



FANNIE MAE "FIRST LOOK" Acquisition Checklist

In August 2009, Fannie Mae (FNMA) introduced an initiative designed to help individual homebuyers, public entities, non-profits and certain for-profit entities that use public funds have the first option to look at and purchase FNMA properties during a defined period upon listing the property for sale. Under the "First Look" initiative, during the first 15 days a FNMA property is listed for sale, only offers from owner-occupants, public entities or their partners will be considered for purchase from FNMA. Offers from investors can be submitted, but won't be considered until after the initial 15 days of listing expires. Examples of public funds include: Neighborhood Stabilization Program (NSP), CDBG, HOME, CalHome, Redevelopment Funds, among others.

In El Cajon, the "First Look" initiative will assist to increase owner-occupancy for qualified buyers in El Cajon who utilize the American Dream and California Dream First-Time Homebuyer Programs which use HOME and Redevelopment Funds. However, Fannie Mae has specific requirements, addendums and timelines that must be followed in order to participate. Therefore, submission of an offer for any Fannie Mae (FNMA) REO property under the "First Look" initiative, with use of City or Agency funded First-Time Homebuyer Programs, **MUST** include the following items¹:

I. Pre-Offer Process:

- Buyer(s) must have been pre-qualified for one of the City First-Time Homebuyer Programs;
- Buyer(s) must have been pre-qualified for a first mortgage from a Participating Lender (see City Participating Lender List);
- Buyer(s) must have attended an approved Homebuyer Education Class (see City list of Approved Homebuyer Education Providers);

II. Locate and make an offer on Fannie Mae REO Property:

- Search <http://www.homepath.com/> for Fannie Mae owned properties;
- Your real estate agent must prepare a Offer to Purchase and submit to the FNMA listing agent, which must include:
 - the purchase price, plus not less than the minimum NSP required 1% discount;
 - the FNMA "Supplement to the Real Estate Purchase Addendum", citing NSP/public funds partner of the City of El Cajon;
 - a copy of the City of El Cajon pre-approval letter;
 - a copy of the first mortgage pre-approval letter;
 - copy of an approved homebuyer education certificate
 - earnest money deposit of not less than \$500
 - closing date of not more than 45 days
 - any additional documentation to be submitted to FNMA for consideration

FNMA will typically not look at offers during the first three (3) days after MLS listing. Once an offer is submitted to the FNMA listing agent, the offer must be submitted to FNMA within 48-hours of receipt.

III. Upon FNMA acceptance of the offer to purchase REO Property:

- Inspect the property (a certified home inspector is recommended);
- Procure a Uniform Residential Appraisal (URA) within ten (10) days of FNMA offer acceptance;
 - If the URA value comes in less than the accepted offer, your real estate agent must submit a revised offer within five (5) days of receipt of the URA, if the initial offer is not NSP-compliant and the buyer needs to renegotiate (a maximum of 15 days is allowed from original contract date, otherwise the initial offer becomes final).
 - Obtain, prepare and execute from the FNMA listing broker a **contract amendment** stating the final purchase (if different from the initial offer price, minus not less than the NSP required 1% discount).
 - **The signed contract, signed contract amendment (if applicable), represent the final offer, which will be reviewed by FNMA and any necessary parties, such as the lender and public entity.**
- Proceed with steps II. Through IV. of the City "Loan Submission Checklist & Stacking Order" sheet to complete the purchase process.

For more information on the Fannie Mae "First Look" initiative and Fannie Mae-owned properties, please go to www.homepath.com to locate properties and FNMA listing brokers in a searchable database.

City First-Time Homebuyer application packages, using the "First-Look" initiative, should be directed to: **City of El Cajon, Department of Redevelopment and Housing, 200 Civic Center Way, El Cajon, CA 92020-3996.** For questions, please call: (619) 441-1768. Fax: (619) 441-1595.

¹ Please note that this checklist is meant to be a guide and may not be all-inclusive of FNMA "First-Look" requirements. Please contact a FNMA listing broker for more specifics.

