

Fannie Mae SFR REO 2012-1

Highlights of the REO Pilot Transactions

Seller: Fannie Mae (“FM”)

Title of Offering: Fannie Mae SFR REO 2012-1

Final Sale Size and Geography:

Sale	Transaction Size (Properties)	Geography
SFR 2012-1-Florida	699	Florida (Central and Northeast, Southeast, West Coast)
SFR 2012-1-Chicago	94	Chicago, Illinois
SFR 2012-1 West	970	Arizona, California, Nevada
TOTAL	1763	

Asset Type: Real estate owned properties, which includes tenant-occupied units and vacant units within single-family 1 to 4 unit residential properties, condominiums, co-ops, and manufactured housing property types.

Auction Process: Competitive, sealed-bid auction to qualified investors.

Transaction Type: Modified Cash Flow Joint Venture Transaction which provided for the sale of a portion of the equity interest in newly formed Limited Liability Companies (LLCs). Initially, equity interests are held 90% (Fannie Mae (FM)) and 10% investor (“Managing Member (MM)”). Then, once certain agreed upon thresholds are met, equity interests shift to 50% (FM) and 50% (MM). If certain returns are realized, equity interests could shift again 70% (FM) and 30% (MM).

Asset Management Strategy: MM will provide all services necessary to ensure the efficient operation of the Company and management of the properties. MM will receive an asset management fee of 20% of gross rental income actually collected, to compensate for managing the LLC and provide asset management and property management services. The fee is allocated as follows: 12% is for Asset Management Services (the AM Portion) and 8 % is for Property Management Services (the PM Portion).

Minimum Property Maintenance Standard: Properties to be maintained, at minimum as required by the terms of the leases of the properties and all applicable legal and insurance requirements, including without limitation, all applicable health, safety and building codes.

Reserves: A Working Capital Reserve and a Replacement Reserve each initially funded equally by FM and MM at closing.

Company Wind-down Mechanism: On or after the 10th anniversary of the Closing Date FM will have the right to offer the then remaining properties to the MM, and if the MM does not purchase such properties at fair market value, FM has the right to require the MM to sell the properties and liquidate the LLC.

[Link to Fannie Mae Transaction Documents](#)

Property Management Transition Plan

Transition Period: By the end of the last calendar day of the second full month following the Closing Date, all Properties must be transferred to the successor property manager(s).

Terms: FM will provide limited property management services via its existing contract with its property management vendors while overseeing the transfer of property management duties to the successor property manager(s).

Transition of Vacant Units:

- Any vacant properties as of the Closing Date will transfer within 5 business days of the Closing Date.
- Any properties that become vacant following the Closing Date will be transferred immediately upon vacancy.

Delinquent Rents:

Delinquent rents due are paid to Fannie Mae if paid prior to the transition of the unit. If the delinquent rents are paid after the unit is transitioned then the rents are paid to the LLC.

Property Management Transition Fee (FM Compensation): During the property transition period, FM will receive a pro-rated portion of the asset management fee for the number of units awaiting transition to the managing member until all such properties have been transitioned.

Sale Restrictions

Asset Sale Restriction Period: From the Closing Date until the 3rd anniversary of the Closing Date

90 Day Prohibition: No property may be sold, transferred or otherwise conveyed within 90 days following the Closing Date

Sales to Affiliates: Sales to affiliates are prohibited.

Sale Limit of 10%:

- During the Asset Sale Restriction Period, for a given Sub-Portfolio, no more than 10% of the total properties by count as of the Closing Date for such Sub-Portfolio in each of year 1, year 2, and year 3 may be sold (unless otherwise approved in writing by FM and subject to Sale Criteria)
- The Sale Limit of one Sub-Portfolio cannot be added to the Sale Limit of another Portfolio to increase the number of properties that may be sold from any particular Sub-Portfolio if a winning bidder is awarded multiple Sub-Portfolios
- The Sale Limit is extinguished after the end of the Asset Sale Restriction Period

Sale Limit Increase: Annual 10% limit can be increased to the total of 15% per Sub-Portfolio if incremental properties are sold to : a) not-for-profit or local government entities, or b) tenant(s) then occupying the property that executes a certificate to purchase the property for owner-occupancy

No Carry Over: If Sale Limit (either the 10% or 15% limit) is not reached for a given year in the Asset Sale Restriction Period, then the difference between the Sales Limit and number of units actually sold will **not** carry over to a subsequent year in the Asset Sale Restriction Period

Reporting Requirements:

The reporting requirements listed below represent the breadth of the Pilot Administration and Joint Venture Operating Reports required under the terms of all the operating agreements signed between Fannie Mae and the Managing Members. The purpose of these reports is to permit Fannie Mae to monitor ongoing property maintenance and lease-up standards as well as to assist in the tracking of financial performance of the Joint Venture.

Frequency	Joint Venture Reporting
Annual	Audited Financial Statements of the Joint Venture
	All Information Necessary for Preparation of FNM's K1
	Managing Member (MM) Audited Financial Statements
	LLC Business Plan
Quarterly	Operating Budget
	Updated Benefit Schedule
	Statement of Cash Flows
	Real Estate Asset Performance Report (REAP)
	Risk Rating of Each Property
	Surveillance Report
	Watch List Report
	Owner Occupant Affidavits
	Status of Insurance claims, Litigation, RE Tax Abatements
	Certification Regarding Violations, Compliance with Sale Restrictions and Chang of Ownership
	Recommendations for Property Dispositions and Updated Valuations
	Updated Portfolio Valuation
	Monthly
Income and Expense Statement	
Property Sales Report and Compliance with Restrictions	
Disbursement Ledger	
Arrears Report	
Cash Reconciliation	
Management Fee Report	
Computation of Fees Paid to Property Manager	
Deposit Summary and Register	
Status of Property Repairs and Improvements	
Vacancy Report	
Additional	Site Visit Reports
	Update on any Material Litigation or Violation of Law
	Update on any IRS Proceeding
	Any Other Information Regarding the Status of the JV, MM or Properties
	Report After any Natural Disaster or Incident of Widespread Damage
	Form of Certification of Property Management Transition On or Before the Last Day of the Property Management Transition Period