

# Buyers Guide

For a Fannie Mae-owned Home



Whether you're buying your first home or your fifth, the experience can be exciting, confusing, overwhelming and wonderful – all at once! Buying a Fannie Mae-owned home isn't much different. You want to make sure it's the right home for you, that it's affordable, that you work with a real estate professional you trust, and that you get the financing you need. However, there are other things about purchasing a Fannie Mae home you should be aware of.

This Buyers Guide – while it doesn't cover everything – should better prepare you to consider and assist you with the purchase of a Fannie Mae home. More information is also available online at [www.homepath.com](http://www.homepath.com).



Our goal is to sell properties in a timely manner in order to minimize the impact on the neighborhood.

## Why does Fannie Mae have properties for sale?

While we work with our partners to help homeowners avoid foreclosures, sometimes foreclosures are unavoidable. When they do occur on mortgages in which Fannie Mae is the investor, our goal is to sell those properties in a timely manner in order to minimize the impact on the neighborhood.

## How does Fannie Mae sell its homes?

We use local real estate professionals to prepare, maintain, and list our properties for sale. All our properties are listed on our website – [www.homepath.com](http://www.homepath.com) – and most have photographs, property descriptions and other details, like school and neighborhood information.

## Do I have to use a special real estate agent?

No. You may work with any real estate sales professional to submit an offer on our properties. However, Fannie Mae only accepts offers through our real estate listing agents. Also, it's a good idea to pick an agent who has some experience with foreclosure sales.

## Buyers Guide for a Fannie Mae-owned Home

### OKAY, LET'S GET STARTED

If you've heard it once, you've heard it a hundred times - be prepared! Buying a house is a huge decision, probably the largest financial investment you will make. Reading this guide is a good start!

**Homebuyer assistance programs:** There are lots of programs out there to assist homebuyers. Some of them are listed on [homepath.com](http://homepath.com) under "Special Offers"

### First things first: How much can you afford to spend on a house?

Figure out what you can really afford, not just what you think you can afford. Nothing is more disappointing than finding the perfect house and then not getting the financing you need. You can limit this risk by working with a housing counselor or lender up-front to determine what kind of house and financing might be right for you.

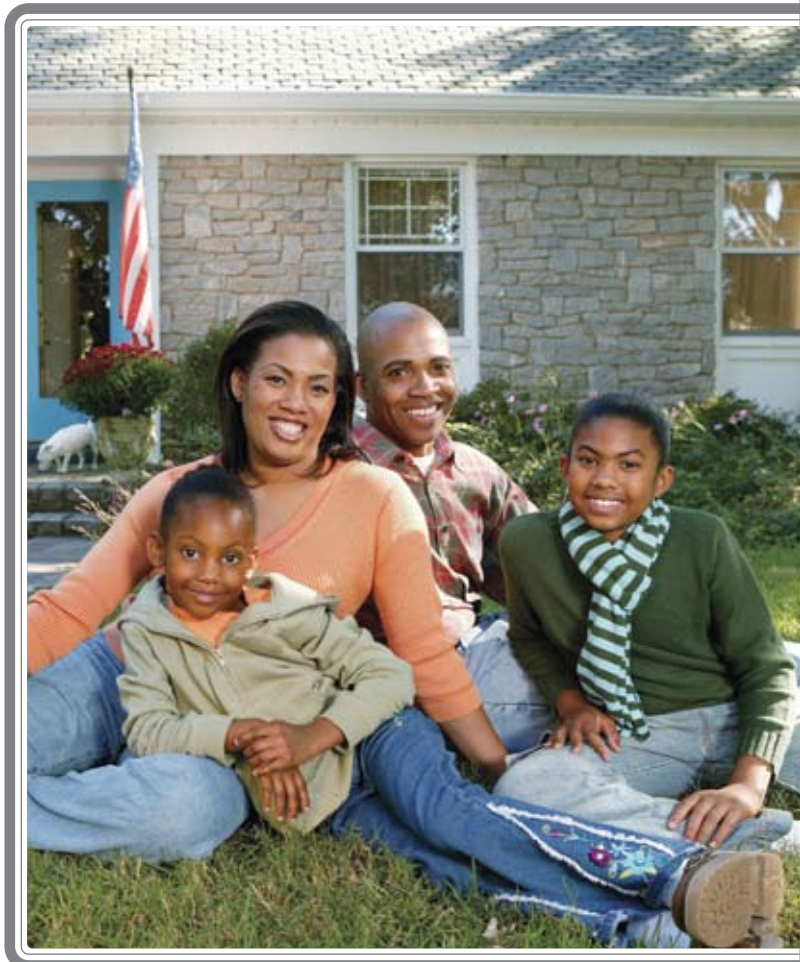
Homebuyers should look for all the financial help that's available. Buying a home can require upfront cash - often more than people expect. Federal, state, and local governments, and many local and national non-profits, provide assistance to individuals and families looking to purchase a home (particularly first-time homebuyers). Fannie Mae supports this and encourages homebuyers to seek financial help, if necessary. A qualified housing counselor is a great resource - he or she will be well versed in the kinds of programs available in your area. To find a qualified housing counselor, go to [www.hud.gov](http://www.hud.gov).

