

LAYING THE FOUNDATION



Presented by:

S. Marshall Martin
Foundation President
August 22, 2019

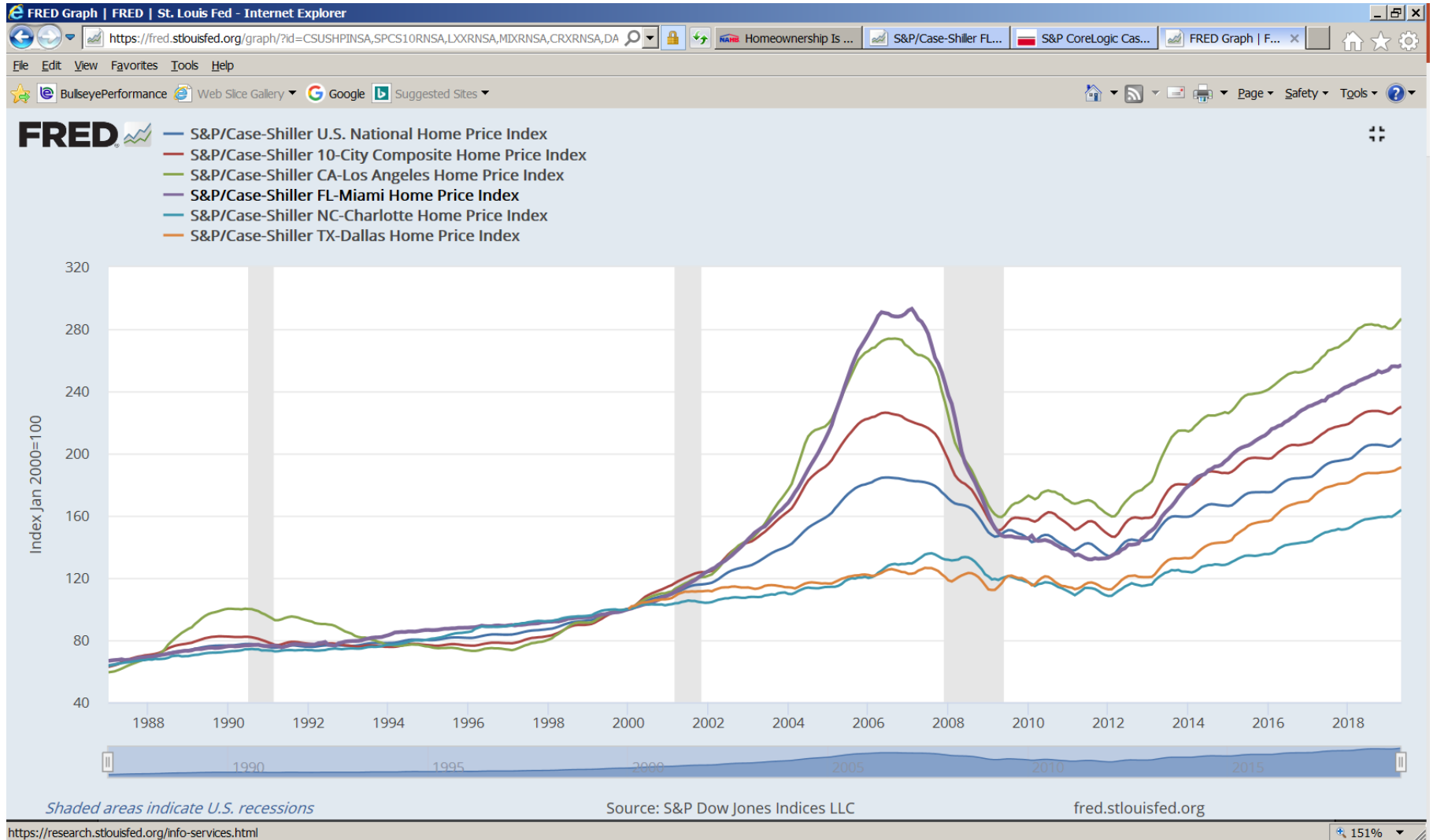
Issues Impacting LMI*

Homeownership

1. Cost of real estate in many towns/cities (affordability)
2. Cash / pre-approved no subsidy purchaser
3. Time to close
4. Subsidies

* Low-to-Moderate income (LMI) households are those whose income is at 80% of the area income of the Area Median Income (AMI)

