



HUD HOMESSELLERS HANDBOOK

**Effective March 1, 2009
for the State of Florida**

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HUD Homesellers Handbook

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NOTE: THE “HUD HOMESSELLERS HANDBOOK” IS UPDATED PERIODICALLY BY NATIONAL HOME MANAGEMENT SOLUTIONS, LLC. PLEASE MAKE CERTAIN YOU ARE USING THE LATEST VERSION BY CHECKING THE “REAL ESTATE AGENTS AREA” SECTION OF OUR WEB SITE, www.NHMSI.com. DO NOT RELY ON EARLIER EDITIONS!

WHY IS HUD SELLING THE PROPERTY?

The primary housing and lending regulatory authority in the United States is known as “HUD,” the U.S. Department of Housing and Urban Development. Among many other things, HUD is responsible for the operations of the Federal Housing Administration (FHA), which is the agency that insures mortgage lenders against loss on FHA home loans. When FHA borrowers default on their obligation, the lender initiates the foreclosure process. HUD becomes the owner of the properties after foreclosure is completed and after the lender has made a claim against the FHA insurance fund for payment of the remaining balance of the loan. HUD wants to sell the property as quickly as possible and recover as much of the claim amount as it can to replenish the FHA insurance fund. Since 1999, HUD has hired Management and Marketing (M&M) Contractors to maintain and sell the HUD-owned single family residential properties (1 to 4 units). These M&M Contractors, following HUD guidelines, are responsible for all aspects of property care and resale on behalf of HUD. National Home Management Solutions, LLC (NHMS) is the M&M Contractor for the States of Florida, New York, New Jersey, and Ohio. NHMS is responsible to make decisions regarding the properties that serve HUD’s best interests. The objectives include creating the best possible opportunity for real estate brokers and agents to represent purchasers so as to increase homeownership and enhance communities.

ARE MY CLIENTS ELIGIBLE TO BUY A HUD HOME?

The Federal Government has charged HUD with enforcing the national Fair Housing laws in all real estate transactions. If your clients are financially qualified buyers, they can purchase a HUD owned home, regardless of their race, color, religion, sex, national origin, handicap, or familial status.¹ Before making an offer on behalf of your clients, you must make certain that they have been pre-approved by a mortgage lender for the loan amount that will be needed. A dated letter on a lender’s letterhead must state the name(s) of the buyers, the amount of loan for which they qualify, the fact that a Credit Report was reviewed and approved by the lender, and the time period that the buyers have to make a purchase under the terms of that letter. Purchasers who are able to pay all cash must provide verifiable proof they have the funds available at the time of the offer.

WILL I EARN A COMMISSION SELLING A HUD HOME?

Absolutely! HUD pays up to a 5% sales commission to currently licensed HUD registered real estate brokers at the time of transaction settlement and closing. These registered brokers, as well as all the agents who are licensed under them, are encouraged to show, advertise, and submit competitive offers on HUD-owned properties. The selling brokers do not split this commission with the local listing brokers who earn fees only when they represent buyers of HUD homes.

HOW DOES A BROKER BECOME REGISTERED WITH HUD?

Registration is simple and there is no cost, but it does take some time, so if you are just starting this process, please allow at least three (3) weeks. It is your responsibility to get this step done before working with the prospective buyer of a HUD home, and you must make certain your registration stays current. The principal broker for your real estate company, or for each branch office of a multi-office firm, must complete a registration package that includes the HUD forms known as the SAMS² 1111 and 1111A. Please note that all the agents and broker-associates who

¹ Certain restrictions apply to HUD employees and to anyone associated with the M&M Contractors.

² “SAMS” stands for Single-family Acquired Asset Management System, which is HUD’s computerized tracking system for all its properties. It is also the accounting system that records payments related to the costs of maintaining and selling these assets.

are licensed under the principal broker are included in this registration; they do not register separately. The broker registration for Florida is attached to this handbook.

When your broker's registration package has been fully processed, the result is the assignment of a HUD-issued Name Address Identifier (NAID) number that must be renewed annually. You will use your broker's NAID number each time you bid, that is, when you place an electronic offer to purchase a HUD-owned property on the website at www.NHMSI.com.

To obtain a HUD NAID number, please follow the instructions on the forms and the following steps:

1. Download, print, and READ the SAMS 1111 and 1111A forms.
2. If this is your first time to register with HUD, fill in the form completely, leaving the space blank where it asks for your NAID number.
3. Item 5 is AC for Florida in the Atlanta Home Ownership Center (HOC).
4. Item 6 is SB for selling broker.
5. The broker for your firm or branch office must sign both the SAMS 1111 and 1111A forms, and will then be the only authorized signatory for HUD-9548 Sales Contracts. The broker's signature indicates that he or she accepts responsibility to ensure that the selling broker's agents have complied with all the HUD requirements. Signatures must always be originals signed with a blue ink pen.
6. Submit copies, preferably in color, of the required documents that show proof of business address, tax ID number, driver's license, and current Florida broker's license.
Keep a tracking receipt for your records and deliver the package to:
NHMS – NAID Processing
2600 Douglas Road, Suite 800
Coral Gables, Florida 33134
305-854-1711

Real estate licensees must have a current NAID number before submitting an offer on a HUD home. This registration expires when the broker's real estate license expires. It must also be updated whenever there is any change to the information. Timely updates and renewals will retain the same NAID number. Deactivation of the NAID number occurs if renewal is not done timely, and access to the bidding screen to place an offer will be denied. In this case, a new NAID number must be applied for. Remember NAID rhymes with PAID, and your commissions are tied to this registration. Please avoid interruptions to your HUD business by renewing properly.

