

Public Entity Streamlined REO Sales Initiative

Fannie Mae is offering a streamlined bulk sales program to public entities receiving Community Development Block Grant (CDBG) funds as part of the Neighborhood Stabilization Program (NSP). This program supports the effort of the Federal government to stabilize local communities affected by foreclosure and will provide a way for public entities to use the CDBG/NSP funds quickly and effectively to purchase REO properties.

Background

- The Housing and Economic Recovery Act of 2008 provided \$3.92 billion in CDBG funds to states and localities.
- 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.

Program Details – A Four-Part Execution

1. Submission of Property Request Form

- Fannie Mae receives a completed Property Request Form from the public entity showing the zip codes, property types, and property prices that the entity is interested in buying in bulk
- Fannie Mae compiles all properties in “listed” and “in valuation” status that meet these criteria and shares the list with the public entity.
- During this time, any properties in “listed” status can be sold via the retail channel if there is an offer made prior to executing a bulk sale contract with the public entity.

2. Submission of Letter of Intent

- If the public entity is interested in participating in the initiative based on the properties identified by Fannie Mae, the entity would submit a letter of intent to Fannie Mae specifying which properties it is interested in buying at a 15% discount to current appraisal.
- The public entity is given access to the properties to conduct due diligence.
- For requested properties with old appraisals (older than 60 days old as of the date that the public entity plans to submit a signed sales contract), the letter of intent would request that Fannie Mae complete refreshed appraisals.

- In making this request, the public entity would agree to pay for one half of the cost of any refreshed appraisals for properties that it later chooses not to buy (for properties that the public entity purchases, Fannie Mae will pay 100% of the refreshed appraisal cost).
- Upon receipt of the letter of intent, Fannie Mae will refresh all old appraisals requested in the letter of intent and will provide the new appraisals to the public entity for review.
- The public entity has 10 business days from receipt of the appraisals to decide which properties (minimum of 10) it wants to request for purchase.

3. Submission of Sales Contract

- If the public entity chooses to proceed with the bulk sale, the entity would submit to Fannie Mae an executed sales contract with a good will deposit of 5% of the total purchase price and a list of the properties that it wants to buy.
- Upon receipt of the contract and good will deposit, Fannie Mae will take off the market any requested properties that are still in for sale status and will sell those in bulk to the public entity at a 15% discount to the current appraisal plus \$250 per property in closing costs.

4. Closing

- Closing would be required to take place within 30 days.
- If requested by the public entity, this process can be repeated to provide an opportunity to purchase properties that become available after the bulk sale closing.