

Q&A's Regarding HUD Home Sales

1. 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.

2. Who can sell a HUD home?

Currently licensed HUD registered real estate brokers and their agents.

3. How do agents show HUD homes?

Once a property is on the market, agents can view these properties at any time with their clients, no appointments are necessary. We have keys available at the front desk for purchase.

4. How do I advertise a HUD home and why should I advertise another company's listings?

Once a property is listed, agents can place ads. Be sure not to imply that you are the only agent that has information on this property exclusively, HUD owned and HUD acquired are okay terms, **Repo's** is not acceptable. See page nine of booklet for complete advertising rules. All buyers of HUD properties need to have an agent to bid on a HUD home, with the exception of the good neighbor program qualifiers.

5. How can I list a HUD home?

Only HUD's contractors can list HUD homes.(Progressive Realty/Pyramid Real Estate)

6. Where do you find the HUD listings?

www.firstpreston.com, www.bidselect.com(same site), or MLS.

7. When do the HUD listings come on the market?

Every Friday—Bidding period runs for 10 calendar days, ends on Sunday night at 11:59 P.M. central time. If a property is re-entered onto the market it will have a bidding period of daily-bids which are closed every night at 11:59 P.M. central time and reviewed the business next day.

8. What is the difference between buying as an investor versus buying as an owner-occupant?

HUD prefers to give the bids to owner-occupants versus investors, so owner-occupants have first chance at a property. HUD wants owners who will live in the properties and revitalize the neighborhoods.

9. What are the guidelines for bidding as an investor versus bidding as an owner-occupant?

All buyers can bid on a property in the first ten-day period. Only those bids by owner-occupants will be looked at on the day after the bid is closed. All investors bids are looked at on the day after the bid is first opened. Open daily bidding is for all buyers (investor and owner-occupant bids are treated the same).

10. Can I be a facilitator?

All bidding agents are considered by HUD to be buyer's agents. Buyers' must be represented by an agent to bid on a HUD home.

11. What is the Good Neighbor Program?

The Good Neighbor Program is a program designed to help revitalize the neighborhoods by putting professionals into areas to bring stability and community support.

12. Who qualifies for the Good Neighbor Program?

This program is only open to police officers, teachers, firemen, and paramedics. (state workers) They support the community. They can receive a discount on the purchase price of the house of 50% if they qualify. (Please note: they sign a second mortgage for the other 50% and if they move before three years are up, they are responsible for the second mortgage. If they live there for three years, the second mortgage goes away. See pamphlet.

13. Why buy a HUD home versus any other home?

HUD homes **some times** have the advantage of selling for less money, and they are always vacant. Please remember the list price is the appraised price.

14. Do I have to register every year?

All company brokers register every year, all licensees with that broker only register one time, please be sure that you update your license information every renewal period.

15. How do I register to sell a HUD home?

Log on to www.realtyassociation.com, click on agent log in, then password access, enter your MLS ids. Once there click on the yellow box labeled "secure info for agents". Click on the HUD registration and information box. Print this out and then click on the blue hyper link to www.bidselect.com. Enter your information and save. Please remember your codes, as we do not have access to them. HUD will give you your codes by email only if you forget them...they do not work on the weekend...so you will not get a response until Monday if you email them late on a Friday...you will miss the deadline for that week.

16. Once registered, why won't the computer allow me to bid on a property?

If you have not entered the information correctly or left something off, you might have a problem trying to bid. The computer will not let you bid. Review your My Buyer Center information and make sure everything is filled out, and if you still have problems, call me and I will look over your information and let you know what is missing.

17. Who do you make the earnest money out to and what form of payment?

The earnest money must be in a cashier check form or money order and be made payable to The Realty Association. If your buyer does not get awarded the bid, have them write on the back "not used for intended purpose" and return it to the place of purchase for a refund. If there are problems with this, please contact me for an alternate method for refund.

18. What information do I need to fill out a bid- name, social security, etc.?

You will need all of your buyer's information on the contract prior to bidding online. This includes their signature. You can fill out the contract online and then print the forms for your buyer to sign, but only if the buyer is there with you.

19. What does insured, insured with escrow, uninsured mean?

Insured means the loan will go FHA, Insured with escrow (\$1-\$4999.) means the loan will go with repairs that need to be made after closing, uninsured (over \$5000.) means the repairs will cost more than FHA will allow and your buyer can not go FHA only CONV or cash-(usually only investors go for these properties as re-habilitation properties.)

20. How do I fill out a contract and can't I just fill out the paperwork if my clients are awarded the bid?

All contracts must be in blue ink or printed form. HUD case # on contract, #1 Buyers name as they want to claim title, and street#, street name, city, county, state.

#2 Buyers name as they want to claim title.

