

What Is A HUD Home?

The United States Department of Housing and Urban Development (HUD) oversees the Federal Housing Administration (FHA), which provides federal insurance against default on home mortgages. If the payments are not made on an insured FHA loan, the mortgagee forecloses, or accepts a deed-in-lieu, then files an FHA insurance claim for the unpaid loan balance, and conveys title to the property to HUD. At this point, the house becomes a HUD owned home. HUD did not foreclose or repossess the property, but acts as receiver when the conveyance occurs. The Management and Marketing (M&M) Contractor then begins the process of working to maintain and sell the properties according to HUD guidelines. The M&M Contractor for New York is National Home Management Solutions, Inc.

Who Can Buy A HUD Home?

Any qualified purchaser can offer to buy a HUD home, regardless of race, color, religion, sex, national origin, handicap, or familial status. M&M Contractors, real estate brokers and agents all are required to abide by all U.S. Fair Housing standards and guidelines. **Before making an offer, prospective buyers must have a letter, written on the stationary of a mortgage lender, stating that they have been pre-qualified (with Credit Report performed, reviewed, and approved by the lender) for the loan amount needed. Buyers paying cash must provide proof of available funds.**

Who Can Sell A HUD Home?

Currently licensed HUD registered real estate brokers, and the agents associated with them, may show, advertise, and submit offers on HUD owned properties. **Choose your broker carefully!** Your broker must get all the appropriate paperwork completed properly and timely to save you the risk of any obstacle preventing successful bidding.

Listing and Electronic Bidding

All HUD homes are sold by electronic bid. The M&M Contractor acknowledges the bid that presents the highest acceptable net offer to HUD, subject to certain restrictions. Selling agents may submit bids on homes as soon as they are listed in the Internet. Only licensed brokers/agents that are registered with HUD and have an active valid NAID number may place an offer on behalf of their buyers.

Financing the Purchase of a HUD Home

The Federal Housing Administration (FHA) is often the best source for financing. Depending upon the condition of the house, an FHA 203(b) loan or an FHA 203(k) loan may be used. The “as-is” value for loan purposes is determined by the appraisal ordered by the M&M Contractor, which is valid for six (6) months. Overbidding the appraised value requires the buyer to add the difference to the FHA down payment amount needed at closing. Of course, any HUD property may also be purchased for cash, or with conventional or other financing, subject to the lender’s requirements for that type of loan. For details about different options for FHA and non-FHA financing, contact:

Kathy Paul (607) 754-4040 ext 402

1st Priority Mortgage, 3630 George F. Hwy, Endwell, NY 13760

Listing Codes and Financing Categories

An independent FHA-approved appraisal and an inspection are generally completed within two weeks of acquisition of the property, and the reports are sent to the Regional Office. A Property Condition Report (PCR) is then listed and available in the bidding system for buyers and brokers to download. Important: The PCR should not be used in place of an inspection performed by a licensed inspector. A Disposition Plan is determined, and the house is initially listed **at the appraised value**, according to the FHA financing category that is appropriate, given the current condition of the property. It is important to understand the listing codes and how financing is affected.

1. **Insurable (IN)**

Properties listed in this category appear to meet FHA 203(b) financing requirements. No obvious repairs are necessary for HUD to insure an FHA loan to a qualified Purchaser.

2. **Insurable with Repair Escrow (IE)**

Properties listed in this category are eligible for a 203(b) FHA loan with required “minimum property standard” (MPS) repairs totaling less than \$5,000 to be made by the Purchaser, financed by the FHA lender. If a 203(b) FHA loan is the financing, the repair escrow must be used for the needed work specified in the listing. In completing the Sales Contract (*HUD-9548*), the escrow amount is NOT deducted from the net to HUD to derive the amount that will be entered on line #7, NOR is it added to line #3, the purchase price. There is a separate line in Item #4 for the repair escrow amount to be noted.