### Be smart, do your research!

Unleash the power of the Internet to learn about neighborhoods, types of homes, prices, schools, shopping, and other information that will help you purchase a home that best meets your needs.

A great place to start is [www.homepath.com](http://www.homepath.com). It lists, in detail, all of Fannie Mae's properties located in neighborhoods across the country. You can even create a personalized search which lets you be among the first to know when a new property is coming on the market in your area. Click on "Advanced Search" and you'll find a host of ways to search for information. Once you've found a home you like, [www.homepath.com](http://www.homepath.com) lists an agent contact link for ease in making appointments to visit our properties.

*Your real estate agent is a great personal resource for getting answers to as many questions as you can think of. We've also provided additional homebuyer information links on the "Resources" pages.*



# About the Financing You May Need



Let's say you've talked to a housing counselor, you know how much you can afford to spend, and you have some idea of the location where you want to live. Great work so far!

There's just one more critical step before starting your search: that's talking to a lender and getting a pre-approval for financing. Here's how it works: The lender gathers information about your job, assets, income and debts, and then determines how much financing you're qualified to receive, backed by a pre-approval letter.

- This saves time by letting you search for homes within your pre-approved, affordable price range.
- Having this letter is also critical to showing the seller (in this case, Fannie Mae) that you're a serious and qualified buyer. Now find a house and you're ready to submit an offer.

Keep in mind that a loan pre-qualification or pre-approval letter doesn't mean your loan is approved yet. You'll still need to apply for a loan once you have an accepted offer on a house.



## About Fannie Mae's HomePath® Financing.

One of the special features of Fannie Mae-owned properties is that certain homes qualify for HomePath Financing. This financing is intended to make it easier for some folks to buy a home and is only available on Fannie Mae homes. A number of institutions offer this financing. So, if you're looking at Fannie Mae properties, you might want to get a pre-approval letter from a HomePath lender. For a list of these lenders in your area, go to [www.homepath.com](http://www.homepath.com) and click on the "Financing" tab at the top.

### Don't let the financing choices overwhelm you.

You can purchase a Fannie Mae property with different types of financing, so it's important to find the one that's right for both you and the property you're interested in. Again, do your research! Talk to several lenders and learn about the different financing programs available.

## Types of HomePath® Financing

### The HomePath Mortgage

#### This type of financing features:

- Low down payment and flexible mortgage terms (fixed-rate, adjustable-rate, or interest-only)
- You may qualify even if your credit is less than perfect
- Available to both owner occupants and investors
- Down payment (at least 3 percent) can be funded by your own savings; a gift; a grant; or a loan from a nonprofit organization, state or local government, or employer
- No appraisal required
- No mortgage insurance (Ask your lender for cost details on loans without mortgage insurance.)

