

Public Entity Streamlined Real Estate Owned (REO) Sales Initiative

Questions and Answers

1. What is the public entity Streamlined Real Estate Owned (REO) Sales Initiative?

The initiative enables public entities to purchase Fannie Mae REO properties in a pool using a streamlined execution that meets all of the requirements of the federal Neighborhood Stabilization Program (NSP) that provides funds to states and localities for a range of neighborhood stabilization needs. The public entities select the properties to purchase based on their individual criteria and needs and the sales process is streamlined by offering entities 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 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 REO initiative?

Any public entity can participate. Nonprofits or other organizations designated as NSP fund subrecipients (including local governments, regional or local planning or development authorities, and public housing authorities) would also be eligible to participate.

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

A minimum of 10 properties is required for any individual pool sale under the initiative. 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.

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

To find Fannie Mae REO properties in a particular area, a public entity should simply complete a 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 in "for sale" and "in valuation" status 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, and 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 a first look at new REO properties before they are listed for sale to the general market. Participating entities may also qualify for Fannie Mae's Community Express® financing.

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 a letter of intent to Fannie Mae 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 a signed sales contract and deposit from the public entity.

10. What if some of the properties that Fannie Mae lists do not have an appraisal within 60 days?

As part of the Letter of Intent submitted by the public entity, the entity can request that Fannie Mae order refreshed appraisals for those properties with appraisals that will be more than 60 days old as of the date that the public entity would be required to submit a signed sales contract. The 15% discount will be taken off the most recent appraisal price. If the public entity decides not to buy a property after the refreshed appraisal has been conducted, the public entity will be responsible for one half of the appraisal cost for that property.

11. Who pays for the property appraisal?

Fannie Mae pays for property appraisals. However, if the public entity decides not to buy a property after the refreshed appraisal has been conducted, the public entity will be responsible for one half of the appraisal cost for that property.

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 they are interested in. When Fannie Mae receives this list of properties and a Letter of Intent, the public entity will receive access to the properties and may request that refreshed appraisals be ordered for those properties that need them. The public entity then has 10 days from the completion of the final appraisal to submit an executed sale agreement, deposit and a final list of the properties it wants to buy.

13. 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 accepting the final list of properties.

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

The public entity will pay closing costs of \$250 per property at the time of closing.

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

The contract notes that the properties are sold “as is” at the time of closing. We will provide a representation regarding the existence of a clean title.

16. Are Fannie Mae’s appraisals in conformity with the requirements set forth in the NSP guidelines?

Yes. Fannie Mae’s appraisals are conducted according to Uniform Standards of Professional Appraisal Practice (USPAP) standards including the Supplemental Standards Rule and the Jurisdictional Exception Rule of the USPAP when applicable. The NSP guidelines state that the appraisal must meet the requirements of the URA at 49 CFR 24.103, which state USPAP as the standard for appraisals.

17. 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 contact David Elam at 404-398-6077 or at david_elam@fanniemae.com.