The lender making the new FHA 203(b) loan establishes an escrow account for the amount of the repairs. The amount given with the listing includes a 10% contingency. After close of escrow, the lender will inspect work as it is completed on the house and distribute the repair monies as appropriate within ninety (90) days. The costs of repairs are included in the loan amount and repaid by the borrower as part of the house payment. Any funds in the escrow account not used for the repairs will reduce the unpaid principal balance of the loan.

Note that the repair escrow **only** applies to FHA 203(b) financing. If non-FHA financing is used, or if a cash purchase is made for an IE property, the repair escrow does not apply.

3. **Uninsurable (UI)**

Properties listed UI, uninsurable, need more extensive repairs after close of escrow and are deemed not eligible for FHA 203B mortgage insurance in their “as-is” condition; however, many are eligible for FHA 203K financing. Cash or conventional financing is often used to purchase UI properties. **Note on FHA 203(k) Financing:** UI properties are generally eligible for the FHA 203(k) loan program, (most condominiums are excluded, unless specifically noted otherwise.) Also, any **IN** or **IE** property may be purchased subject to 203(k) financing, instead of 203(b), if the house and the owner-occupant purchaser’s credit justify making improvements in excess of \$5,000. Through this program, a lender can provide funds for rehabilitation along with the purchase mortgage. Ask your FHA lender for details.

Listing Time Line

New Listings Are Posted on Friday of Each Week

Days 1 — 10 (Owner-Occupants Only, First Bid Opening)

- Priority will be given to Purchasers who are owner-occupants and non-profit organizations (NPO) for the first ten (10) calendar days after a new listing is posted. (Owner-occupants must live in the house as their primary residence for at least one year and may not purchase another HUD home for two years. Anyone else is considered an investor.)
- All owner-occupant and NPO offers received during the first ten (10) day period are considered as though they were received simultaneously.
- During the next business day, after the initial ten (10) day period, the M&M Contractor will review the owner-occupant and NPO bids received electronically. From these, the bid that offers the highest net amount is acknowledged as acceptable, if it meets HUD's requirements.
- If there are no owner/occupant or non-profit bids received that have met HUD's requirements, Investor bids will be reviewed. From these, the bid that offers the highest net amount will be acknowledged as acceptable, if it meets HUD's requirements.

Bids are not opened on weekends or Federal holidays and will be opened and reviewed the following business day.

Days 11 —30 (All Bidders, Daily Bid Openings)

- If there are no acceptable owner-occupant or NPO bids during day 1- 10, the occupancy status is no longer considered. Bids are reviewed daily, with all bids received on the same day being deemed as received simultaneous. At each daily review, the highest net bid is selected, if it meets HUD's requirements. Bids are not opened on weekends or Federal holidays, but accumulate as though received simultaneously and opened the following business day.

Days 31 and Beyond (All Bidders, 5-day Bid, and then Daily Bid Openings)

- If a property remains unsold, the M&M Contractor will re-analyze the case and may reduce the price and re-list the property. For five days after the property is re-listed, all bids are considered simultaneous, with owner-occupants given priority, although investors may bid. If the property remains unsold in the five-day initial re-list period, then bids are reviewed daily and the bid that offers the highest net value to HUD (regardless of occupancy) is acknowledged as the successful bid, if it meets HUD's requirements.

Posting Bids and Deadline for Contract Package Delivery

BID RESULTS

The bid deadline is **11:59 PM** for all regions/states. Bids are opened and the results posted to “Bid Results” within the NHMSI system. To view and access the bid results, you may search using specific criteria, such as case number, bid confirmation number or lottery number. Typically bids are posted by noon the next business day after the bidding has closed. When bids are posted, the 48-hour clock starts for the agent to deliver the contract package to the appropriate Regional Office.

PLEASE NOTE: Owner Occupant buyers and Investors purchasing individually should use their social security numbers when placing bids. Investors or business entity’s purchasing as a business should bid using their Federal Identification number (FIN) No bid acknowledgment is final, nor is the offer “accepted” until all required documentation is received by the Regional Office AND the Sales Contract has been signed (ratified) on behalf of HUD. Late or incomplete contract packages are always subject to rejection. Occasionally a property may be withdrawn from the market before the Contract is ratified, canceling or voiding the bid. HUD and/or the M&M Contractor reserve the right to cancel bid acknowledgment prior to Contract ratification for any reason.