### The HomePath Renovation Mortgage

#### This type of financing features:

- Financing to fund both your purchase and light renovation
- Low down payment and flexible mortgage terms (fixed-rate or adjustable-rate)
- Down payment (at least 3 percent) can be funded by your own savings; a gift; a grant; or a loan from a nonprofit, state or local government, or employer
- No mortgage insurance (Ask your lender for cost details on loans without mortgage insurance.)



### How do I know what type of financing is available for a Fannie Mae-owned home?

The logos below, posted next to each property listed on [www.homepath.com](http://www.homepath.com), indicate the type of financing available.

- Properties with this logo are eligible for HomePath Mortgage only

HomePath® | mortgage

- Properties with this logo are eligible for HomePath Renovation Mortgage only

HomePath® | renovation mortgage

- Properties with this logo are eligible for both HomePath Mortgage and HomePath Renovation Mortgage

HomePath® | mortgage  
renovation mortgage

### Take Note!

- Sometimes getting financing for a condominium can be difficult, particularly if the condominium project doesn't meet the standard guidelines set by Fannie Mae. If the condominium is Fannie Mae-owned and eligible for HomePath financing, you may still be able to get financing – talk to a HomePath lender for more information.
- Some HomePath lenders work in partnership with mortgage brokers to better serve local communities. Don't be surprised if you're working with someone on HomePath financing but you don't see their name on the [www.homepath.com](http://www.homepath.com) lender list – simply ask for the name of their HomePath lender partner.

For more information, go to [www.homepath.com](http://www.homepath.com) or visit a HomePath Lender.

# What To Do When It's Time

To Make an Offer and Close the Sale

**HomePath**  
by Fannie Mae

Okay, so you think you've found "the perfect home" – and it's a Fannie Mae property! Well, be prepared to act quickly because, while every market is different, Fannie Mae properties continue to receive multiple offers. So talk to your real estate agent about how to submit an offer. He or she will work with you to prepare an offer and evaluate many factors before suggesting a suitable amount.

Factors to be considered include:

- How long has the home been on the market and what is it's current condition?
- What is the current market like?
  - When rates are lower, more buyers are apt to make an offer and, possibly, submit higher bids.
  - Multiple offers can influence the price, often pushing it higher. **Therefore, be prepared to make your highest and best offer the first time.**
- Does the home you want have features you believe may be in strong demand?
- Fannie Mae won't accept any offers until a property has been listed for at least three business days.
- If you are planning on living in the house, you're in luck. Fannie Mae only considers offers from owner occupants or public entities for the first 15 days a property is listed.

## Incomplete, Multiple and Counter-Offers

An **incomplete offer** often won't be submitted to Fannie Mae for review. Therefore, be certain that you and your agent understand what is required and complete every detail. These documents are binding, so before submitting the offer, carefully review all documents with your real estate agent or attorney. In a **multiple offer** situation, all parties are asked to submit their "best and highest" no later than a specified date and time. Fannie Mae may accept or reject an offer or provide a **counter-offer**. Prepare yourself for the possibility of changes to the offer which could include, but are not limited to, items such as sales price, additional earnest money, repairs, closing date, and fees. Don't be alarmed if Fannie Mae provides a initial verbal acceptance of an offer. This is not unusual; it protects both Fannie Mae and the buyer in case a transaction is challenged by a third party.

A written offer is the basis of any real estate transaction. **Every offer on a Fannie Mae property must include:**

- 1) **A complete standard local or state contract.**
- 2) **A complete Fannie Mae Real Estate Purchase Addendum.**
- 3) **Earnest money** – Earnest money helps show a seller you are serious. When a contract is accepted, the earnest money is deposited with the title company, escrow company or listing broker and will be applied towards the down payment and closing costs at the closing.

*In addition, it is strongly encouraged that an offer includes proof of funds (if cash offer) or pre-approval (if financing) and is a requirement for seller's final acceptance.*

## What To Do When It's Time To Make an Offer and Close the Sale

### YOUR OFFER HAS BEEN ACCEPTED...NOW WHAT?

Once a contract has been executed by both the buyer and Fannie Mae, a 10-day inspection period is provided, allowing buyers to perform inspections and determine whether the property meets their needs.