WHERE DO I FIND THE HUD LISTINGS?

This is the age of the Internet! Listings describing HUD homes that are ready and available for sale are posted online at the M&M Contractors' websites for the states where they are responsible for maintaining and selling the properties. For Florida, New York, New Jersey, and Ohio, the website is www.NHMSI.com. Additionally, in each local area, the Multiple Listing Systems (MLS) carry the listings. Please rely only on the website for the actual and official information about the status of each property. MLS information may not be as current.

All offers to purchase must be submitted electronically using the bidding service that is available through the website. Listings and bidding guidelines vary by area according to the marketing plans approved by HUD for the different M&M Contractors' areas. The information on www.NHMSI.com is applicable only to the states where NHMS is the M&M. This version of the "HUD Homesellers Handbook" is specific to Florida. It is published for the benefit of Florida agents and brokers who are responsible to educate and assist their clients, the prospective buyers of HUD homes.

WHAT ARE THE HUD “DIRECT SALES PROGRAMS”?

Each year HUD sells approximately 3% of its properties through HUD’s various special programs. The “Good Neighbor Next Door” initiatives (GNND) are programs that HUD supports by agreement of Congress. Qualified individuals, non-profit organizations (NPO) and government housing agencies may indicate that they intend to purchase from HUD. The eligible properties are located in HUD Revitalization (or “Revite”) Areas³ where communities qualify for assistance from the federal government with their affordable housing needs. These Special Sales Programs are part of HUD’s mission to enhance the livability of neighborhoods and make affordable housing available to deserving organizations and individuals who focus on improvements needed in Revite Areas.

All GNND properties are sold with a real estate broker’s involvement. Commissions may be earned on these sales to qualified teachers, law enforcement officers, firefighters, emergency responders, and other HUD-specified public service personnel. The brokerage commission is paid on the sales price prior to the discount. This fee and other costs of closing are deducted from the purchaser’s discount, or with FHA financing, these costs can be included in the mortgage loan. Purchasers agree to live in the homes bought through GNND for a minimum of three (3) years. Their discount is a “forgivable” second lien of up to 50% of the sales price. The second lien is reduced to zero at the end of the 3-year period. Earlier move-out may incur substantial penalties. They must not have owned any other real estate for one (1) year prior to participating in the GNND program.

GNND and other Special Sales Program properties are available for five (5) days before they are for sale to the general public. Eligible buyers are selected by lottery from those who indicate a willingness to buy and who meet all the other requirements and restrictions. They do not bid, but rather offer “full price” and get the appropriate discount (10% to 50% off the listed price) at the time of settlement and closing. All buyers, including those who qualify for GNND participation, must be represented by a HUD registered broker with a NAID number.

The HUD website provides maps of all the Revite Areas in the country and offers other information. You may search for Revite Areas on line at <http://hud.uai.com/hudpls/>. Houses listed on www.NHMSI.com that qualify for direct sales have the notation that they are available for a limited time only to qualified purchasers.

IS SPECIAL FINANCING AVAILABLE FOR HUD HOMES?

Yes! HUD owned homes usually qualify for specific FHA financing options. If the house is in acceptable condition, an FHA 203(b) loan or a 203(b) with Repair Escrow may provide the best financing. If the house needs substantial repairs, or the buyer desires to renovate it, an FHA 203(k) loan or FHA Streamline(k) loan may be used. The FHA appraisal ordered and paid for by the M&M Contractor sets the “as-is” value for the property, which is valid for six (6) months. FHA borrowers may not overbid the appraised value unless they are able and willing to add the difference above the appraised value in cash to the FHA down payment amount. Any HUD property may also be purchased for all cash, or with conventional or other financing, subject to the lender’s requirements for that type of loan. Different options for FHA and non-FHA financing should be discussed with local mortgage lenders at the time the prospective purchaser obtains the required pre-approval letter. The website www.hud.gov lists FHA lenders who understand the rules for FHA loans on HUD-owned homes, as given in Mortgagee Letters, also published on the HUD website.

³ Revite Areas are communities selected by HUD where GNND purchasers receive up to 50% discounts. They include Census Tracts or Zip Codes that exhibit demographics of low homeownership, below average economic rankings, and other challenges.

WHAT DO THE HUD LISTING TYPES MEAN?

There are three (3) listing types, as described below, that indicate the best FHA financing for the property, based on its overall condition and other relevant factors. With each display listing on our website, there are pictures of the property; the FHA appraised value is given; there is a Property Condition Report (PCR) that discloses any known information about the property; and a Lead-Based Paint (LBP) Report and the appropriate LBP Addendum is included.

1. "IN" or Insurable Listings

These properties are in sufficiently good condition to qualify to be the collateral for an FHA 203(b) loan. This is the most common and simplest type of FHA loan.