#3 Purchase price (buyer to set this)

#4 Type of financing, FHA, Conv, Cash-check appropriate box-type of loan, if FHA- enter TBD(to be determined) in the three blanks. Enter repair escrow amount if applicable. If type of loan-Conv. Or cash. Leave above blanks empty and check the one box.

#5 Enter the amount of closing costs the buyers wants seller to pay(up to 3%).

#6a Enter the amount of your commission-you can claim up to 5% of purchase price.

#6b Enter 0 (zero) in this box-this will prefill on the contract for HUD's 1%

#7 Enter the amount of #3 minus #5 and #6 equals #7 (net to HUD).

- #8 Select what type of purchaser this is-owner-occupant, investor, etc.
 - #9 Enter 45 days for closing time.
 - #10 Select may or may not hold as back up offer(ask buyer)
 - #11 Select if lead based paint letter **is or is not** attached and select other addendum **is** attached.
 - #12 Have buyer initial blank.
 - #13 Have buyer sign and print their name(s),enter their current address, their social security number(s), telephone number(s), and the date they signed the contract.
- Certification of Broker—Enter the company name and address, the rest of this box is filled out for you. Also, be sure to sign your name and number you can be reached at.
- Be sure to fill out all forms completely-dates, case #'s, full names on signatures.

21. How many copies do I need?

You will need to make three copies of all forms.(buyer, agent, office-turn in earnest money check with office copy, original goes to HUD with a copy of the earnest money).

22. When do I turn in the contract and earnest money?

After your client is awarded the bid, you have 48 hours to turn in the contract package to HUD(see HUD packet for address) and the office with the earnest money.

23. How does HUD know if my buyer is qualified?

Your buyer must be pre-qualified to bid on a HUD property. Enclosed in your contract package you should have a pre-qualification letter from the lender or in the event of a cash sale-the buyer would need to show proof of funds.(Make sure the lender is knowledgeable about HUD transactions and understands the rules of HUD.)

24. What forms are needed to bid on a HUD property?

The forms in the HUD package provided by the office are all you need to submit a HUD contract (see HUD contract packet) with the exception of the Good Neighbor Program paperwork.

25. How much commission can I make as a buyer's agent?

As a buyer's agent, you can claim up to 5% of the purchase price.

26. What amount is HUD looking at on a contract?

The only amount HUD is concerned with is the net price they will receive (line# 7).

27. Can I reduce the commission?

You can reduce your commission to as little as \$500.00 on HUD sales, with the exception of your own personal deals (10% of 3% to the company).

28. How much does HUD pay toward buyer closing costs and what do they pay for?

HUD will pay **up to** 3% of the buyer's closing costs (only 1% of this can be for loan origination fee). Be sure not to overbid the closing cost amount-HUD will not credit your buyer the difference. For allowable closing costs see handout.

29. When does the buyer get the repair escrow money?

The buyer **never** receives the repair escrow money. It is money added to your buyer's loan (approved by the lender) to make repairs after closing. HUD does not give the buyer money for this, it is an amount stated for the cost of repairs needed.

30. Who holds the money for the repair escrow, when can it be disbursed, and to whom can it be paid to?

HUD's closing attorney (Fearnley and Califf) holds the repair escrow in their account until all repairs are made and the property is re-inspected. Once the repairs are completed to HUD's inspector's standard, HUD will authorize Fearnley and Califf to pay the vendors who did the work (must be licensed and certified).

31. How do I get a copy of the lead based paint letter or property disclosure?

Log onto www.bidselect.com, look up the property in question, click on "Click here for more details" link. In the details box click on "Here" next to the property condition and lead based paint disclosure information. Select which one you would like, then view it or print it out. (Lead-based paint letter must be printed prior to bid being awarded or else you will have to call HUD and have someone email it to you.) There is also a link on MLS-by the camera for documents-media link.

32. What is the bidding deadline?

All homes on HUD are held for the first 10 day bidding period. After that, the property is put on an Open Daily bidding period. If after 30 days, there are not any acceptable bids, HUD will re-analyze the property and may reduce the price and re-list it for 5 days (owner-occupant then investor), if there are not any acceptable bids then, it will be put on Open Daily bidding again (open to all buyers-investors and owner-occupants simultaneously-highest net wins the property).

33. How do I know if my buyer was awarded the bid?

Go to www.bidselect.com, log in, at the top right of the page in the general box, it will say "Search offer results". Click on the box then enter your case # or confirmation # and enter again. All bids will be displayed and you can see if you are the winner or what order you bid was in. You now have 48 hours to get the contract package to them. You should also receive an email from HUD regarding your bid. If you do not receive this email, check the website and also check your personal information on your "my buyer center" to see if they have the correct email address for you.

