed
- Plan must include special outreach to those least likely to apply

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Affirmative Marketing Procedures

- Grantee procedures must state:
 - Methods used to inform public, owners, potential tenants of Fair Housing laws
 - Actions taken to notify persons not likely to apply
 - Suggest annual reporting by property manager on outreach actions
 - Records to be maintained
 - How Grantee will assess efforts and take corrective actions
 - Grantee must annually review owner's plan

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Tip: Assessing Affirmative Marketing

- Provide owners with guidance published by HUD; require activities appropriate to project
- Require owner to report marketing activities and save ALL applications
- Onsite, interview frontline staff to determine their awareness, consistency of approach, and attitude
- Watch for patterns; perhaps interview rejected applicants and occupants
- If needed require Grantee review of all future applications and reporting on demographic mix for a specified time

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Engaging the Needed Personnel

- Professional marketing assistance
 - Create messages; design Web pages and marketing pieces (NSP eligible if specific to selling NSP homes)
- Home sales personnel
 - Market the property, conduct open houses, show homes, prequalify for NSP and first mortgages, prepare for closings
 - Some NSP developers have this capability internally; others hire real estate brokers

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Advertising NSP Homes for Sale

Options:

- Your own Website if it has sufficient traffic and can be constantly updated
- Using the an online listing service such as MLS may be a more effective option
- Place ads with newspapers, circulars, radio stations
- Get free advertising: press releases, radio talk shows, etc.
- Post listings on organization's Website

Always include fair housing language and logo

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Showing Homes

- Strategy depends on the volume and geographic concentration of homes
 - Individual showings by appointment are most common
 - Open houses on weekends sometimes effective – determine by testing
 - If a group of new homes is being built and marketed, a model home may help sales versus “selling from plans”
 - Ask each prospective buyer how they heard about the home – information is invaluable for focusing scarce marketing resources

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Prequalifying Homebuyers

- Application for NSP assistance
 - Essential for determining eligibility and providing consistent level of service to all prospective buyers
- Prequalification for NSP and first mortgages
 - Several options: use the sales agent or counseling agency, or refer to lender for pre-qualification letter
 - Key data to look at: household incomes, steadiness of employment, current amount of installment debt, credit report including FICO score

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Prequalifying Buyers (Cont.)

- Programs should have guidelines for eligibility
 - Programs must certify NSP buyers' income eligibility
 - Programs may also disqualify applicants immediately based on low incomes, cash reserves, and credit scores
 - Urgency of selling homes doesn't always allow time for credit cleanup
 - Minimum credit scores allowed by lenders are 580, 620 or even higher – experience will determine this
- Unqualified applicants can still be helped to make a plan for becoming mortgage-ready

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Counseling & Income Certifications

- All buyers must complete counseling
 - Minimum eight-hour program, HUD-approved
- Household incomes must be certified
 - At or below 120% of area median income (AMI)
 - For NSP set-aside, no more than 50% of AMI
 - Required documentation kept on file
 - See "Guide to Completing NSP Income Certifications" at www.hudnshelp.info

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Sales Agreement and Disclosures

- Sales agreement with buyer should have addendum disclosing special NSP requirements
 - Requirement to attend counseling
 - Availability and terms of NSP assistance
 - Subsidy repayment obligations
 - Resale controls if any
 - Estimated settlement costs
- A commitment letter for x-amount of NSP funding can be very useful to buyers
 - Can help them get a first mortgage loan

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Terms of NSP Financing

- HOME affordability standards frame minimum requirements
- Decide on recapture and resale control options
 - Most NSP programs are using recapture
 - Many use a 0% interest deferred payment 2nd mortgage loan for amount of NSP subsidy
 - Amount of NSP investment over the market value of the home is a “development subsidy” not included in lien
 - NSP loan can be forgiven over time, or the funds collected and recycled through a revolving loan fund

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Marketing Budget

- Typically includes costs for:
 - Marketing and design professionals
 - Printing
 - Website setup and maintenance
 - Paid advertising
 - Site signs
 - Sales agent
 - Legal work (disclosures, etc.)

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Tracking Progress vs. Your Plan

- Tracking marketing and sales data is crucial
 - Can guide fine-tuning to improve performance
 - Key benchmark: number of homes sold per month vs. original schedule – critical for meeting NSP deadlines
 - “Steps along the way” can show strengths and weaknesses of current efforts and possible needs to revise program:
 - Monthly numbers of inquiries, showings, intakes, applications, pre-qualifications, income certifications, and sales contracts executed

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Information Resources

- See the Homeownership Toolkit under "Resources" at www.nsphelp.info – it includes:
 - "Guide to Marketing and Selling NSP Homes"
 - "Single Family Development and Sales Program Manual"
- For HUD affirmative marketing procedures, see:
<http://www.fhasecure.gov/offices/cpd/affordablehousing/training/web/crosscutting/equalaccess/marketing.cfm>
- For sources of market data see Websites such as:
 - www.zillow.com, www.mls.com, www.policymap.com

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