2. "IE" or Insurable-Escrow Listings

There is a repair escrow established using extra funds borrowed by the purchaser from the FHA lender to enable these properties to be eligible for an FHA 203(b) loan. The house will have up to \$5,500 worth of repairs (including a 10% contingency) made within ninety (90) days or less after closing to meet "Minimum Property Standards" (MPS). The purchaser closes, and then must use the money in the escrow account that the lender has added to the loan amount to have the specific MPS repairs made that are required to bring the property up to good enough condition to be the collateral for the loan. The amount of the escrow is based on the M&M Contractor's estimate of costs to repair, and is reflected in the property listing on the web site along with the items requiring repairs. Any funds in the escrow account that are left over after the lender has made an inspection to be sure the repairs are complete may reduce the principle balance of the loan, or with lender approval, may be used to make additional improvements to the house. Note that if a buyer for an IE listing does not use FHA financing, no repair escrow will be made available.

3. "UI" or Uninsurable Listings

When a property needs more than \$5,500 worth of repairs, or if the purchaser wishes to make more extensive renovations, FHA 203(k) financing is often appropriate. In these cases, the FHA-approved appraiser's value is the "as is" amount and the purchaser gets estimates from contractors for the renovations. The lender then gets an "as repaired" appraisal based upon the cost estimates supplied by the purchaser's contractors. If the house will be worth the total of the "as is" value and the costs to rehabilitate or renovate, then the FHA 203(k) lender can make one loan that will include both the acquisition and the rehabilitation money, assuming the buyer/borrower qualifies to repay that amount of a loan. Knowing a good FHA lender with 203(k) experience is essential for this type of sale. Explore the advantages of the "streamlined" 203(k).

WHAT ARE THE DEADLINES FOR BIDS AND CONTRACTS?

As the Management and Marketing Contractor for the States of Florida, New York, New Jersey, and Ohio, National Home Management Solutions has simplified the deadlines and time frames for listing, bidding, and delivering HUD-9548 Contract Packages.

PROPERTIES WILL BE LISTED EACH WEEK. New listings appear on Friday. Re-listed properties that failed to close from an earlier purchase attempt are also posted on Friday. All properties eligible for GNND sales appear on our website on Wednesday. Each listing will indicate what type of

purchaser is eligible to place bids on that property: Special Sales Program Participants, Owner Occupants, or All Bidders (including Investors).

ONLY OWNER OCCUPANTS MAY PURCHASE NEW LISTINGS FOR THE FIRST TEN DAYS

- From the Friday that a newly listed property comes on the market until midnight on the Sunday that is ten (10) days later, the bidding stays open. ONLY Owner Occupant bidders may submit offers during this time.
- The bidding stays open until 11:59 PM on Sunday (the 10th day). All Owner Occupant offers received are ranked based on the highest net amount of proceeds that HUD will receive.
- The HIGHEST ACCEPTABLE NET bidder who is an Owner Occupant will be offered the opportunity to buy the property. This bid is acknowledged on the website in "Bid Results."
- The next highest acceptable net offer from an Owner Occupant may be in back-up position.

DAILY BIDDING AFTER THE FIRST TEN DAYS ALLOWS ALL BIDDERS TO PARTICIPATE EQUALLY

- After the first ten (10) days, bid offers are reviewed and ranked daily each business day.
- The highest acceptable net to HUD is given the opportunity to deliver a Sales Contract Package to the appropriate office of NHMS and purchase the property, regardless of whether the offer is from an Owner Occupant or an Investor.
- The next highest acceptable offeror (whether Owner Occupant or Investor) may be placed in back-up position. No contract is due unless and until the back-up is notified that the first bid has been cancelled.

Categories of purchasers: Special Sales Program purchasers are HUD-approved Non-Profit Organizations or qualified GNNND individuals, who are always required to occupy. Other Owner Occupants are purchasers who agree that they will live in the house as their primary residence for at least one (1) year, and who may not purchase another HUD home for two (2) years. Investors are not required to live in the home and may resell it or rent it whenever they choose.

COMPLETING THE PAPERWORK FOR THE PURCHASE TRANSACTION

Please check our website for bidding results the next business day after the bidding period closes. This will occur on Monday, following the first ten (10) days of bidding, or daily if the property has been for sale longer than the initial ten (10) days. The complete Contract Package must be delivered within 48 hours (not including weekends and Federal holidays) to the NHMS office located in the contract area where the property is located at the address provided on our website.

NOTICE: Until Contract Packages are received, reviewed, and ratified (executed by NHMS), there is no "Contract Pending" and the property is not "Sold." HUD reserves the right to withdraw any property from the market at any time before the Sales Contract is ratified, or to reject, cancel, or void the bid offered by any person for any reason in HUD's sole discretion.

Any late or incomplete Contract Package may be rejected and the back-up bidder given the opportunity to produce an accurate and complete Contract Package. Or the property may be placed back on the website for other bidders to make offers. NHMS follows HUD directives regarding the sales of all HUD-owned properties, always acting in HUD's best interests.

ARE THERE OTHER HUD SALES REQUIREMENTS?

Yes, there are many important requirements that agents and brokers should be aware of and should inform their prospective HUD home-buying clients about. NHMS offers training sessions to real estate licensees to fully explain HUD regulations and to answer all your other questions. Please check our website, www.NHMSI.com, for an updated schedule of training seminars.

