

Fannie Mae Extends Incentive to Buy Their Distressed Home Inventory

By: Jann Swanson | Tue, Apr 27 2010, 2:56 PM

Fannie Mae **announced on Tuesday** it is extending its buyer incentive program beyond the original expiration date at the end of this month. The program is available to borrowers who purchase a Fannie Mae owned HomePath property and intend to owner-occupy. Homes for sale include single-family houses, condominiums and town houses that have been taken over by Fannie Mae as delinquencies and foreclosures rose.

The program, which will now expire on June 30, 2010, offers buyers of Fannie Mae owned properties listed on the HomePath.com website who close by that date a rebate of 3.5 percent of the purchase price of the house. The rebate can be used toward closing costs, a choice of selected Whirlpool appliances, or a combination of the two at the discretion of the buyer. The incentives were initiated in January and were advertised as a complement to the federal homebuyer tax credits available to both first-time and move-up homebuyers. Those programs expire at the end of April although buyers have until June 30 to complete their purchases.

"We are happy with the results of the program, which has helped us to sell properties quickly, thereby stabilizing neighborhoods and property values," said Terry Edwards, Executive Vice President of Credit Portfolio Management.

The HomePath website lists Fannie Mae-owned homes for sale nationwide, and a quick visit to the site demonstrates why the corporation is offering incentives; it has a huge backlog of properties. Some 62,000 properties are listed on the site including single-family residences, condominiums, and town-homes. There are, for example, 466 homes listed for sale in Iowa, 305 in Connecticut, 3,840 in Georgia and 8,595 in California. Reuters reported that Fannie Mae recently stated that it had over 86,000 homes in its portfolio.

Many of the HomePath properties are also eligible for HomePath mortgage financing or renovation financing. The mortgage financing allows down payments as low as 3 percent without mortgage insurance and those funds can come from gifts, grants, or a loan from a non-profit or government organization or an employer. The loans have flexible rate structures including fixed rate, adjustable rate and interest only, are available with reduced credit guidelines and both owner-occupants and investors can qualify. The renovation mortgages offer the same benefits but will provide additional financing for "light renovation" and are available to owner occupants only.

While retail loan officers were initially the only group of originators able to write this loan product, mortgage bankers and brokers are now finding more investors willing to participate. Again this program applies to Fannie Mae HomePath properties only.

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