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## LAW ALERT

### FHFA BEGINS FIRST PHASE OF REO-TO-RENTAL PROGRAM

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On Monday February 27<sup>th</sup> the Federal Housing Finance Agency (FHFA) issued a notice inviting interested parties to submit applications to demonstrate financial capacity, experience, and specific plans for purchasing Fannie Mae foreclosed/real estate owned (REO) properties in the hardest hit metropolitan areas including Los Angeles/Riverside in California. Properties once purchased must be rented for a specified number of years. This initial offering includes 2,490 properties. More information may be found at [www.fhfa.gov](http://www.fhfa.gov) on the [REO Asset Disposition page](#).

This announcement is the next step in a program first introduced on August 10, 2011 by the FHFA, HUD, and the Department of the Treasury through a Request for Information (RFI) seeking ideas on how the government could dispose of REO properties held by Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA). The FHFA received more than 4,000 responses to the RFI. In a summary of the responses issued November 30, 2011, the FHFA listed the following strategies necessary for any proposal to meet the policy objectives: (i) support neighborhood stabilization; (ii) ensure responsible ownership; (iii) ensure quality property management; (iv)

facilitate nonprofit participation; (v) integrate housing counseling; and (vi) enhance long-term affordability.

The pre-qualification process requires interested parties to meet certain minimum criteria including providing proof that they have the financial capability to acquire the properties, and sufficient experience and knowledge to bear the risks associated with the acquisition of the properties.

Among other listed qualifying entities, corporations, partnerships, limited liability companies, 501(c)(3) entities, units of general local government, state agencies, or a wholly-owned subsidiary of any such entity, may qualify for the program provided that the entity has total assets in excess of \$5 million and was not formed for the specific purpose of acquiring the properties. In addition, a qualifying entity must either be in the business of buying, selling, developing, or managing real estate, or otherwise deal in the ordinary course of its business in real estate. These and other qualification requirements may be found at [www.fhfa.gov](http://www.fhfa.gov) on the [REO Asset Disposition page](#).

For more information please call Isabel Brown or any other attorney at Goldfarb & Lipman.

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