Cost of Real Estate



Cost of Real Estate

Index Jan 2000 = 100

Miami, FL

May-18	May-19	Increase in Real Estate Values (%)
247.44858	256.88508	3.81

Jan-00	May-19	Increase in Real Estate Values (%)
100	256.88508	156.89

U.S. National

May-18	May-19	Increase in Real Estate Values (%)
202.697	209.658	3.43

Jan-00	May-19	Increase in Real Estate Values (%)
100	209.658	109.66

Boston

May-18	May-19	Increase in Real Estate Values (%)
214.2842	221.91651	3.56

Jan-00	May-19	Increase in Real Estate Values (%)
100	221.91651	121.92

Charlotte

May-18	May-19	Increase in Real Estate Values (%)
156.79471	163.82652	4.48

Jan-00	May-19	Increase in Real Estate Values (%)
100	163.82652	63.83

Cost of Real Estate

May 2019, S&P/Case-Shiller Home Price Indices: Home Price Index, Monthly, Not Seasonally Adjust - Internet Explorer

https://fred.stlouisfed.org/release/tables?rid=199&eid=243576#snid=243590

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S&P/Case-Shiller Home Price Indices: Home Price Index, Monthly, Not Seasonally Adjusted

Jan 1987
Feb 2019
Mar 2019
Apr 2019
May 2019

Name	Index Jan 2000=100		
	May 2019	Apr 2019	May 2018
<input checked="" type="checkbox"/> U.S. National	209.65800	207.90700	202.69700
<input checked="" type="checkbox"/> 10-City Composite	230.12288	229.02848	225.24597
<input type="checkbox"/> 20-City Composite	216.94338	215.66396	211.88104
<input type="checkbox"/> Atlanta , GA	152.68075	151.56089	145.85331
<input type="checkbox"/> Boston , MA	221.91651	220.79917	214.28420
<input checked="" type="checkbox"/> Charlotte , NC	163.82652	162.23413	156.79471
<input type="checkbox"/> Chicago , IL	145.44236	144.26919	143.19303
<input type="checkbox"/> Cleveland , OH	124.98249	123.26103	120.63282
<input checked="" type="checkbox"/> Dallas , TX	191.25934	190.28919	186.41944
<input type="checkbox"/> Denver , CO	222.76333	221.52422	215.10072
<input type="checkbox"/> Detroit , MI	127.30069	125.83740	122.44532
<input type="checkbox"/> Las Vegas , NV	192.66376	191.48233	181.04216
<input checked="" type="checkbox"/> Los Angeles , CA	286.72789	284.32851	281.30345
<input checked="" type="checkbox"/> Miami , FL	256.88508	255.84962	247.44858
<input type="checkbox"/> Minneapolis , MN	177.14129	174.17459	171.00229

135%

Send feedback

Cash & No Subsidy Purchaser

- As a seller of real estate, what do you want?
 1. Close as quickly as possible, because
 2. Cash



Subsidies

- In most of our markets, A NECESSARY (Positive) EVIL
 - But challenges are created by this need, as follows:
 1. Does not allow you to close quickly
 2. Delayed cash to seller (90 days if lucky, 120 plus days is common)
 3. Frustrated sellers regularly cancel contracts, resulting in:
 - ✓ Loss of earnest money deposits for those who can least afford
 - ✓ Loss of appraisal and inspection fees (again for those who can least afford)
-

Impact to LMI Families

- New research shows a household's primary residence is its largest asset, and
- Continues to provide an important building block for long-term financial security

“Homeownership is a **primary source of net worth** for many Americans, and is an important step in accumulating personal financial assets over the long term,” said Randy Noel, chairman of the National Association of Home Builders and a custom home builder from LaPlace, La.

National Association of Home Builders article dated June 1, 2018, *Homeownership Is the Primary Driver of U.S. Household Wealth*

Impact to LMI Families

- We are leaving a large segment of the population out of the largest form of wealth creation in the U.S.
- Meaning there is nothing for the next generation to inherit (how wealth is created and transferred in our country)
- I would argue neighborhoods with higher levels of homeownership are stronger
- And as a corollary, I would argue that schools in neighborhoods with higher levels of homeownership are stronger (the ownership ripple effect)

Creating Solutions

How do we level the playing field against cash / pre-approved no subsidy purchasers? My answer was



- Purchase/create **housing inventory**, that:
 1. Is **not** subject to seller pressures of profit & quick sale
 2. It's owner (i.e., Foundation) does not have the same “time to close” pressure
- Because the Foundation is a not for profit, the above motivators of a typical seller **DO NOT EXIST**

Creating Solutions

- In 2017, based on the foregoing issues to LMI real estate purchasers, I talked the Bank's Board of Directors into committing \$1 million and allowing me to form the Foundation
- On 8/1/17, the Foundation was officially formed
- Filed for 501(c)(3) status 9/2017
- 501(c)(3) status was granted in 2018