Your 10-day inspection period begins on the date Fannie Mae verbally accepts your offer.

- We strongly recommend that you hire a qualified professional to inspect the property, whether it's been repaired or not. There is a 10-day inspection period which begins on the start date listed on your purchase addendum, so be sure to check the addendum to confirm this date.
- If Fannie Mae knows of any hazards on properties we own or market, we disclose this information through our real estate listing agents. However, we may not have been informed by the previous owner of all hazards.
- Fannie Mae sells each property "as is," which means that the buyer accepts the property in its present condition at the time of closing. For more information on this topic, go to "Has Fannie Mae made all needed repairs to a house?"— found in the FAQs section of this Buyers Guide. Also, Fannie Mae is not responsible for any repairs that may be needed after settlement.\*

\* Additional repairs to the property may be required, depending on the type of financing, such as FHA products. When this happens, the lender typically contacts our listing broker to communicate these requirements. Fannie Mae then reviews the offer to determine if we are willing to re-negotiate the existing contract to account for those repairs. There are instances when Fannie Mae will not accept certain types of repairs and the buyer will either have to obtain other financing or choose another home.

### THE FINAL STEP...CLOSING THE SALE!

Although Fannie Mae strives to close on our homes as soon as possible, Fannie Mae and/or external parties can delay closing due to certain circumstances. For example, sellers are often required to gain approval from external parties, like a mortgage insurer that insured the original loan. Such delays can vary in length, so keep this in mind.

- The closing will occur when conditions of the contract have been met, which include full loan approval, evidence of clear title, closing on the scheduled date and any other contingencies. Closings occur at different places in different states. Some closings may be required to take place at a closing attorney's office, while others may use a title or escrow company.
- Prior to the actual closing date, expect to review fees so that you'll understand all terms and conditions of the contract, in addition to the amount of the check that you'll need to bring to closing. Your real estate professional will assist you with this process.
- At the closing, the lender "funds" the loan with a cashiers check, draft or wire to the closing agent who disburses funds in exchange for the title to the property. **This is the point at which transfer of ownership occurs:** the buyer receives possession of the property. **Yes, it's all yours!**

Closings occur at different places in different states. Some closings may be required to take place at a closing attorney's office, while others may use a title or escrow company.

# Frequently Asked Questions



## What type of sales contract does Fannie Mae use?

Fannie Mae uses a state-specific real estate purchase contract and a real estate purchase addendum for our properties. If there is anything in the document you don't understand or aren't comfortable with, you may want to contact a real estate attorney, the real estate sales professional who has listed the property, or any real estate professional of your choice to review these documents with you.

## What can Fannie Mae tell me about a house I may be interested in purchasing?

If Fannie Mae knows of any hazards on properties we own or market, we disclose this information through our real estate listing agents. However, we may not have been informed by the previous owner of all hazards or needed repairs. That's why we strongly recommend that you have the property inspected by a professional before you buy.

## Do I have to use Fannie Mae's selected Title, Settlement, or Escrow companies?

No. You may designate the Title, Settlement, or Escrow company of your choice, subject to the terms of the contract.

## Has Fannie Mae made all needed repairs to a house?

Fannie Mae may make some repairs to properties to increase their marketability. Other than that, Fannie Mae sells each property "as is." So the buyer should be aware that other repairs may be needed. Fannie Mae is not responsible for making any repairs or fixing any problems after settlement.

- Even if the house has fresh paint, brand new carpet, new appliances, perhaps even a new roof or siding, it doesn't mean everything in the house is new, or even works.
- Fannie Mae does not warrant or guarantee any work that may have been done on the property, whether as part of its efforts to sell the home or pursuant to conditions in the purchase contract.
- Where a home warranty is available, you may wish to buy it at your own expense.
- We strongly recommend that you hire a qualified professional to inspect the property, whether it has been repaired or not. Generally, hiring a home inspector is a recommended practice, no matter what type of home you buy.