ALL HUD HOMES ARE SOLD "AS-IS"

As the seller, HUD has a policy NOT to make any repairs, except when there are health and safety issues that must be corrected, or when further damage or loss to the property is likely to occur if a repair is not made. All such repairs must be completed before the house is placed on the market for sale. Therefore, when the property is listed, "what you see is what you get." The property is offered for sale strictly "AS IS." There are no representations or warranties, expressed or implied, on the houses. Whether listed FHA insurable or not, HUD does not guarantee the condition of any house, nor whether it meets local codes or zoning requirements.

Advise your clients to make certain that the "as is" condition of the property is acceptable to them before they execute the contract and authorize you to make an offer to purchase on their behalf. It is required that you have your clients carefully read paragraph B and all the other terms of sale described in the HUD-9548 Conditions of Sale. They must understand and agree to all the Sales Contract and addenda terms, and all documents must be signed by the purchasers before you make an offer electronically in their names.

The Purchaser has fifteen (15) days after the ratification date on the Sales Contract to have all their inspections made. The required HUD-92564-CN addendum "For Your Protection: Get a Home Inspection" must have been initialed at the same time as the Sales Contract. It describes the fact that the purchasers must rely upon their own independent inspectors to know what the condition of the property is. Utilities may be turned on for inspectors at the purchasers' expense. The selling agent must accompany prospective buyers and inspectors AT ALL TIMES prior to closing. Except for FHA purchasers, the reports of home inspectors will not be a basis for canceling a sale and receiving a return of the earnest money deposit.

OBTAINING A PRE-APPROVAL LETTER FOR THE PURCHASER

Brokers are responsible to see that prospective buyers have been pre-qualified and pre-approved for a loan by a lender has issued a letter on the lender's letterhead to the purchaser. Letters from mortgage brokers who do not actually lend funds are not acceptable. The lender's letter must be included in the Contract Package, or your bid may be cancelled and the back-up bidder's Contract Package accepted. For purposes of this program, "pre-approval" means a loan application has been made, and a preliminary loan commitment has been obtained from a recognized mortgage lender who states that a Credit Report has been performed, reviewed, and deemed acceptable. 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. Letters must be current, that is, dated and signed within sixty (60) days or less prior to the bid date.

OFFERS ON MORE THAN ONE PROPERTY SIMULTANEOUSLY

As an Owner Occupant, your client is only allowed to purchase one property, and therefore only needs to provide you with one earnest money deposit check. If the Owner Occupant offers the highest net acceptable bid on two or more properties, NHMS will select which property he or she will be given the opportunity to purchase. They will NOT be allowed to choose.

If you are working with Investors, they are allowed to buy two or more properties at a time, and therefore must supply you with a separate Contract Package and a separate earnest money deposit for each bid. If an Investor offers the highest net acceptable bid on two or more properties, National Home Management Solutions will expect him or her to purchase all of them, or forfeit to HUD the earnest money deposits on the ones not purchased.

OFFERS REFLECTING DIFFERENT PRICES FOR ONE PROPERTY FROM THE SAME PURCHASER

Do not make two offers from one purchaser on the same property! If your clients change their minds about the price they wish to offer, you must first cancel the prior bid before the bid deadline is past. After bidding closes, your highest offer will be the only one considered, and if your intention is unclear, all your bids on that property may be rejected. For GNND purchasers whose offers are selected by lottery rather than by price, if more than one offer is submitted, ALL offers from that purchaser will be rejected.

CONTRACT CANCELLATION

If your clients are unable to close a transaction after the Sales Contract has been ratified (fully executed), you must notify the closing department at NHMS immediately. If a refund of the earnest money deposit is requested in writing at least ten (10) days prior to the closing date with supporting documentation that describes the reason, the request is reviewed according to HUD guidelines. NHMS notifies the agent or broker when the refund is approved or denied. In no case will a refund be approved if a timely request is not made to NHMS, or if there is no written documentation for the reason.

HUD RULES FOR REFUND OR FORFEITURE OF THE EARNEST MONEY DEPOSIT

The agent or broker must have certified funds on deposit from the prospective purchasers prior to bidding on their behalf. This chart summarizes the earnest money deposit requirements:

SALES PRICE OFFER	EARNEST MONEY DEPOSIT
\$50,000 or less	\$500
\$50,001 - \$100,000	\$1,000
\$100,001 and above	\$1,500

Taken directly from HUD documentation regarding its property disposition rules, the following will be applied to determine whether there will be a refund or forfeiture of the earnest money deposit after there has been a contract cancellation:

A. Investor Purchasers

- 1) Uninsurable (UI) Sales—The Purchaser forfeits 100% of the deposit for failure to close, regardless of reason.
- 2) Insurable (IN) Sales—The Purchaser forfeits 50% of the deposit for failure to close if the Purchaser is determined by HUD (or a Direct Endorsement Underwriter) to be an unacceptable buyer. The Purchaser forfeits 100% if the sale fails to close for any other reason.
- 3) Vacant Lots—The required deposit is 50% of the sales price of the lot, and the Purchaser forfeits 100% of the deposit for failure to close.