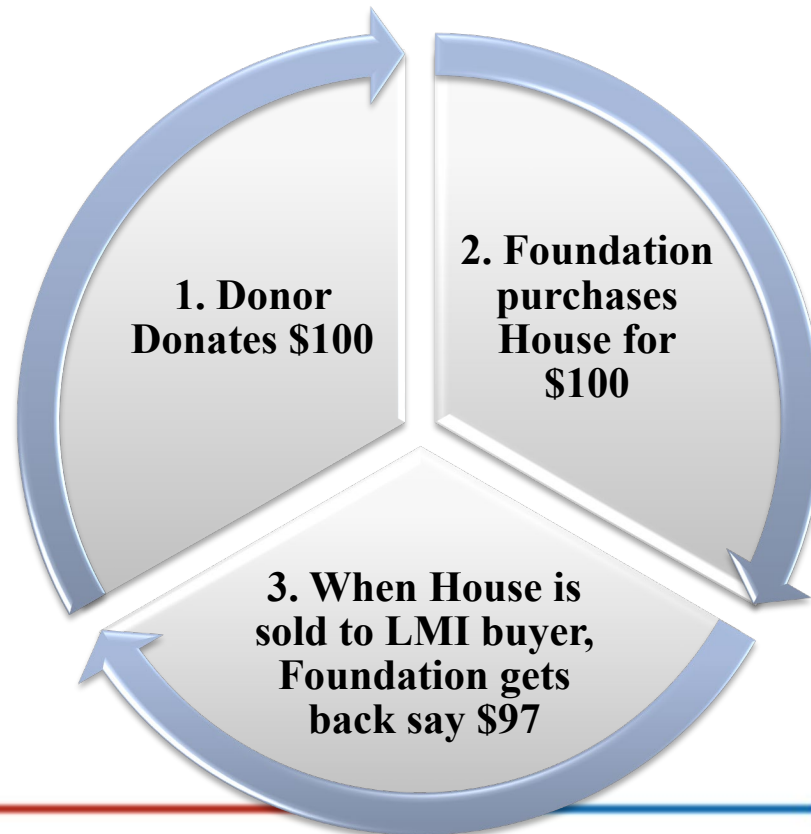
Foundation's Mission Statement

The Foundation's mission is to purchase, develop, refurbish, create, and make available affordable housing inventory to the communities' low-to-moderate income borrowers, as defined within the Community Reinvestment Act and regulations promulgated thereunder.

To that end, it will work with community organizations (both public & private), city, state and federal authorities, banks, lenders, and others with the singular mission of fostering homeownership by low-to-moderate income borrowers.

Use of Donor Funds

Use donated funds efficiently (i.e., multiple times), FNMA/GNMA was the conceptual idea:



Examples of Foundation's Efforts

- Conducted two (2) rescue transactions

What is a “rescue” transaction? Two examples follow:

- #1 Purchased a judgement that was being foreclosed on, the Foundation in an emergency hearing stopped the foreclosure & purchased the judgement from the private lender, did not foreclose on seller/borrower and allowed more time for LMI purchaser to close (every one won, seller wasn't foreclosed & retained his equity, LMI purchaser became a home owner)
- #2 Purchased home from frustrated seller who was terminating the agreement and then sold property back to LMI purchaser (purchased for \$255K and sold for \$255K)

Our First Homeowner



Ms. Marie Pierre and her Housing Counselor, Yanick Landees of Neighborhood Services of South Florida

Reality

- The Foundation needs external help (Your Help)
- Under utilized & under performing
- Can undertake transactions that are highly creative
- We need liked minded partners to help us do more

What the Foundation is not about

- Taking your publicity
- You take the credit
- You publish the press release stating what you did
- We have only one mission:
Make LMI Households Home Owners (period end of story)

How can we collaborate?



Random thoughts on Collaboration

- Lawyers
 - ✓ Ask Bank's (or collaborator's) attorneys to perform a number of closings for free to the Foundation (on deal #2 it was done)
- Bank's, within your CRA programs
 - ✓ Use to meet investment test
 - ✓ Use to meet services test
 - ✓ Use to meet lending test (rescue transaction or financing for your customer, transaction #2 of the Foundation)
 - ✓ Make a donation to the Foundation, a 501(c)(3) not for profit that will help multiple LMI families become homeowners (given our efficient use of funds, see prior slide)
 - ✓ Contribute OREO

Random thoughts on Collaboration

- Realtors
 - ✓ Bring the Foundation inventory (you'll close on your deals really quickly)
 - ✓ You will be selling to a cash buyer
 - ✓ That buyer (i.e., Foundation) will sell to an LMI buyer at its cost
- Solving for the government “subsidy” issue
 - ✓ Donor's, let's create a private subsidy where donated funds are designated as a conditional subsidy (e.g., (i) if the property is sold within a period of time, subsidy is repaid, (ii) if property is held for the required period of time, subsidy is not repaid, or (iii) subsidy is repaid without interest)

