

## Using Public Funds to Purchase Fannie Mae REO Properties

### Background

The U.S. Department of Housing and Urban Development's (HUD) Neighborhood Stabilization Program (NSP) was established to stabilize communities that suffer from foreclosures and abandonment.

To actively support the NSP and similar programs that use public funds, Fannie Mae is working with public entities and nonprofits to match their interests with Fannie Mae's REO inventory.

### Public Funds Types

Listing brokers will inform their Fannie Mae Sales Representative or Asset Management Provider of offers involving NSP funds or public funds by noting in the offer comments. Other types of public funds that may be used include, but are not limited to:

- Community Development Block Grant (CDBG) funds (HUD- funded)
- HOME Investment Partnerships Program funds (HUD-funded)
- Housing trust funds (local)
- Charitable foundation funds (local or national)



### First Look Initiative

To support sales to owner occupants, public entities and their designated partners, the opportunity for a "first look" will be added to the marketing process.

- Effective immediately, during the first 15 days a property is in MLS, only owner occupant offers or those from a public entity or designated partner will be considered.
- All properties must still be listed in MLS for a minimum of three days before an offer response is given to the owner occupant or public entity.
- If the property has not sold during the first 15 days, investor offers may be entertained.

### An overview of changes to the process includes:

#### Inspection Period

During the 10-day inspection period that is referenced in Section 5A of the Fannie Mae Purchase Addendum, the purchaser is expected to obtain the required URA appraisal.

#### Sales Price

All sales prices are negotiated on a case-by-case basis.

Offers utilizing NSP funds require a minimum discount of 1% off the URA Appraisal. At the time the offer is submitted, the buyer provides documentation of eligibility for public funds assistance and communicates the specified discount.

- Designated discounts will vary based on the percentage that is specified in the statement of NSP eligibility. Typical discounts will range between 1% and 15%.
- Properties valued at under \$25,000 may be valued based on alternative methods such as a broker price opinion and may not require a further discount.

#### Earnest Money

The earnest money deposit requirement is waived for public entities or their designated partner. Individuals purchasing properties using public funds must provide an earnest money deposit of at least \$500.

#### Seller Concessions

Concessions for closing costs and repairs will be negotiated on a case-by-case basis. When negotiating concessions, anticipate the affects of the required discount when the URA appraisal is received.

#### **Multiple Offer Procedure**

The goal of the Fannie Mae Multiple Offer Procedure is to allow all interested purchasers the opportunity to present their "best and final" offers. The listing agent will send the Fannie Mae Multiple Offers Notification and Acknowledgement Form to all selling agents; this form must be returned to the listing agent by the specified time for submission to the seller.

### Contract/Purchase Addendum

In an effort to comply with the requirements for utilizing NSP funds, Fannie Mae has developed supplemental verbiage to be included in Section 38 of the Fannie Mae Real Estate Purchase Addendum.

Please ensure the Contract/Purchase Addendum follows these rules:

- In section 38, add the note: "See "Supplement to the Real Estate Purchase Addendum" attached hereto and incorporated herein by this reference."
- Include specific addendum language in Section 38 related to a NSP transaction.
- Remove additional addenda which may be submitted on behalf of a public entity or designated partner. *This also applies to non-NSP transactions.*
- Deed restrictions will be waived for public entities or their designated partners.

The appraisal must be received within 15 days from acceptance. After the URA appraised value is received, the purchaser has five days from date of appraisal to request an adjusted sales price based on the required discount. If Fannie Mae does not agree with the appraisal or a renegotiated sales price can not be reached within five days, either party may terminate the contract by executing the Fannie Mae Termination form. The decision to terminate based on the URA appraisal will be made by the PE Sales Rep.

### Closing Timeline

For NSP purchases, allow 45 days to close. Purchasers may request extensions as circumstances dictate.