

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

Questions and Answers

1. What options does Fannie Mae have for public entities and nonprofits who want to buy Fannie Mae REO properties?

Fannie Mae has several options for public entities and nonprofits interested in purchasing REO. For organizations using Community Development Block Grant (CDBG) Funds/Neighborhood Stabilization Program (NSP) funds, we offer a streamlined execution that meets all of the program requirements. A public entity selects the properties to purchase based on its individual criteria and Fannie Mae offers a guaranteed 15% discount to appraised value regardless of location or property type.

2. Do entities have to use Community Development Block Grant (CDBG) funds/Neighborhood Stabilization Program (NSP) funds to purchase Fannie Mae REO through this initiative?

No. Any qualified public entity or nonprofit can purchase Fannie Mae REO under the streamlined program. However, preference will be given to those with readily available funds to purchase properties.

3. What organizations are eligible to participate in the public entity and nonprofit REO initiative?

Any public entity can participate. Organizations designated as NSP fund subrecipients (including local governments, regional or local planning or development authorities, and public housing authorities) are also eligible to participate, as are nonprofits.

4. How many properties make up a pool sale? What if an entity is interested in only a few specific properties?

We would prefer that a minimum of 10 properties be included in any individual pool sale under the initiative; however, in localities where there are fewer properties available, we will allow pools of 5 or more properties. Fannie Mae will provide public entities with a list of properties based on the entity's requested property characteristics. An entity is never required to buy the properties until a sales contract is executed and a deposit is made to Fannie Mae. In addition, entities can purchase individual properties through a retail execution. Details are available at www.homepath.com.

5. How does the public entity know which REO properties Fannie Mae owns in a particular community?

Fannie Mae REO properties are listed on www.homepath.com. In addition, public entities can get a list of specific properties in both "for sale" and "in valuation" status by completing a Fannie Mae Property Request Form. On this form, the entity will be asked to list the ZIP codes, property types, and property prices that are of interest. In return, Fannie Mae will provide a list of properties that meet the requirements.

6. What are the benefits of participating in the initiative?

The primary benefits of the initiative are speed and certainty of execution, consistency with federal NSP requirements (including the provision of a 15% discount from a current appraisal), and an ability to compose property pools based on individual state and locality needs. In addition, since the initiative includes both properties in "listed" and "in valuation" status, participating entities have the opportunity of getting an early look at new REO properties before they are listed for sale to the

general market. Participating entities may also be interested in Fannie Mae's Community Express[®] short term (24-month) loan product to bridge federal funds. Loan proceeds can be used for predevelopment, acquisition, development, construction, or rehabilitation of housing and re-lending for housing purposes.

7. How does a public entity go about participating in the initiative?

Interested public entities should request and complete a Property Request Form indicating which property types they are interested in purchasing. In return, Fannie Mae will provide a list of properties that fit these requirements. If the public entity is still interested after reviewing the list of properties, it would submit Fannie Mae's Letter of Intent specifying which properties it is interested in buying at a 15% discount to current appraisal.

8. If an entity submits a Property Request Form, is the entity committed to buy the properties?

A public entity is not committed to buy any property until a sales contract is executed and a deposit is made to Fannie Mae.

9. Will Fannie Mae take the properties off the market once a public entity submits a list of the properties in which it is interested?

No. The properties will remain on the market in "listed" status until Fannie Mae receives an Appraisal Order Notice that says a public entity is commissioning an appraisal.

10. Who is responsible for providing the current property appraisal to meet HUD NSP guidelines?

The public entity is responsible for securing and providing necessary appraisal documentation. Using the Appraisal Order Notice, the public entity should notify Fannie Mae that it has engaged appraisals for the specified list of properties and then will have 15 days to provide Fannie Mae with completed appraisals. Fannie Mae will then have 10 days to review the appraisals and can accept or reject an appraisal and the associated property value. If Fannie Mae accepts the appraisal and the associated property value the 15% discount will be taken off the appraisal price.

11. Who pays for the property appraisal?

The public entity is responsible for securing and paying for property appraisals. Fannie Mae will provide a list of suggested national appraisal management firms who will engage local appraisers to perform the appraisal. If Fannie Mae rejects an appraisal from one of the suggested national firms, Fannie Mae will pay for the appraisal. If Fannie Mae rejects an appraisal from a firm that is not on the suggested national firms list, then the public entity will pay for the appraisal.

