

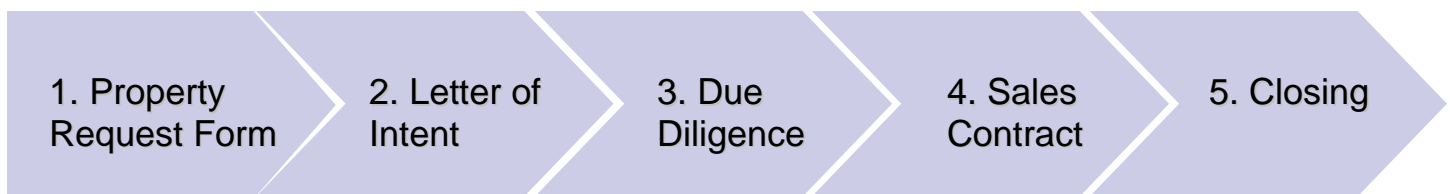
Real Estate Owned (REO) Sales for Public Entities and Nonprofits

Fannie Mae is offering a streamlined pool sales initiative to public entities and nonprofits. This program supports the effort of the Federal government to stabilize local communities affected by foreclosures and provides a way for public entities and nonprofits receiving Community Development Block Grant (CDBG) funds as part of the Neighborhood Stabilization Program (NSP) to quickly and effectively purchase REO properties. This streamlined REO sales initiative is also available to public entities and nonprofits using funds from other sources.

Background

- The Housing and Economic Recovery Act of 2008 provided \$3.92 billion in CDBG/NSP funds to states and localities. The American Recovery and Reinvestment Act of 2009 reaffirmed the CDBG/NSP funding.
- Communities receiving funds must meet HUD requirements, including income eligibility requirements, affordability requirements, and an average 15% discount to appraised value for REO properties purchased using the funds.
- Grantees must obligate all funds within 18 months of grant receipt.

Five Easy Steps for buying REO



1. Submission of a Property Request Form

STEP ONE: Submission of a Property Request Form

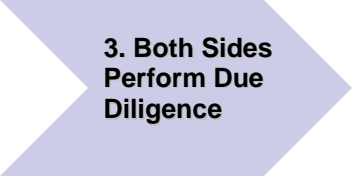
- Fannie Mae receives a completed Property Request Form from the public entity.
- Fannie Mae provides a list of all properties in “listed” and “in valuation” status that meet the desired criteria.



2. Submission of a Letter of Intent

STEP TWO: Submission of a Letter of Intent

- After reviewing the list of properties identified by Fannie Mae, the public entity submits Fannie Mae's Letter of Intent specifying which available properties are of interest.



3. Both Sides Perform Due Diligence

STEP THREE: Both Sides Perform Due Diligence

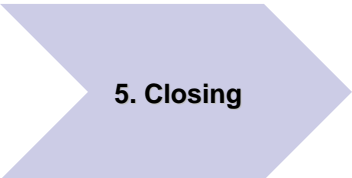
- The public entity is given access to the properties.
- The public entity commissions an appraisal for each property of interest and informs Fannie Mae via an Appraisal Order Notice.
- Fannie Mae then removes the properties from "listed" status. (Note that up until this time, any properties in "listed" status can be sold via Fannie Mae's retail channel.)
- Public entity may select from a list of suggested appraisers or may choose to engage one of their own.
- Completed appraisals are submitted to Fannie Mae for approval. Fannie Mae reserves the right to reject any appraisal.



4. Submission of a Sales Contract

STEP FOUR: Submission of a Sales Contract

- Once appraisals have been accepted, the public entity submits to Fannie Mae an executed sales contract with a deposit of 5% of the total purchase price.
- The sales contract commits the public entity to purchase the designated pool at a 15% discount to the accepted appraised value plus \$250 per property to cover deed preparation, deed recording and transfer taxes. Any other closing costs are the responsibility of the buyer.



5. Closing

STEP FIVE: Closing

- Closing takes place within five days of execution of the sales contract.
- If requested by the public entity, this process can be repeated to provide an opportunity to purchase properties that become available after the pool sale closing.

To get started, contact publicentity_reosales@fanniemae.com.