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“Guide to Selling HUD  Owned Homes
in
Maryland and D.C”

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This course is subject to updates in program administration and HomeSource policies and procedures. Please continue to monitor www.hudhomesource.com to obtain the latest version of this course outline.

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GENERAL PROGRAM INFORMATION

As an organizational unit within The US Department of Housing and Urban Development (HUD), The Federal Housing Administration (FHA) exists to insure approved lenders against the risk of loss on loan defaults. In the event of a default on a FHA insured loan the lender acquires the property by foreclosure and then submits a claim to the FHA. In order to indemnify FHA funds as well as to promote and preserve communities, the property is conveyed to HUD for marketing purposes and eventual sale.

HomeSource Real Estate Asset Services, Inc. (HomeSource) works directly with HUD as part of this marketing and management program. HomeSource markets and manages these residential properties for HUD in Maryland and The District of Columbia. Along with HUD's goals to protect the value of each property, HomeSource works to make these homes readily available for resale thus creating more homeownership opportunities in these areas.

HomeSource is responsible to make decisions regarding the properties, based upon the terms of the M&M Contract. It is HomeSource's goal to serve HUD's best interests and create the best possible opportunity for real estate agents and brokers to represent their clients to purchase these properties. Like HUD, our mission is increasing home ownership and enhancing communities.

WHO IS ELIGIBLE TO PURCHASE?

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-qualified by a mortgage lender (not a broker) for the loan amount that will be needed. A Lender's Letter is required and a recommended format is included in our sales contract package located on the "Forms" pages of the HomeSource website www.hudhomesource.com. Purchasers who are able to pay all cash must provide verifiable proof that they have the funds available at the time of the offer.

Additionally, HUD has "special" sales programs not available to the General Public. HomeSource offers detailed information about these programs on our website and in our "Home Buyer" training courses.

SALES COMMISSIONS ON HUD OWNED HOMES

HUD will pay the amount listed on line 6a of the sales contract (not to exceed 5% of the contract sales price) to currently licensed HUD registered real estate brokers at the time of settlement. 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 broker does not split this commission with the agent authorized to list the property in the MLS by HomeSource.

¹ Certain restrictions apply to HUD employees and to anyone associated with the M&M Contractors or any of their subcontractors.

BECOMING A HUD REGISTERED BROKER

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 owned 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 are licensed under the principal broker are included in this registration; they do not register separately.

When your broker's registration package has been fully processed, the result is the assignment of a HUD-issued Name and 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 HomeSource web site.

On the HomeSource website you can download either a "Broker Registration Package" to be used for new or expired applicants or the "Broker Recertification Package" to be used for annual recertification. These packages are available on the "Forms" page under the Real Estate Professionals section of our website. Additionally, the HomeSource Broker Certification Specialist will send correspondence to each registered broker outlining recertification criteria and when the process must be completed.

Please be aware that 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. If this situation occurs, a new NAID number must be applied for by submitting a complete "Broker Registration Package." It is important to avoid interruptions to your HUD business by renewing properly. You may contact the HomeSource office for assistance with this process.

AVAILABLE PROPERTIES FOR SALE

Electronic Bidding! Listings describing HUD owned homes that are ready and available for sale are posted on line at the web sites maintained by each of the M&M Contractors for the states where they are responsible for maintaining and selling the properties. For Maryland and the District of Columbia, the web site is www.hudhomesource.com.

Additionally, in each local area, the Multiple Listing Services (MLS) will also carry the listings. Please rely on the HomeSource web site for the actual and official information about the status of each property in their area. MLS information may not be as current. All offers to purchase must be submitted electronically on the HomeSource bidding service that is available through their web site.

Listings and bidding guidelines vary by area according to the marketing plans approved by HUD for the different M&M Contractors. The information on www.hudhomesource.com and in this course outline, is applicable only to Maryland and D.C., and is published by HomeSource for the benefit of the agents and brokers in our area who are responsible to educate and assist their clients, the prospective buyers of HUD homes.

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

DIRECT SALES PROGRAMS

Each year HUD sells approximately 3% or less of its properties directly, through HUD's various Direct Sales Programs (DSP). The GNND "Good Neighbor Next Door" initiatives, including the Officer Next Door and Teacher Next Door (OND/TND) programs are examples of DSPs. Qualified individuals, non-profit organizations (NPO) and government housing agencies may indicate that they intend to purchase directly on the M&M Contractors' web sites. The Direct 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 will focus on the improvements needed in designated neighborhoods. In the case of the GNND programs, the purchasers must agree to live in the home bought through the DSP for a minimum of three years.

DSP properties are available before going on the market for sale to the general public. DSP 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 DSP participation must be represented by a HUD registered agent or broker. Houses listed on www.hudhomesource.com that qualify for direct sales have the notation that they are available for a limited time only to qualified DSP purchasers.