B. Owner Occupant Purchasers

- 1) The entire deposit will be returned, if requested in writing within 15 days, with adequate documentation included, when:
 - There has been a death in the immediate family (Purchaser, spouse, or a child that resided in the same household);
 - There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial income loss, adversely affecting the Purchaser’s financial ability to close the sale;

- There has been a loss of job by one of the primary breadwinners, or substantial loss of income through no fault of the Purchaser;
 - On an IN sale, HUD (or Direct Endorsement underwriter) determines that the Purchaser, in spite of having a pre-qualification letter, is not an acceptable borrower, or
 - On an UI sale, the purchaser was pre-approved for mortgage financing in an appropriate amount by a recognized mortgage lender and, despite good faith efforts, is unable to obtain mortgage financing. "Pre-approved" means a commitment has been obtained from a recognized mortgage lender for mortgage financing in a specified dollar amount sufficient to purchase the property, or
 - There is other equally good cause, as determined by the M&M Contractor, in keeping with the spirit and intent of the above policy.
- 2) On an UI sale, the Purchaser forfeits 50% of the deposit in those instances where, despite good faith efforts by the Purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender.
 - 3) On either an IN or UI sale, the Purchaser forfeits 100% of the deposit in those instances where no documentation is submitted, where the documentation fails to provide an acceptable cause for the Purchaser's failure to close, or where documentation is not provided within a reasonable time following contract cancellation.

CONTRACT EXTENSIONS

Automatic cancellation will occur on the closing date that is indicated on the Sales Contract, unless an approved extension has been granted. NHMS will grant contract extensions on a case-by-case basis if the facts indicate that there is a necessary delay to settlement and closing. Requests must be delivered in writing on the appropriate form to the HUD Closing Agent at least five (5) business days prior to the closing date set on the Sales Contract.

No extension will be approved unless the appropriate fee in the form of certified funds accompanies the request. Based upon the sales price, the extension fee is as follows:

- \$150 when the sales price is \$25,000 or less,
- \$225 when the sales price is \$25,001 up to \$50,000, and
- \$375 when the sales price is over \$50,001 or more.

The non-refundable fee is made payable to the U.S. Department of HUD. If closing occurs in less than fifteen (15) days, the purchaser will be credited a prorated amount per day. There is a required addendum for the purchasers to sign that must be included in the Contract Package stating HUD's policy regarding extending the closing date.

HOW CAN I MARKET HUD HOMES?

HUD is pleased to have all registered brokers and their agents participate in marketing HUD homes to their clients, including advertising to the general public. There are important rules that must be strictly followed. If you have any doubts about whether an ad is acceptable, please contact the National Home Management Solutions marketing department.

RULES FOR HUD-REGISTERED AGENTS AND BROKERS TO ADVERTISE HUD HOMES

1. You must wait to advertise specific properties until after they are on the market for sale to the general public on the Internet, and then only at the listed price. However, you may advertise that you are registered to sell "HUD Homes" without giving a specific address at any time.

2. **Brokers are NOT allowed to imply that they have an “exclusive right to sell” listing on any HUD-owned property.** The local listing brokers are the only ones authorized to place the property into MLS and put up their HUD-approved signs. However, all registered brokers, operating with a current NAID number, may advertise and sell HUD homes to qualified buyers.
3. All ads must use the proper terminology:
In addition to “HUD Homes,” the terms “HUD Owned” and “HUD Acquired” are proper to use, but NEVER use the term “HUD Foreclosed.” The term “repo” is also not acceptable. Remember, HUD does not foreclose or repossess the properties; those steps were taken by the FHA lender who held the insured mortgage on the house when the loan went into default.
4. Any advertisement for HUD homes, including all ads appearing in print or in electronic media such as newspapers, magazines, flyers, or websites, must contain the familiar Equal Housing Opportunity logo. If your website links to the NHMS website, make certain it is to the “Home Page” so that all information and disclaimers are clearly visible to the user.
5. As a real estate licensee, be certain that all ads comply with the Truth-in-Lending Act.
6. If you are advertising a specific home, be sure to refer to the disclaimers that may apply to that property, as contained in the Property Condition Report posted with the Internet listing.

ONLY APPROVED “FOR SALE” SIGNS

No “Open Houses” are allowed. HUD must approve in advance in writing any real estate “For Sale” signs that are placed on the property. National Home Management Solutions and its local listing brokers are instructed to remove and discard any unauthorized signs. After settlement and closing, the successful selling agent may wish to place a “Sold by” sign on the property with the new owner’s permission, and of course, there is no HUD restriction against this practice.

KEYS TO HUD HOMES

A HUD master key is available to brokers who are registered to show and sell HUD homes at the offices of National Home Management Solutions and its local listing brokers. A log of who has a key may be kept, in which case, you may be asked to please provide your license number, NAID number, and contact information for record-keeping purposes. After closing, the door locks must be reset by the new owners at their own expense. The selling agent must NEVER give out a key to prospective purchasers or anyone else! Doing so may cause the deactivation of your NAID number and eliminate your opportunity to sell HUD homes in the future.

PREVENTING VANDALISM

All real estate professionals working with HUD in any capacity are requested to assist us to preserve and protect these properties until they are sold and transferred to the care of new owners. If you see vandalism, please notify NHMS immediately by calling our property maintenance subcontractor’s 24-hour free number: **866-736-8714**. The facts of each situation are reviewed on a case-by-case basis to determine what corrective actions must take place. If you have a contract pending on a vandalized property, closing may be delayed or cancelled.

