

FHFA Launches “REO-to-Rental” Pilot Program

The U.S. Federal Housing Finance Agency (FHFA) has launched a pilot program that will make pools of federally-controlled foreclosed (REO) properties available to investors, who will be required to rent them out for a specified term of years. The pilot program will initially focus on Fannie Mae’s REO inventory and will later be adjusted and expanded, if it is successful. The FHFA, which regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks, first announced the initiative last August through a request for information that sought input on how to address REO inventories subject to its oversight. Under the REO-to-Rental initiative, qualified purchasers will be required to rent the properties for a specified number of years, depending on the transaction, as a means of supporting local housing markets that are depressed by high volumes of foreclosures. The purpose of the pilot phase will be to examine program issues such as investor interest, operating and financial structures that improve both investor returns and home values; and the qualification process. During the pilot phase, Fannie Mae will focus on the areas hardest hit by the housing downturn and offer pools of various types of assets including rental properties, vacant properties and non-performing loans. A pre-qualification process has been commenced, through which investors can receive detailed information about offered transactions. Although the initial phase of the pilot program will focus on pooled and joint venture transactions, the FHFA is also looking at ways to improve REO sales to homeowners and small investors as another way to enhance existing retail sales strategies at Fannie Mae and Freddie Mac. More Information is available through [FHFA’s REO Asset Disposition page](#).