All DSP offers to purchase properties must be submitted with a real estate broker's involvement to an approved NPO or to qualified full-time police officers or full-time school teachers. The brokerage commission, not to exceed 3% of the sales price prior to the discount, is actually *paid by the purchaser*, not by HUD. At closing the purchaser's loan amount may be increased to include the commission and other closing costs so that payment can be made from the loan proceeds. The real estate professional who has been engaged to represent a DSP purchaser should have him or her sign a written agreement that discloses the commission amount (that may be expressed as a percentage of the sales price) that the purchaser agrees to pay directly or to finance. Without such an agreement, the commission to the selling broker may be forfeited.

FINANCING OPTIONS FOR HUD OWNED HOMES

HUD owned homes usually qualify for specific FHA financing options, according to the listing type described below. If the house is in acceptable condition, an FHA 203(b) loan or a 203(b) with Repair Escrow may be an acceptable financing type. If the house needs substantial repairs, or the buyer desires to renovate it, an FHA 203(k) loan may be used. The FHA appraisal performed by HomeSource determines the maximum loan amount that can be financed using an FHA loan in the property's current condition. FHA borrowers should not overbid the HomeSource appraised value unless they are able and willing to add the difference above the appraised value in cash to the FHA down payment amount needed at closing. Any HUD owned 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 the mortgage lender prior to signing a sales contract and submitting an electronic bid. The web site www.hud.gov lists FHA lenders and www.hudclips.org provides access to the HUD Mortgagee Letters that instruct FHA lenders about the financing rules for FHA loans on HUD owned homes.

INDICATING THE FHA FINANCING TYPE

There are three (3) FHA financing types, as described below, which indicate the available FHA financing for the property, based on its current condition and other relevant factors. On each property listing on our web site, in addition to this information, there are pictures of the property, the FHA appraised value is given, property disclosures are listed, and there is a Property Condition Report (PCR) that discloses any known information about the property.

1. "IN" or Insurable Listings
These properties are in sufficiently good condition and are eligible for FHA 203(b) financing.
2. "IE" or Insurable-Escrow Listings
These properties will require certain repairs as outlined by the FHA appraiser, as a condition of the FHA 203(b) loan. Necessary repairs are listed along with the "escrowed" amount associated with each repair. No repairs are to be made prior to settlement. The purchaser must finance in addition to the purchase price the total amount listed for the repair escrow. Repairs must be made after settlement by the purchaser in order to fulfill the conditions of the loan. Repair escrows will not exceed \$5,500. 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 be used to 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 is required.
3. "UI" or Uninsurable Listings
When a property needs more than \$5,000 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 appraiser's cites necessary repairs and determines the "as is" value and the purchaser gets estimates from contractors for the renovations. The lender then gets an "after improved" or "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 to work.

Occasionally there are other reasons why a property is not eligible for FHA financing specifically, condo's which are not listed as being eligible due to factors such as investor vs. owner occupancy ratios. In these cases NO FHA financing of any kind can be used.

In all cases conventional financing or cash may be used for the purchase. These designations only apply to purchases where FHA financing will be used.

ELECTRONIC BIDDING AND CONTRACT SUBMISSION

As the Management and Marketing Contractor for the State of Maryland and the District of Columbia, HomeSource Real Estate Asset Services, Inc. has simplified the deadlines and time frames for listing, bidding, and delivering Contract Packages on HUD owned properties.

ALL PROPERTIES WILL BE LISTED ON FRIDAY OF EACH WEEK. New listings, re-listed properties that failed to close from an earlier purchase attempt, and all Direct Sales Program listings will appear on our web site on Fridays before 5:00 PM. Each listing will indicate what type of purchaser is eligible to place bids on that property: DSP Participants, Owner Occupants, or All Bidders (including Investors).

PREFERENCE IS GIVEN TO OWNER OCCUPANT BIDDERS FOR THE FIRST 10 DAYS ON NEW LISTINGS.

- From the Friday that a newly listed property comes on the market until midnight on the Sunday that is ten (10) days later, bidding stays open. ONLY Owner Occupant bids will be reviewed during this time.
- The sealed bid auction stays open until midnight on Sunday (the tenth day), then all Owner Occupant offers received up to that time are reviewed. Acceptable bids are usually ranked based on the highest net amount of the offer.
- The HIGHEST ACCEPTABLE NET bid coming from an Owner Occupant bidder will be accepted unless otherwise noted in the special comments of the property description page of the website.
- The next highest acceptable net offer from an Owner Occupant will be placed in back-up position unless otherwise noted in the special comments of the property description page of the website.
- It is the responsibility of each agent to view the website to determine if they are the successful bid winner, HomeSource will send a "Bid Acceptance Notification" (either by email or fax) informing the agent of their position in the auction results. The "Bid Results" are posted 1 day following the close of the auction period and will contain the accepted bid confirmation numbers for both the primary and back up bids. Both offerors should return their contract package to HomeSource within 48 hrs of the offer acceptance notification.

