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## Rehabbing Foreclosures Keeps One Michigan Builder In The Game

Crosswinds Communities' Bernie Glieberman is helping several Michigan cities remarket distressed homes.

By:

[John Caulfield](#)

Two years ago Bernie Glieberman realized that the foreclosure tidal wave was going to drown the ability of builders to sell houses. "I could see then that you wouldn't be able to sell anything new because you couldn't get it appraised," he recalls.

So while his home building company, Novi, Mich.-based [Crosswinds Communities](#), is all but dormant right now, Glieberman is keeping busy with a new venture, [Home Renewal Systems](#), which has capitalized on funding made available through [HUD's Neighborhood Stabilization Program \(NSP\)](#) to acquire, rehab, market, and resell foreclosed homes for several cities in Michigan.

"I started my career rehabbing homes, so when NSP started up, we were well-equipped to get into this," Glieberman tells BUILDER. In the first phase of this program, whose funds are authorized as part of the federal stimulus package, [HUD dispensed \\$3.92 billion in the form of 309 grants to 55 states and territories](#) and 254 local governments. Phase II, which took grant applications through last July 17, will allocate \$1.93 billion.

Glieberman says he raised around \$1 million from a group of investors to launch Home Renewal Systems. "The banks wouldn't touch this," he asserts. To direct his new venture's activities, Glieberman hired Shannon Morgan, whose sales and marketing background includes stints with Century 21 Gold House and Nolan Realty Investments, according to her resume on LinkedIn. On its Website, Home Renewal Systems says it is also offering education seminars, at no cost to home buyers, that walk buyers through the process and responsibilities of owning a home.

His company has entered into contracts with the Michigan towns of Inkster, Oak Park, Ferndale, Hazel Park and Westland. He says that Home Renewal Systems is keeping between 15 and 18 percent of the total project cost.

These contracts differ in their scope. For example Westland, which received more than \$2 million in NSP funding, is acquiring properties itself, and paying two companies—Home Renewal Systems and Guy Construction—\$400,000 each to manage the rehab and resale of 20 houses. According to local news reports, the awards are in the form of interest-free loans that would be returned to the city pending the proceeds of any sales.

Ferndale, on the other hand, last April 30 awarded its entire \$1.1 million NSP allocation to Home Renewal Systems, which so far has purchased 20 foreclosed homes that it is renovating and selling to qualified low- and middle-income buyers. To purchase a house, the income of a one-person household must be below \$58,700, and a percentage of the homes are being designated for buyers earning less than \$24,450. The income threshold for a four-person household would be \$83,900, with some homes designated for those households earning under \$34,950.

Marsha Scheer, Ferndale's community development director, tells BUILDER that Home Renewal won this contract partly because it was already working with the city of Inkster to rehab and sell 11 foreclosed homes under a \$400,000 agreement. Ferndale also chose this contractor over other applicants, she says, because it felt that Home Renewal Systems could implement the terms of the agreement, and because the city preferred, from an administrative standpoint, to deal with one contractor.

Home Renewal Systems was supposed to renovate between 25 and 30 houses in Ferndale by the end of November. But Scheer points out that NSP actually runs for another nine months, so the city is evaluating the progress (which she says she's been happy with) and is likely to extend the contract, possibly with more financing. (One of the 12 cities that received NSP funding through Michigan's Oakland County dropped out of the program, and the county plans to reallocate that money to the other towns based on performance.)

Glieberman sees Home Renewal Systems as "a temporary thing," and isn't sure he'll keep the company going once the housing market recovers, partly because future federal funding for foreclosure rehabs is uncertain.

As for Crosswinds, it's still in business, in a manner of speaking. It mothballed a project in Merced, Calif., and has been building out another community in Jacksonville, Fla., for a lender there. "We've worked through about 100 homes there, and have another 18 left," he says.

Like many other builders, Crosswinds is dealing with lending issues. Crosswinds and the 70-year-old Gliberman owe lenders about \$100 million, the builder confirms, noting that several banks had filed "friendly lawsuits" against his company after it defaulted on projects. "When the value of their assets dropped by 70%, the banks just couldn't sit around and do nothing." Some lenders preferred to take back property, but others have been willing to "take a lot less than the loans are worth," says Gliberman. He has struck agreements with banks over the amount of the loan deficiencies, and over what period of time he would repay the shortfall.

He wants to resume building homes again. "But the question is when. I was just on a conference call with UBS a few minutes ago, about the Florida market, which is terrible right now. And I don't know if we've hit the bottom yet in Michigan," which he points out is projected to have lost 950,000 jobs from the start of the recession through the end of 2010.

*John Caulfield is senior editor for BUILDER magazine.*

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