12. How much time does the public entity have to complete due diligence?

Fannie Mae gives public entities 10 days from the time they receive their original list of properties to decide which properties are of interest. When Fannie Mae receives this list of properties and a Letter of Intent, the public entity will receive access to the properties and can start contracting for appraisals. Once Fannie Mae receives an Appraisal Order Notice, the property will be removed from our retail database. The public entity then has 15 days from the completion of the final appraisal to submit an executed sale contract, deposit and a final list of the properties it wants to buy. During this 15 day period Fannie Mae will be allowed 10 days to review and approve or reject the appraisal and provide the entity with the sales contract. The entity then has 5 days to return the executed sales contract. In all, the process takes about 60 days.

13. How does the public entity gain access to the properties?

Upon execution of the Letter of Intent, Fannie Mae will provide lock box codes and instructions on accessing the properties.

14. How much is the deposit that must be submitted with the sales contract?

The deposit is equal to 5% of the total purchase price and must be received within two days of Fannie Mae's receipt of the executed sales contract.

14. Who pays for the closing costs on the properties?

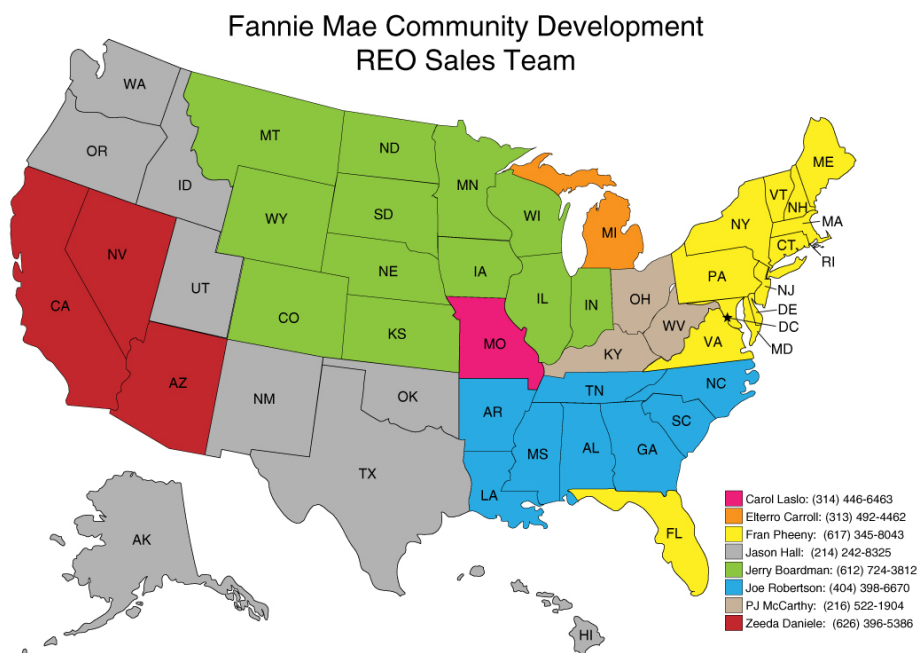
All closing costs are the sole responsibility of the buyer (including a \$250 per property fee for deed preparation, recordation of the deed and transfer taxes).

15. Are there any representations and warranties on the REO properties?

The sales contract provides that the properties are being conveyed to buyer on an "as is" basis. We will represent and warrant to buyer that the deeds will convey good and marketable title, free of all liens and encumbrances except (i) all easements, rights of way, covenants and restrictions of record, (ii) current and future real estate taxes and assessments, and (iii) zoning and all other governmental laws and regulations. We will pay for all real estate taxes due and payable on each property up to the date of closing (but, in the case of any such taxes due and payable with respect to a tax period ending after closing, we will pay only a ratable amount of such taxes as corresponds to any portion of such period occurring prior to closing).

16. Who should public entities contact if they need additional information?

For more information about how Fannie Mae can assist public entities under this initiative, please email PublicEntity_REOSales@fanniemae.com or contact the representative for your area. See map and full listing below.



Fannie Mae Community Development REO Sales Team (by state)

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