SUPPLEMENT TO THE REAL ESTATE PURCHASE ADDENDUM

REO _____

Address _____

"The Purchaser represents that the Purchaser intends to occupy the Property as the Purchaser's principal residence and that the Purchaser is eligible for Neighborhood Stabilization Program (NSP) funds through _____ [insert name of NSP funding entity or designated partner] (the "Agency"). The purchase price for a property acquired with Agency NSP funds must be not more than ____ % (the "Agency NSP Discount Percentage) less than the appraised value of the Property (the "NSP Appraised Value"), as determined by a URA appraisal or other evidence of value acceptable to the Agency and obtained by the Purchaser at no expense to the Seller (the "NSP Appraisal"). The NSP Appraised Value less an amount equal to the Agency NSP Discount Percentage is the "Agency Maximum Purchase Price". Accordingly, the following additional provisions apply to this Agreement:

- (a) Promptly following the Purchaser's execution of this Agreement, the Purchaser shall provide to Seller or Seller 's agent evidence of (i) the Purchaser's eligibility to receive NSP funds through the Agency and (ii) the NSP Appraised Value, each in such form as the Seller shall reasonably require, and shall provide a copy of the NSP Appraisal to the Seller or to the Seller's agent upon request.
- (b) If the Purchase Price stated in the Contract is less than the Agency Maximum Purchase Price, the Purchase Price stated in the Contract shall be the Purchase Price for the Property. If the Purchase Price stated in the Contract is more than the Agency Maximum Purchase Price, the Purchaser shall have until the earlier of (i) 5 days after the Purchaser's receipt of the NSP Appraisal or (ii) 15 days after the date of this Agreement (the "Purchase Price Negotiation Deadline") in which to negotiate a modified purchase price that conforms to Agency NSP requirements.
- (c) If (i) the Purchaser does not obtain a NSP Appraisal prior to the Purchase Price Negotiation Deadline or (ii) the Purchase Price stated in the Agreement is more than the Agency Maximum Purchase Price and the Purchaser and the Seller are unable to agree upon a modified purchase price prior to the Purchase Price Negotiation Deadline, either the Purchaser or the Seller shall have the right to terminate the Contract as provided in Section 18 of this Addendum, in which event the Seller shall return the Purchaser's earnest money deposit and the parties shall have no further obligation under this Agreement except as to any provision that survives termination pursuant to Section 24 of this Addendum.
- (d) The Seller's obligations under this Agreement are contingent upon the Seller's and the Purchaser's voluntary approval of the Purchase Price as negotiated pursuant to this Addendum. If the Purchase Price negotiated on the basis of the NSP Appraised Value (the "Appraisal Price") differs from the Purchase Price offered by the Purchaser in the original Contract, and the Seller and the Purchaser approve the Appraisal Price, the Seller and the Purchaser shall sign an amendment to this Contract stating that the Appraisal Price is the Purchase

PURCHASER (Initials) _____

SELLER (Initials) _____

Price (the "Purchase Price Amendment"), and the Purchase Price shall be as stated in the Purchase Price Amendment. If the Seller does not approve the Appraisal Price, or if either the Seller or the Purchaser does not sign the Purchase Price Amendment, the Seller shall have the right to terminate this Contract as provided in Section 18 of this Addendum, in which event the Seller shall return the Purchaser's earnest money deposit and the parties shall have no further obligation under this Agreement except as to any provision that survives termination pursuant to Section 24 of this Addendum. If the Appraisal Price is the same as or greater than the Purchase Price offered by the Purchaser in the original Contract, no Purchase Price Amendment will be required and the parties will proceed to closing on the original Contract terms using the Purchase Price as stated in the Purchaser's original offer.

- (e) The Seller acknowledges that Federal financial assistance will be used in the transaction and that if agreement cannot be reached through negotiation, as evidenced by both parties' execution and delivery of the Purchase Price Amendment, the acquisition will not take place. The Seller is familiar with NSP, understands its appraisal and pricing requirements, and agrees voluntarily to any purchase price discount negotiated pursuant to clause (b) of this Section 38. The Seller further acknowledges that the Purchaser is acquiring the Property voluntarily and is not using any power of eminent domain to acquire the Property.
- (f) At or prior to closing, the Purchaser shall deliver to the Seller a Statement of NSP Eligibility issued by the Agency. The Purchaser is responsible for satisfaction of all Agency requirements to maintain NSP eligibility. The Seller's obligations under this Agreement are contingent upon the Purchaser's NSP eligibility, provided, however, that if the Purchaser does not receive NSP funds at closing, the Purchaser will have the right to close using non-NSP funds. If the Purchaser does not receive NSP funds and does not elect to close using other funds, the Seller shall have the right to terminate this Agreement as provided in Section 18 of this Addendum, in which event the Seller shall return the Purchaser's earnest money deposit and the parties shall have no further obligation under this Agreement except as to any provision that survives termination pursuant to Section 24 of this Addendum.
- (g) If the Seller terminates this Agreement for any reason permitted under the Contract or this Addendum, the Seller shall have no obligation to pay or reimburse the Purchaser for the Purchaser's Closing Costs or for the cost of the NSP Appraisal or for any other costs associated with NSP."

PURCHASER (Initials) _____

SELLER (Initials) _____