ONCE YOUR BID IS ACKNOWLEDGED

If you are the acknowledged bidder on a HUD home, you have a maximum of **48 hours** (weekends and holidays excluded) to deliver your complete and correct contract package to the appropriate Regional Office that services your state. **THERE ARE NO EXCEPTIONS TO THIS DEADLINE.** Do NOT send the package to the Listing Broker, to HUD, or to any other office location. Use any overnight delivery service that offers a receipt and tracking number. Simply postmarking within 48 hours is **not** acceptable; delivery within 48 hours is required.

ERRORS ON THE SALES CONTRACT OR ADDENDA

Make every effort to complete and submit the contract package correctly and on time. Mistakes and delays may result in the cancellation of the bid.

If the Regional Office receives a contract package on time that contains errors or omissions, you may receive an electronic mail or fax notification explaining the items needing correction. You then have a 48-hour time period to submit corrections. This may require writing a completely new Sales Contract and having the Purchasers sign again. Faxed copies of changes to the HUD-9548 are not allowed. Do not use liquid paper “white-out” on any legal document. Re-submitted contract packages containing errors or omissions will be rejected and the preliminary bid acknowledgment canceled, voiding the offer. The next highest bidder may be contacted, or the property may be returned to the market on the Internet.

HUD Sales Procedures and Requirements

“AS-IS” POLICY

All HUD homes are sold strictly “AS-IS.” HUD does not make any repairs. There are no representations or warranties, expressed or implied, on the houses. HUD does not guarantee the condition of any house, listed FHA-insurable or not, or whether it meets local codes or zoning requirements. Purchasers must make sure the home is in a condition they are willing to accept. The HUD-92564-CN addendum “For Your Protection: Get a Home Inspection” must be signed at the same time as the Sales Contract. See Paragraph B in the Conditions of Sale on the HUD-9548 Sales Contract, and make certain it is reviewed with the Purchasers.

INSPECTION PROCEDURE

The Purchaser has fifteen (15) days after the ratification date on the Sales Contract to have all inspections made. The “Home Inspection Policy” and a request form are included on the web site and must be submitted to the Property Management Center, along with a copy of the ratified Sales Contract. After you receive permission to do the inspection, the utilities may be turned on at the Purchaser’s expense.

The selling agent must accompany prospective buyers and inspectors at the property AT ALL TIMES prior to closing. Please carefully read, and make certain your Purchasers understand and accept all the provisions of the Conditions of Sale on the second page of the Contract, notably Paragraph B.

“PRE-QUALIFICATION” of the PURCHASER

Brokers are responsible for ensuring that prospective buyers have been pre-qualified for a loan by a lender who has issued a letter on the lender’s letterhead to the Purchaser. The pre-qualification letter must be included in the contract package. For purposes of this program, “pre-qualification” means a loan application has been made, and a preliminary loan commitment has been obtained from a recognized mortgage lender who states that a preliminary Credit Report has been performed, reviewed, and approved. Furthermore, the letter must state that on the basis of this review, the mortgage financing for a specified dollar amount sufficient to purchase the property should be available to this Purchaser. Pre-qualification letters must be dated and signed within 30 days or less prior of the bid date.

EXTENSIONS OF ESCROW DUE DATE

There is a required addendum that the Purchasers must sign and include in the contract package that reflects HUD’s policy regarding extending the closing date. Extensions may be granted at the sole discretion of the M&M Contractor based on the facts of each case. The Extension Request Form and appropriate fee must be made payable to HUD and submitted to the HUD Closing Agent at least five (5) business days prior to the expiration of the Contract. The M&M Contractor, not the Closing Agent, determines if an extension will be granted. No request will be considered unless the Closing Agent has the form and the fee on deposit at the time the request is made.

