Fannie Mae REO and Neighborhood Stabilization: A Guide for Public Entity and Non-Profit Buyers
Foreclosure Recovery: Rebuilding Neighborhoods
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# Meet Your Goals

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<tr>
<th>You want...</th>
<th>Fannie Mae provides...</th>
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<tr>
<td>…an equitable opportunity to place responsible occupants in quality homes and keep speculation at bay</td>
<td>- A “First Look” at properties for buyers using public funds</td>
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<td>- A reserved contract period that gives buyers a chance to renegotiate after obtaining an appraisal</td>
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<td>- An initiative designed to work with HUD’s Neighborhood Stabilization Program (NSP)</td>
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<td>- A dedicated team to help navigate the process</td>
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<td>- An earnest money waiver for public entities and a discount for individuals (can be as little as $500)</td>
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<td>…to implement strategic neighborhood revitalization within the constraints of limited capital and capacity</td>
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<td>- Extra time for due diligence and closing</td>
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<td>…to ensure a healthy living environment for residents within your jurisdiction</td>
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Initiative Overview: First Look

Fannie Mae has a new initiative designed to help public entities, nonprofits, individual homebuyers and certain for-profit entities that use public funds for the purchase of a Fannie Mae-owned property. Included is a new “First Look” opportunity designed to help individuals and organizations using public funds.

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<th>First Look</th>
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<td>During the first 15 days a property is listed for sale, only offers from owner-occupants, public entities or their designated partners will be considered.</td>
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Initiative Overview: Additional Benefits

The initiative offers these additional potential benefits:

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<th>Reserved Contract Period</th>
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<td>Upon receipt of an acceptable offer, buyers have the option to renegotiate their offer after obtaining an NSP-required appraisal.</td>
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<th>Deposit Waivers</th>
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<td>Fannie Mae will waive the earnest money requirement for public entities* using NSP funds to purchase a Fannie Mae-owned property.</td>
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<th>Extra Time</th>
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<td>The NSP buyer receives up to 45 days to close - 15 days more than is usually permitted for purchases of Fannie Mae-owned properties.</td>
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*Individual homebuyers using NSP funds to purchase a Fannie Mae-owned property do not have to meet the full 5% earnest money requirement. Deposits can be as low as $500.
Possible Funding Sources

- Neighborhood Stabilization Program (NSP) funds
- Other types of public funds that may be used include, but are not limited to:
  - Community Development Block Grant (CDBG)
  - HOME Investment Partnerships Program funds
  - Housing trust funds
  - Charitable foundation funds
  - Leveraged private financial institutions and/or consortium funding
Neighborhood Stabilization Program Background

- The Neighborhood Stabilization Program (NSP) was established by the U.S. Department of Housing and Urban Development (HUD) for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
- Funding allocated in two rounds
  - Round 1 consisted of $3.92 billion, allocated by formula to states and localities
  - Round 2 will consist of $1.93 billion disbursed by competitive application
- Recipients of NSP funds must meet HUD requirements, including
  - income eligibility requirements
  - affordability requirements
  - a minimum 1% discount to appraised value for properties purchased using the funds
  - must obligate the funds within 18 months of receipt and spend them within four years.

www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg
NSP - Buyer* Responsibilities

Step 1: Identify Properties

Step 2: Make an Offer

Step 3: Due diligence (including URA appraisal)

Step 4: Final offer

Step 5: Closing

*In the context of this presentation, “Buyer” refers to a public entity or a designated nonprofit or for-profit partner.
NSP - Buyer Responsibilities

Step 1: Identify Properties

- Secure a “proof of NSP eligibility” form from public entity (if buyer is not a public entity)
- Research and visit homes that meet NSP program requirements, including Fannie Mae-owned homes (www.homepath.com)

Outcomes/Goals:
- NSP eligibility determined by public entity
NSP - Buyer Responsibilities

- HomePath.com allows potential buyers to search through Fannie Mae’s REO inventory to find properties that meet their criteria.

- HomePath.com has a new feature, Property Alert, which e-mails subscribers when properties come on the market in their desired ZIP code.
NSP - Buyer Responsibilities

- HomePath Property Alert subscription is easy.
- This is a great way to keep track of new listings in target NSP zip codes.
NSP - Buyer Responsibilities

**Step 2: Make an offer**

- **Verify** that the targeted property meets NSP program requirements
- Communicate to Fannie Mae listing broker that the offer will be using NSP funds – and specify the local NSP program-required discount
- Obtain from the Fannie Mae listing broker the local or state contract and the Fannie Mae purchase addendum document
- Work with a real estate sales professional and the Fannie Mae listing broker to submit an initial offer
- Initial offer may be subject to negotiation if Fannie Mae does not approve initial offer

**Outcomes/Goals:**

Eligible property identified and initial offer made
NSP - Buyer Responsibilities

Step 2: Make an offer (continued)

- When submitted, an **initial offer should include**:
  - Proof that the buyer is eligible for NSP assistance (if buyer is not public entity)
  - Purchase addendum, which will specify the NSP discount the public entity requires
  - Specified closing date (within a maximum 45 days after acceptance of the offer by Fannie Mae)
  - Any other requirements that are important to the buyer

Outcomes/Goals:
- Eligible property identified and initial offer made
NSP - Buyer Responsibilities

Step 3: Due diligence

- If the initial offer is accepted, inspect property and procure a **Uniform Residential Appraisal (URA)** within 10 days of offer acceptance. Copies are sent to the public entity and the lender.

- **Submit revised offer** within five days of receipt of URA appraisal if initial offer is not NSP-compliant and the buyer needs to renegotiate. Otherwise, the initial offer becomes final and buyer proceeds to Step Five.
  - Be sure to **communicate URA value** to the Fannie Mae listing broker.
  - A maximum of 15 days are allowed from original contract date to resubmit offer.
  - Obtain from the Fannie Mae listing broker a **contract amendment** stating the final offer.

Outcomes/Goals:

- Appraisal obtained, contract amendment with final purchase price developed.

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NSP - Buyer Responsibilities

- If necessary, **sign the contract amendment** and submit it to the Fannie Mae listing broker.
- The **signed contract, along with signed amendment (if necessary), represents the final offer**, which will be reviewed by Fannie Mae and any applicable third parties.

**Outcomes/Goals:**
- Contract amendment signed
NSP - Buyer Responsibilities

Step 5: Closing

- If the final offer is accepted, **follow the traditional process for closing** on the home.
- **Coordinate with the NSP funds provider** to determine specific requirements for accessing funds and closing on the property (for designated partners, if necessary).

Outcomes/Goals:

- Homebuyer moves into new home
How to Get Started

- Talk with your Fannie Mae representative (see map on following page)
- E-mail: PublicEntity_REOSales@fanniemae.com
Local Contacts

Southeast (excluding Florida):
Joe Robertson
Phone: 404-398-6670
Joe_robertson@fanniemae.com