ACCESS TO THE PROPERTY PRIOR TO CLOSING

As the selling agent or broker, please impress on your clients the fact that these properties are government owned and MUST NOT be entered without authorization for any reason whatsoever. You are required to be with your clients at all times when showings or inspections are made, and to re-secure all entrances to the house and other improvements before leaving. It is NEVER permissible for purchasers to make repairs, occupy, or move any personal items onto the property prior to settlement, closing, and transfer of the title of ownership into their names.

Note that any violation of this prohibition constitutes a breach of the HUD-9548 Sales Contract! Resulting penalties may include charges of trespassing in addition to the cancellation of the sale,

forfeiture of the earnest money deposit, and removal of personal property found on the premises that may be damaged or destroyed in the process. HUD registered brokers are also subject to possible disciplinary action by HUD that may include debarment from working with HUD in the future. Please take these warnings seriously, monitor the actions of your clients prior to closing, and notify National Home Management Solutions immediately if you know of any violation.

HOW DO I COMPLETE THE HUD-9548 SALES CONTRACT?

Originally the HUD-9548 Sales Contract dated 1/99 was only available from the Government Printing Office in a multi-part carbon set form. This form has been replaced for the most part by the HUD-9548 (1/99) that may be downloaded and printed from the websites of M&M Contractors, along with the applicable addenda. You are responsible for keeping up to date on changes made by HUD, so please check our website at www.NHMSI.com frequently.

PLEASE PREPARE AND HAVE ALL OF THE BUYERS INITIAL AND SIGN IN BLUE INK THE HUD-9548 SALES CONTRACT COMPLETELY AND EXACTLY AS FOLLOWS BEFORE PLACING AN ELECTRONIC OFFER TO PURCHASE (THAT IS, BEFORE BIDDING):

Item #1 Purchaser(s) Names and Property Address

Give the full legal name(s) of your prospective buyer(s) and the complete HUD property address, including city, state, county, and zip code. The HUD case number goes in the box in the upper right-hand corner of the page. Because no HUD contract is assignable, settlement and closing must occur with at least one of the original buyers who signed the Sales Contract. The client(s) on whose behalf you place the electronic bid must be the same person(s) who initialed and signed the Sales Contract and addenda before you bid. They must take title at closing.

Item #2 Legal Vesting of Title

Write the legal style or type of ownership in which title will vest to your clients. The HUD Closing Agent is charged with preparing the deed to transfer title according to this information, so be sure this reflects how the buyer(s) wish to take title. If you and/or your clients are not certain, just state the buyers' relationship to one another by blood or marriage, or if there is no relationship by blood or marriage, write "Unrelated Individuals." If only one individual is the buyer, write "An Unmarried Person" or "A Married Person, purchasing as his/her separate property."

Item #3 Purchase Price and Earnest Money Deposit

Insert the amount your client(s) have authorized you to bid on their behalf on the blank line on the right. Any price may be offered for a HUD home, but each property has a preset, unpublished minimum acceptable price. Of course, full price is always acceptable, assuming the buyer meets other qualifications, but your buyers (with your advice based on your market knowledge) are free to offer whatever price the property is worth in their determination. The FHA appraised value or "as is" price of the property is provided on the listing screen.

Indicate the correct earnest money deposit, as shown on a previous page. For vacant lots, the deposit is 50% of the sales price offered. GNND purchasers provide earnest money of one percent (1%) of the price, with a minimum of \$500 and a maximum of \$2,000. It is strictly required by HUD that BEFORE you place a bid on behalf of your clients, you must have possession of the earnest money deposit in form of CERTIFIED CHECK, CASHIERS CHECK or MONEY ORDER. Do not accept personal checks!

The earnest money deposit check or money order must be made payable to EITHER 1) your Broker's Escrow Account (using the company or broker's name) OR 2) the HUD Closing Agent (using the company name). Reflect the same on the blank line regarding who holds the deposit.

Item #4 Type of Financing

Be sure you check ONLY ONE of the boxes on the far left, depending upon whether your clients plan to use either FHA financing, or a Non-FHA source of purchase money.

If FHA financing will be used, check only one type of FHA financing:

1. 203(b) for properties listed as "IN" for Insurable,
2. 203(b), with escrow for properties listed "IE" for Insured-Escrow (for up to \$5,500 worth of repairs as detailed on the listing), or
3. 203(k). This renovation financing may be used for any HUD home unless the listing specifically states this particular property is not eligible for 203(k). Most condominiums are not eligible for 203(k) financing.

IMPORTANT NOTICE: If your clients want to bid an amount greater than the appraised value, AND they plan to use FHA financing, then HUD requires the purchasers to pay the difference in cash in addition to their down payment amount. NHMS reviews the Contract Package for verifiable evidence that the buyers have sufficient cash available to meet this requirement. In addition to verifying the loan pre-approval letter, the verification of funds must be made before the Contract Package will be approved and ratified by NHMS on behalf of HUD.

IMPORTANT NOTICE: Listings that specify that the home is "IE" (Insurable with a repair escrow), will also specify the escrow amount (including a 10% contingency, for a total amount not to exceed \$5,500). If your clients are planning to use the special FHA 203(b) financing to purchase an IE property, be sure to enter the escrow amount given on the listing screen on the Sales Contract on the last blank line in this Item #4. Do not add or subtract the repair escrow amount to any other amount written on the Sales Contract.