## What happens if Fannie Mae gets multiple offers?

In that case, all interested parties may be asked to submit their best offer in writing through the listing agent no later than a specified date and time. Fannie Mae may accept or provide a counteroffer that we determine to be in our best interest. *Fannie Mae is not obligated to accept any offer submitted.*

## Does Fannie Mae give any special consideration to an owner occupant, a purchase by someone who plans to live in the home?

Yes, Fannie Mae has a "First Look" program that allows only offers from owner occupant buyers and public entities (or their designated partners) to be considered during the first 15 days that a property is listed for sale. Offers from investors can be submitted, but they won't be considered until after the initial 15 days.

## Homebuyers Checklist

- ❑ **Ask for Help.** If you want help with the home buying process, it might be worth finding a housing counselor. The US Department of Housing and Urban Development has a list of free or low cost housing counselors available on their website at [www.hud.gov](http://www.hud.gov). Counselors can also advise you on home buyer assistance programs in your area.

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- ❑ **Budget.** Look at your monthly income and monthly expenses and determine how a house might fit in. How much can you really afford? Don't forget to include taxes and insurance in your projected costs!

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- ❑ **Check your Credit.** The condition of your credit may influence the financing available to you for purchasing a home, so it's important to understand your creditworthiness early in the process. Get your free annual credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com) and check for errors or unresolved issues. Make sure to correct any mistakes with the credit bureaus.

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- ❑ **Find an Agent.** Finding the right real estate agent can make a big difference in the success of your home buying experience. Ask friends, neighbors and coworkers for agent referrals – or go to Internet sites such as [www.realtor.com](http://www.realtor.com) and [www.nareb.com](http://www.nareb.com) to find agents in your area – and we recommend that you be sure to interview at least three to find a good fit.

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- ❑ **Collect your Documents.** Gather pay stubs, bank account statements, W-2s, tax returns for the last two years, statements from current loans and credit lines, and names and addresses of your landlords for the past two years – lenders are going to want to see these when you're working on financing.

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- ❑ **Find lenders and get pre-qualified or pre-approved.** Start with your local bank or credit union, or if you are interested in a HomePath loan, find a HomePath lender for pre-approval at [www.homepath.com](http://www.homepath.com). Your real estate agent may also have lender suggestions.

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- ❑ **Start your Search.** Your agent should help you find neighborhoods and homes that fit your needs and your budget. Compare houses, prices, features, neighborhoods, and demographics. Be sure to check out [www.homepath.com](http://www.homepath.com) for affordable Fannie Mae-owned properties in your area.

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- ❑ **Make the Offer.** You've found the perfect home and now it's time to work with your agent to submit an offer! Your submission will include the terms of the offer and a good faith deposit. Keep in mind that Fannie Mae looks for the best offer, not just the highest price.

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- ❑ **Do an Inspection.** You should always be aware of both the good and the bad before you buy a house, so it's critical that you have a professional inspection done. Fannie Mae has a 10-day inspection period after an offer has been accepted.

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- ❑ **Confirm Financing.** Now that you know the house price and terms of the sale, go back to your lender to get your financing approved. If you have purchased a Fannie Mae-owned home that is eligible for HomePath® financing, check with a HomePath lender to see if that financing might be a good option for you.

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- ❑ **Prepare to Close.** In preparation for closing, your lender may ask you for more information on your finances and the property – you'll also need to organize your down payment, prepare to pay for any closing costs, get a property insurance policy, title insurance, and a host of other things. Ask lots of questions and be sure you understand everything you sign or agree to.

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- ❑ **Schedule Closing.** Your lender or agent will work with you to schedule a convenient closing date, time, and location. At the closing, you'll sign deed and mortgage documents, among other things, and at the end you'll be handed the key to your new home!



# Glossary

## Of Key Mortgage and Foreclosure Terms



While working with your mortgage company, you may come in contact with terms or phrases that are unfamiliar. The financial language you need to understand in order to make informed decisions about your home loan includes the following:

**Adjustable-Rate Mortgage (ARM):** A mortgage loan with an interest rate that can change at any time, usually in response to the market or Treasury Bill rates. These types of loans usually start off with a lower interest rate comparable to a fixed-rate mortgage.