34. What if a property stills shows on the market after bidding?
If a property still shows on the market after the bidding date, HUD did not receive an acceptable bid and the house will be available to re-bid on that same day.
35. Where do I send my contract package after the bid is accepted?
Mail or hand deliver HUD contract package (First Preston Management, Inc. 616 Marriott Dr. Ste. 300, Nashville, TN 37214 –make sure you mark your package as "Contract Package" and "Attention Marketing").
36. What happens if I filled out the paperwork wrong or I am missing paperwork?
If for some reason you missed a form or filled out a form incorrectly, you can send HUD what you have (as long as it is not the contract) and they will give you an additional 24/48 hours to fax it to them or deliver it to them. (You must notify them directly first that you are missing paperwork and will fax it or take it to them or you could lose the bid.) All contracts must be original, so if you have to re-do it, you will need to get it back to them by hand or mail, not fax.
37. Should buyers get a home inspection, HUD has already appraised it?
You should recommend all of your buyers to get a home inspection. HUD will not fix anything. Your buyer is buying the property "AS-IS", if there are major concerns with the property, your buyer can back out of the deal or accept it as-is. (Be careful-some lenders will not lend on houses that need a lot of repairs.) Make sure the lender is HUD approved and knowledgeable and they understand that no repairs can be made until after closing.
38. When can my buyers close on a HUD home?
Anytime after HUD approves the settlement statement. If you are closing with HUD's attorney, usually they can close it within five business days. If closing with a different attorney, HUD must receive the settlement statement five business days prior to closing so they can have a chance to review the information.
39. What happens if my buyers are later denied a loan or back out of a contract?

If your buyers are later denied the loan, notify HUD immediately to cancel the contract. You will be required to send HUD a denial letter from that lender and we will have to wait to release the earnest money until HUD gives us a letter to release the funds back to your buyer. If your buyer backs out without a valid excuse, HUD will keep their earnest money as forfeiture and it would be up to HUD to decide if further action is to be taken.

40. How much time do my buyers have to do a home inspection?

The buyers will have 15 days from the time of contract ratification (acceptance) in order to do a home inspection or any other inspection they would like. Buyer is to pay to have the utilities cut on for any inspections and bears the responsibility for any damages cutting the utilities on may cause.

41. Will HUD fix any problems with a house after inspection?

HUD will not fix any problems that a home inspection may find. They allow you to do a home inspection for information purposes only.

42. Can my buyers get out of a contract if there are problems with the house?

If your buyers want out of the contract, they can get out if good cause is shown because of the home inspection. (Cosmetic reasons are not enough.) If your buyers wants to proceed with the sale, that is up to them. If your buyer does decide to cancel, HUD may remove the property from the market, re-analyze it and re-list it at a reduced price.

43. What if the house is in a flood zone?

If the house is in a flood zone, please be sure to give the lender the flood papers in the HUD contract package, your buyers will also need to secure flood insurance. It is up to you to make sure the buyers understand if a property is in a flood plain area. HUD will not give earnest money back if buyers decide to back out of a contract because it is in a flood plain area.

44. When do I set up a closing date?

Closing dates may be setup anytime after the lender approves the loan. If you are closing with an attorney besides HUD's attorney, you will have to get their approval before an exact closing date can be scheduled. You could tentatively set one up pending HUD's approval.

45. What if my buyer cannot close on time?

If your buyers can not close within the 45 days allotted, you must file for an extension. (An extension form is provided in the HUD contract package.)

HUD's closing attorney must receive the extension funds (cash/money order) prior to the contract expiration. If you do not file in time or get the funds to them, your buyers will lose the property and their earnest money. (See HUD guideline packet for extension amounts required.)

46. Who is HUD's closing attorney and do my buyers have to close with them?

Fearnley and Califf is HUD's closing attorney. Your buyers are free to close with a different HUD approved attorney if they would like to. (Keep in mind that HUD requires the settlement statement five days prior to closing.) There are some advantages to closing with HUD's attorney, buyers do not have to pay separate attorney fees and other closing related fees as HUD pays for all of these costs if your buyers close with them.

47. What if something is missing from the house before or after closing?

If something is missing from the house or found broken during your walk-through, contact HUD immediately. Your buyers can either choose to be released from the contract, receiving a full refund on earnest money or continue with the contract on the house as-is. If something is missing or found broken after closing (example: you and your clients did not do a walk-through and then found something missing or broken), HUD will not replace anything that is missing or broken.

48. Who do I contact if I have questions regarding HUD procedures?

If you have any questions regarding HUD procedures, contact the HUD office at 615-885-2002.

49. Who do I contact if I have questions regarding paperwork?

Contact Donna at The Realty Association if the question is about how do I fill out the paperwork or what is required. A question regarding whether you can turn in a paper later will have to be referred to HUD.

50. Who can I call if I don't know what to do?

If you are unsure of what to do about any of the above information, please feel free to contact me at 615-385-9010 and leave a message on my voicemail #7403 anytime and I will return your call. If it is after hours or on the weekend, I will still be paged with the message. Please leave a full, detailed message as to better serve you.