Be sure your clients understand that the repair escrow amount is not provided by HUD. It is simply additional funds that are being loaned to the buyers by their FHA lender in order for the buyers to have the necessary money to pay for the required repairs that must be made to the home within ninety (90) days after closing so that the home meets FHA Minimum Property Standards. The repair escrow amount will be paid for by the buyers as part of the monthly mortgage payment.

The Financing Section, Item #4, may be completed as follows:

- Please leave the three spaces for down payment, mortgage loan amount, and the number of months BLANK. Do not put anything in these blank spaces.
- If your clients are able to pay all cash so that no loan is involved, circle the word "cash." Include a document that provides evidence of sufficient cash to close in the Contract Package. This might be a current bank statement or deposit slip, or a letter signed by a banker, CPA, or attorney.
- If a loan from a conventional lender will be used as purchase money, circle the word "conventional." Include a pre-approval letter from that lender. Veterans may use VA loans, but often the HUD homes will not meet VA requirements as to condition, so advise your clients to discuss this with their VA lender in advance.

Item #5 Closing Costs to be Paid by Seller on behalf of Purchaser

HUD will pay up to three percent (3%) of the sales price. For further information about what is included and what may not be included in this amount, please review the www.NHMSI.com website Broker Information section.

HUD will pay any closing cost that is normally charged to buyers if the amount is included in the total amount you insert on the line for Item #5. HUD will not cover any pre-paid escrow amounts for association dues, pre-paid homeowners' insurance or property taxes, or flood insurance. The total may not exceed whatever is actual, reasonable and customary in the area where the property is located. Advise your clients that HUD does not pay any unused amount to them and that they will enhance their bid by paying some or all of their own closing costs, which increases their net offer to HUD.

Item #6 Brokerage Commissions Seller is to Pay

- Item 6a. Your commission should be entered here. The selling broker's fee is usually up to five percent (5%) of the bid price on line #3. Of course, the selling broker may request a fee less than 5%, which would increase the net to HUD and improve the offer and its chances of being the highest net bid on the property.
 - DO NOT ADD the broker bonus (if any). Bonuses and incentives, when applicable, will be added on the HUD-1. See our website for the most recent information.
- Item 6b. Leave this line blank. Currently HUD does not pay a listing broker fee. For more information about the local listing brokers, see our website.

Item #7 The NET Proceeds to Seller

Calculate the net proceeds to HUD by totaling ONLY Items #5 and #6a, which are the closing costs and commission. Subtract that total from Item #3, the offered price. Write the net to HUD amount in the shaded area on the Sales Contract at Item #7. When you enter this bid electronically, make certain the amount on the HUD-9548 is an exact match to the net amount that appears on the bidding screen. It rarely happens, but if two or more offers provide an equal net value to HUD, and one is from an Owner Occupant, that one is the winner. If both are from the same type of buyer, then the computer randomly chooses the winner.

Item #8 Type of Buyer

Place a check mark in the box that describes your clients accurately.

IMPORTANT NOTE: If your buyers do NOT fit the Owner Occupant description, it is a Federal offense to make an offer falsely during the first 10-day bidding period. This is fraud, and may cause any or all of the parties to the Sales Contract, including the buyers, the broker, and the selling agent, to be investigated by HUD and other governmental agencies. Carefully read Paragraph O in the Conditions of Sale on the HUD-9548 for the potential penalties.

Item #9 Expiration of Contract and Closing Agent

Property sales that are not subject to 203(k) financing must close within forty-five (45) days from the date the Sales Contract was executed by NHMS on behalf of HUD. For any 203(k) loans, sixty (60) days are allowed. Unless extended in writing by NHMS, the Sales Contract expires on the date that is 45 or 60 days after the final execution/ratification date. (See "Contract Extension" information in this handbook.) Finish this item by writing in the name of the HUD Closing Agent for your area, or simply write "HUD Designated Closing Agent."

Item #10 Back-Up

If your clients are willing to be in back-up position behind the highest NET acceptable bidder, please check the first box. You will be notified if the bid that was higher than yours is cancelled.

Item #11 Addenda Attached to Contract

The hazards of lead-based paint in older homes are well known, and HUD continues to make efforts to disclose the potential dangers, especially to families with young children. If you are

making an offer on a home constructed prior to 1978, you must inform the buyers that there might be lead-based paint on the premises. Check the first box and include the Lead Based Paint addendum. It must be completed AND SIGNED by the buyers and initialed by the selling agent at the same time as the HUD-9548 Sales Contract. Submit the original in your Contract Package. You must also provide buyers of homes built before 1978 with a copy of the addendum and the pamphlet "Protect Your Family from Lead in Your Home." Copies of these pamphlets are available online through the Environmental Protection Agency (EPA) and many real estate associations.

There are ALWAYS "other" addenda required, so check that box. Be sure your buyers sign all the documents that must be included in the complete Contract Package. There is a list of addenda and attachments in this Handbook. Also review the "Forms" section of the NHMS website.

Item #12 Purchaser Initials Regarding Earnest Money Deposit

IMPORTANT NOTICE: This remains one of the most overlooked items. Please do not neglect to have your clients place their initials in the blank in BLUE INK.