**Amortize:** Paying off a debt by making regular installment payments over a set period of time, at the end of which the loan balance is zero.

**Balloon Mortgage:** A mortgage loan with low interest payments initially, but then requires one large payment due upon maturity (for example, at the end of seven years).

**Buy-down Mortgage:** A mortgage loan in which one party pays an initial lump sum in order to reduce the borrower's monthly payments.

**Conventional Financing:** Mortgage financing which is not insured or guaranteed by a government agency such as FHA, VA or the USDA.

**Collections:** The efforts a lender takes to collect past-due payments.

**Convertible ARM:** An adjustable-rate mortgage loan that can be converted into a fixed-rate mortgage during a certain time period.

**Deed:** A legal document under which ownership of a property is conveyed.

**Delinquency:** Failure to make a payment when it is due. A loan is generally considered delinquent when it is 30 or more days past due.

**Equity:** Ownership interest in a project after liabilities are deducted – also referred to as your assets.

**Escrow:** A lender-held account where a homeowner pays money toward taxes and insurance on a home.

**Escrow Account:** The actual account where the escrow funds are held in trust.

**Fixed-Rate Mortgage:** A mortgage loan in which the interest rate remains the same for the life of the loan.

**FHA Financing:** Home purchase financing offered through the Federal Housing Administration.

### Foreclosure:

The legal process by which a property may be sold, with the proceeds of the sale applied to the mortgage debt. A foreclosure occurs when the loan becomes delinquent because payments have not been made or when the borrower is in default for a reason other than the failure to make timely mortgage payments.

**Interest-Only Mortgage:** A mortgage where the borrower pays only the interest on the loan for a specified amount of time.

**Investment Property:** A property not considered to be a primary residence that is purchased by an investor in order to generate income, gain profit from reselling or to gain tax benefits.

**Loan Origination Fees:** Fees paid to your mortgage lender for processing the mortgage application. This fee is usually in the form of points. One point equals 1% of the mortgage amount.

**Lock-In Rate:** A written agreement guaranteeing a specific mortgage interest rate for a certain amount of time.

**Mortgage:** A legal document that pledges property to a lender as security for the repayment of the loan. The term is also used to refer to the loan itself.

## Glossary of Key Mortgage and Foreclosure Terms

**Mortgage Broker:** An independent finance professional who specializes in bringing together borrowers and lenders to complete real estate mortgages.

**Mortgage Insurance:** Insurance that protects lenders against losses caused by a borrower's default on a mortgage loan. Mortgage insurance (or MI) typically is required if the borrower's down payment is less than 20 percent of the purchase price.

**Mortgage Lender:** The lender providing funds for a mortgage. Lenders also manage the credit and financial information review, the property and the loan application process through closing.

**Pre-Approval Letter:** A letter from a mortgage lender indicating that you qualify for a mortgage of a specific amount. It also shows a home seller that you're a serious buyer.

**Pre-Qualification Letter:** A letter from a mortgage lender that states that you're pre-qualified to buy a home, but does not commit the lender to a particular mortgage amount.

### WEBSITES AND ADDITIONAL INFORMATION

#### The HomeLoanLearningCenter.com

- Provides step-by-step information on how to become financially literate.

#### National Foundation for Credit Counseling (www.nfcc.org)

- Provides high-quality financial education and counseling services.

#### US Department of Housing and Urban Development (www.hud.gov)

**Refinance:** Paying off an existing loan (such as a balloon mortgage) with a newer, usually lower-rate loan.

**Servicer:** A firm that performs functions in support of a mortgage, including collecting mortgage payments, paying the borrower's taxes and insurance and generally managing borrower escrow accounts.

**Title:** The documented evidence that a person or organization has ownership of real property.

**Title Insurance:** Insurance that protects lenders and homeowners against legal problems with the title.

**Underwriting:** The process a lender uses to determine loan approval. It involves evaluating the property and the borrower's credit and ability to pay the mortgage.

**Uniform Residential Loan Application:** A standard mortgage application your lender will ask you to complete. The form requests your income, assets, liabilities, and a description of the property you plan to buy, among other things.