In a Nutshell, there are Three (3) Ways to Help



Time



Talent



Treasure

Foundation Contact

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THE BEST COLLABORATIONS
CREATE SOMETHING

bigger

THAN THE SUM OF WHAT
EACH PERSON CAN CREATE
ON THEIR OWN

The Foundation In The News

THE REAL DEAL

SOUTH FLORIDA REAL ESTATE NEWS

October 24, 2018

City National Bank creates foundation for affordable housing

The program is designed to give low-to-moderate-income buyers more time to secure financing

By Keith Larsen | October 24, 2018 05:30PM



(Credit: iStock)

Miami-based City National Bank has created a new affordable housing program to help low- and moderate-income families gain time to secure financing to buy homes.

The bank, which is Florida's third largest bank by assets, is creating the CNB Housing Foundation with a \$1 million donation. Under the program, the bank will purchase homes

SOUTH FLORIDA BUSINESS JOURNAL

City National Bank launches affordable housing foundation



By Ashley Porter – Reporter, South Florida Business Journal
Oct 30, 2018, 2:45pm

It's harder than ever for lower-income South Floridians to buy a home.

Miami is consistently ranked one of the worst cities in the nation for affordable housing, with only 22 units available for every 100 in need, according to the National Low Income Housing Coalition. City National Bank thinks it may have a found one solution to the problem.

The Miami-based bank has allocated \$1 million toward the establishment of the CNB Foundation to help low-income buyers get the time they need to secure financing for a home purchase. The foundation will help create housing inventory by acquiring homes from sellers, holding those homes temporarily, and then selling them at the same cost to low- to moderate-income buyers.

AMERICAN BANKER

Miami bank forms foundation to aid low- and moderate-income homebuyers

City National Bank said the foundation will buy houses and hold onto them until the buyer lines up financing

By Hilary Burns
Published October 25, 2018

City National Bank in Miami has formed a foundation to create housing options in low- and moderate-income areas.



The \$14.1 billion-asset company said in a press release Wednesday that it had committed \$1 million to the CNB Housing Foundation, which aims to help individuals and families find homes.

The foundation "will help level the playing field between cash buyers and low-income families," President and CEO Jorge Gonzalez said in the release.

"Too often in our community we see a lack of access to affordable housing because these families are at a significant disadvantage in the marketplace. Our goal is to help them overcome these hurdles and achieve the dream of home ownership."

S. Marshall Martin, City National's general counsel, will serve as the foundation's president. Michele Collie, City National's community development banker, and Isabel Lacambra, the bank's CRA director, will serve as foundation officers.

Sellers typically choose a "quick and risk-free sale to a cash buyer rather than wait for the lengthy time periods necessary for [low- and moderate-income] families to secure subsidies and financing," Martin said in the release. "If it works the way we envision it will, we hope to increase its reach and make additional investments ... to expand affordable housing inventory, and we will seek support from other companies and agencies in our community."

citybizlist

City National Bank Creates Housing Foundation To Provide Home Ownership For Low-To-Moderate Income Families

Bank donating \$1 million to launch the new not-for-profit organization

City National Bank (CNB), Florida's Big Bank Alternative, announced the creation of the CNB Housing Foundation to help create housing inventory for low-to-moderate income families and individuals.

The bank has committed to seed the Foundation with a \$1 million contribution. The Foundation will focus on helping low-to-moderate income buyers (LMI) overcome hurdles they face in the home buying process. LMI families have limited options because of a lack of inventory they can afford. The problem is made worse by

SOUTH FLORIDA BUSINESS JOURNAL

November 9, 2018



ON THE MONEY BY ASHLEY PORTER

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HOME BUYING

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"It often doesn't have the motivation to make an offer to buy a home until they have the option to choose. Bank, risk-free sale with cash buyers," said S. Marshall Martin, president of the foundation.

City National Bank's president and general counsel, S. Marshall Martin, said the foundation will work with low-income buyers from any financial institution, and will offer the bank's credit line to help them get the financing they need to secure their home loan at a time. It's also partnering with mortgage lending agencies to find more affordable housing inventory.

"We're getting the word out about CNB Foundation, and we're open to donations and partnerships," Martin said. "The more affordable housing inventory we have, the more moderate-income people become homeowners and stay in the American dream."

\$35,000 home cost of a home in the South Florida market
\$80,000 down payment
\$51,800 down payment
Home cost: \$35,000
Home: \$80,000

Questions/Thoughts/Comments?