Item #13 Purchaser Certification Regarding Conditions of Sale and Conclusion

Signatures are very important. Each buyer signs his or her full legal name as it was submitted with the bid and as it appears on the first line of the Sales Contract. Please print clearly the correct spelling of the name below the signature.

Include each and every buyer's Social Security Number, beginning with the signature, printed name, and SSN of the person whom you believe is most likely to close if there are multiple buyers. Write the date the buyer(s) signed the Sales Contract. The signatures, names and SSNs go in the box that says "Purchasers: (type or print names and sign)." The SAME names and signatures must appear on each addendum; that is, do not let your buyers sign their full names on the Sales Contract and use just initials and last name on any of the addenda.

The "Signature of Broker" is for your broker, the same signature as it appears on the SAMS 1111 and 1111A forms. This affirms that the broker of record has performed as promised when the HUD registration was submitted and the NAID number was approved by HUD. If the broker is unavailable, a letter authorizing the person who does sign on his/her behalf must be included in the Contract Package. Do not forget to include the broker's FIN (Federal ID Number, Tax ID Number, or Social Security Number) and the **current NAID#** as it is recorded with HUD. If the NAID# is inactive at the time the bid is placed, it will result in denial of your Sales Contract.

PRINT your name as the licensee who is the actual selling agent and provide your direct phone (or cell) number, on the line near the end of the first page of the Sales Contract. If we need to contact you, it will be to the email address you entered with your bid. Alternatively, we may attempt to call you at this phone number. Please be vigilant to check email and to respond to any calls promptly.

When the Sales Contract is ratified, the signature in the box for "Seller: Secretary of Housing and Urban Development" will be an authorized employee of NHMS who does so by official Redlegation of Authority from the HUD Secretary. Leave blank the area where it says, "This section for HUD use only." NHMS personnel complete "Authorizing Signature and Date."

WHAT ARE THE REQUIRED ATTACHMENTS TO THE HUD-9548 SALES CONTRACT?

The following is a list of documents as of the date of this Handbook, but please remember, it is your responsibility to stay currently informed through our website so that your Contract Package will be complete and correct when delivered on behalf of your buyers.

1. The HUD-9548 Sales Contract (1/99) that has been completely and correctly filled in, initialed and signed. ALL signatures and initials must be in BLUE INK.
2. Add the signed affidavit stating that the HUD-9548 Sales Contract content has not been altered in any way. Please take the time to review the instructions given above regarding completion of the Sales Contract. *Your buyers depend on you to get it right!*
3. Lead Based Paint Addendum to Sales Contract (For homes constructed prior to 1978.)
4. HUD-9548-D Owner Occupant Certification. Write Not Applicable (N/A) for Investors.
5. Closing Date Extension Policy
6. Forfeiture of Earnest Money Policy
7. Policy Regarding Property Inspections
8. Copy of Signed the Pre-Approval Letter for the Loan and/or evidence of CASH (when your buyers are paying all cash, or when there is a cash requirement above the down payment because the offer exceeds the “as is” appraised value for the property and your buyers are getting an FHA loan.)
9. Purchaser’s Rights and Responsibilities
10. HUD-92564-CN “CAUTION” notice signed or initialed by your clients (Please review the Policy Regarding Property Inspections and Home Inspection Request forms. When it is time to request the actual inspection, follow the instructions on those documents.)
11. Additional documents that apply to the area where the property is located, if any.
12. The special addenda that apply to Special Sales Programs, such as the Good Neighbor Next Door program, if applicable.
13. Copy of Earnest Money in form of Certified or Cashier’s Check or Money Order.

IS THERE ANYTHING ELSE I SHOULD KNOW?

This Handbook, the information on our website, and our training seminars comprise the complete HUD HOMESSELLER'S HOMEWORK. This checklist is a final step to success.

- 1. My broker registered with HUD in SAMS and I know the NAID number.
- 2. I have obtained the appropriate HUD keys.
- 3. I have read and understood this Handbook and all the HUD documents.
- 4. On my computer, I have reviewed the bidding process instructions on www.NHMSI.com.
- 5. We have in hand the required proof of proper preparation:
 - A Pre-Approval Letter from a Lender (and/or evidence of Cash, as necessary)
 - An Earnest Money Deposit Certified Check or Money Order in the correct amount
 - A complete and correct HUD-9548 Sales Contract Package, with the Conditions of Sale and other documents thoroughly read and understood in advance by all parties
- 6. We have selected the HUD home the buyers want to purchase.
- 7. We filled in and executed the HUD-9548 Sales Contract and Addenda in BLUE INK. **[IMPORTANT NOTE: This is your ONLY legal authorization to bid on behalf of your clients. DO NOT neglect this step prior to bidding!]**
- 8. I have entered an offer to purchase in the form of an electronic bid on the website.
- 9. I printed the Bid Confirmation Screen.
- 10. I checked "Bid Results" to see that ours was the winning bid and notified my clients.
- 11. I ensured that the Contract Package was delivered within 48 hours to the NHMS office.
- 12. As proof, I kept a delivery service tracking receipt.
- 13. If any additions or corrections were needed, I complied immediately.
- 14. I received the ratified Sales Contract.
- 15. The buyers arranged to complete financing application and approval.
- 16. We completed the Home Inspections
- 17. I contacted the Closing Agent to make an appointment for my buyers to close on time
- 18. I congratulated the new Home Owners! (...and myself!)