



FHFA Solicits Investors for REO-to-Rental Sales

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The [Federal Housing Finance Agency](#) (FHFA) on Wednesday issued a notice to investors interested in buying government-owned REOs in bulk for use as rental properties, encouraging them to register with [Fannie Mae](#) in order to pre-qualify as an eligible bidder.

FHFA says the first pilot transaction will be announced in the “near-term.” During the pilot phase, Fannie Mae will sell off pools of various types of assets, including rental properties, vacant properties, and nonperforming loans, with a focus on the hardest-hit areas.

These pilot sales represent the initial stage of the government’s Real-Estate Owned (REO) Initiative announced in August 2011, when FHFA issued a Request for Information (RFI) seeking input on options for selling single-family REO properties held by Fannie Mae, [Freddie Mac](#), and the [Federal Housing Administration](#) (FHA). The agency received more than 4,000 responses from industry stakeholders.

The REO Initiative will allow qualified investors to purchase pools of foreclosed properties from government housing agencies with the requirement that the properties be rented out for a specified number of years.

“This is an important step toward increasing private investment in foreclosed properties to maximize value and

stabilize communities,” said Edward DeMarco, acting director of FHFA. “I am grateful for the collaborative effort by the many stakeholders including investors, nonprofit organizations, and state and local government officials, who have worked together on this Initiative.”

FHFA says pre-qualification of participating investors ensures they have the financial capacity and operational expertise to manage properties so that their efforts support the stabilization of communities that have been hit hard by the housing downturn.

The pre-qualification process requires those interested in receiving information regarding specific pilot transactions to meet certain minimum criteria. Beyond providing proof that they have the financial means to acquire the assets and the experience and knowledge to assume the risks associated with such an investment, FHFA says prospective investors must agree to keep certain information about the REO and related matters confidential.

The purpose of the REO Initiative pilot is to examine investor interest in various types of assets, including the location, size, and composition of pools of assets, as well as the ways in which investors maximize the participation of experienced local firms and organizations to provide the services and

support needed to ensure community stabilization. The agency is also looking at which types of transactional structures and financing improve both sellers' returns and home values in the impacted markets.

Interested investors can register to pre-qualify at [FHFA's REO Initiative](#) page on the agency's website.

FHFA says it is also looking at ways to improve REO sales to homeowners and small investors by enhancing the GSEs' existing retail sales strategies. Both Fannie Mae and Freddie Mac sell the majority of their REO properties to owner-occupants at close to market value.

As of the end of the third quarter of 2011, Fannie Mae had 122,616 single-family REO properties on its books and Freddie Mac held 59,596.

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