NOTE: Cancellation of the Contract will be automatic on the date of Contract expiration if no approved extension to the closing date is set beforehand. Extensions, if granted, are for 15-day increments only. If the extension is approved and the sale fails to close for any reason, the extension fee is forfeited, even if a portion or all of the earnest money is refunded. The fee (see chart below) may be waived for 203(k) loan processing in some cases, or when the cause of delay of closing is due to the process of resolving title issues.

<u>Sales Price</u>	<u>Extension Fee</u>
<u>\$25,000 or less</u>	<u>\$150.00 (\$10.00 per day)</u>
<u>\$25,001 to \$50,000</u>	<u>\$225.00 (\$15.00 per day)</u>
<u>Over \$50,000</u>	<u>\$375.00 (\$25.00 per day)</u>

Important Management and Marketing Information

BROKERAGE COMMISSIONS

The successful selling broker may be paid a commission not to exceed 5% of the sales price as detailed on line 6A of the 9548-sales contract.

ADVERTISING HUD HOMES

All HUD registered brokers and their agents are invited and encouraged to advertise HUD homes as long as they strictly adhere to the following rules:

1. Properties may not be advertised until the M&M Contractor on behalf of HUD officially lists them for sale to the general public on the Internet, and only then at the listed price.
2. Brokers may not design or word advertisements in such a manner as to give the appearance that they are the sole source of property information or that they have an exclusive or favored sales listing or sales advantage.
3. Brokers may not design or word advertisements in such a manner as to indicate that the sales of HUD homes are distressed sales. "HUD Owned" and "HUD Acquired" are proper terms, but not "HUD Foreclosed." The term "repo" is not acceptable.
4. All space advertising of HUD homes (including all ads appearing in print or in electronic media such as newspapers, magazines, flyers, or Websites) must contain an Equal Housing Opportunity logotype, statement or slogan.
5. All ads must comply with the Truth-in-Lending Act.
6. If applicable, the ad must include a flood plain notation, or other warning information as it appears on the Internet listing for the property.

KEYS FOR NEW OWNERS AFTER CLOSING

On the day the transaction closes (the funding date), the selling broker is to contact the Listing Broker and the Property Management Center to notify that title has transferred and occupancy is imminent. This notification is necessary for your sale to be properly credited to you with the MLS. The selling broker may open the house for the buyer after closing.

Please note: Purchasers are responsible after closing to have the locks re-keyed for their own security purposes, and to ensure that they have a unique key to their home. This is not a HUD or M&M Contractor expense.

VANDALISM ISSUES

Everyone working with HUD in any capacity has an obligation to preserve and protect these houses until they are sold and closed. Please immediately contact the Regional Office and the Property Management Center if you discover evidence of vandalism.

TERMITE INSPECTIONS AND CERTIFICATIONS

In most cases, a termite inspection will be ordered and active infestation will be treated. A copy of the termite inspection report will be sent to the selling agent with a copy of the ratified sales contract. The selling agent may then supply a copy of the report to the lender as required. If an inspection and/or a treatment have been done, a termite clearance or treatment certification will be provided, if requested, prior to the close of escrow.

REPAIRS OR OCCUPANCY TO THE HOME PRIOR TO CLOSING

Purchasers may NOT make repairs to the home prior to closing and funding. Purchasers may NOT occupy or move any personal items into the home prior to closing and funding. The broker or agent must accompany the buyer during any entry into the house prior to closing, and make certain to secure the house upon departure. Any violation of this prohibition constitutes a breach of the *HUD-9548* Sales Contract. Charges of trespassing as well as the cancellation of the sale, forfeiture of earnest money, and loss of personal property found on the premises are among the possible consequences. Brokers are also subject to possible disciplinary action by HUD. Each broker should take compliance with this policy seriously and monitor the actions of their Purchasers prior to closing. Notify the M&M Contractor immediately if there is a violation.

For more information on HUD Homes, to submit a bid or if you have any questions, contact the team of:

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