DAILY BIDDING AFTER THE FIRST TEN DAYS ALLOWS ALL BIDDERS TO PARTICIPATE EQUALLY FOR UNINSURED PROPERTIES. ALL INSURED PROPERTIES WILL REMAIN IN OWNER OCCUPANT STATUS FOR AN ADDITIONAL 10 DAYS. EXCLUDING PROPERTIES LOCATED IN BALTIMORE CITY, IN THIS AREA ONLY BIDS FROM OWNER OCCUPANT PURCHASERS WILL BE CONSIDERED FOR 20 DAYS ALL INSURED AND UNINSURED.

- After the first ten (10) days, offers are evaluated daily on each business day.
- At this point, the highest acceptable net to HUD is given the opportunity to deliver a Sales Contract to the main office of the M&M Contractor and purchase the property.
- The next highest acceptable offer will be placed in back-up position.

Definitions of purchaser types: DSP purchasers are HUD-approved Non-Profit Organizations or qualified OND/TND individuals, as discussed above. Owner Occupants are purchasers who will live in the house as their primary residence for at least one year and they may not purchase another HUD home for two years. Investors are not required to live in the home and may resell it or rent it as they choose.

COMPLETING THE PAPERWORK FOR THE PURCHASE TRANSACTION

Notifications of the primary acceptable bids and back-up bids will be sent during the morning of the next business day after the bidding period closes. This will occur on Monday, following the first ten (10) days of bidding for new listings, or daily if the property has been for sale longer than the initial ten (10) days. (Saturdays and Sundays not included) Each notification message will indicate the next steps and requirements for the bidder's agent to follow. For Maryland and D.C. properties, the complete Contract Package must be delivered within 48 hours (not including weekends and

Federal holidays) to the HomeSource main office, located at 4423 Forbes Blvd. Lanham, MD 20706

NOTICE: Until Contract Packages are received, reviewed, and ratified, 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 web site for other bidders to make offers. HomeSource is required to follow HUD directives regarding availability and sales of all HUD owned properties, and will always act accordingly in HUD’s best interest.

OTHER HUD SALES REQUIREMENTS

There are important requirements that agents and brokers should be aware of and should inform their prospective HUD home buying clients about. HomeSource will frequently offer training sessions to real estate licensees to fully explain all the HUD homes sales regulations and to answer all your other questions. Please check the Real Estate Professional section of our web site, www.hudhomesource.com, for an updated schedule of our training seminars. Maryland and D.C. licensees should also feel free to contact HomeSource if any further assistance is needed.

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 property’s “as is” condition 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 from the date they sign 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 signed 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 owner occupant purchasers, the reports of home inspectors will not be a basis for canceling a sale and receiving a return of the earnest money deposit. There is a \$50 deposit required in order to receive authorization to connect the utilities for the purchaser’s inspection.

Obtaining a PRE-approval Letter for the Purchaser

Brokers are responsible to see that prospective buyers have been pre-approved for a loan by a lender who 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 pre-approval 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 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. Letters must be current, that is, dated and signed within 60 days or less prior to the bid date. A sample format of an acceptable lender's letter is provided in the sales contract package.

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, HomeSource 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 an Investor, he or she is allowed to buy two or more properties at a time, and therefore must supply you with a separate earnest money deposit for each bid. If the Investor offers the highest net acceptable bid on two or more properties, HomeSource will expect him or her to purchase all of them, or forfeit the earnest money deposits on the ones not purchased.

An "Electronic Bid Cancellation Form" is available for download on the forms pages of the HomeSource website. This form must be used to cancel any bid, whether submitted before the deadline or after the "Bid Results" have been posted.

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 DSP 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, please notify the Closing Department at HomeSource immediately, but not later than ten (10) days after the cancellation date or after the settlement and closing date that was set for the transaction, whichever is sooner. If a refund of the earnest money deposit is requested in writing with supporting documentation that describes the reason, HomeSource will evaluate the request according to HUD guidelines and notify the agent or broker whether the request will be approved or denied. In no case will a refund be approved if the request is made to the Closing Agent rather than to HomeSource, or if there is no written documentation for the reason.

FORFEITURE OF THE EARNEST MONEY DEPOSIT. This policy is clearly outlined in the General Addendum to the sales contract. Earnest Money Requirements are as follows:

- \$500 from an Owner Occupant if the offered sales price will be \$50,000 or less,
- \$1,000 from an Owner Occupant if the offered sales price will be \$50,001 or more,
- \$2,000 if the purchaser is an Investor, regardless of the sales price.
- GNND Program 1% of list price, but no less than \$500 and no more than \$2000.

CONTRACT EXTENSIONS

Automatic cancellation will occur on the closing date that is written on the Sales Contract, unless an approved extension has been granted. HomeSource 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 made and delivered to HomeSource in writing at least three (3) business days prior to the closing date set on the Sales Contract. No request will be approved unless the appropriate fee in the form of certified funds accompanies the request. If closing occurs in less than fifteen (15) days, the purchaser will be credited a prorated amount at the per diem rate. There is a required addendum that the purchasers must sign and is included in the Contract Package that restates HUD's policy regarding extending the closing date. The amount required per day and the addendum is available in the sales contract package on the HomeSource website.

MARKETING HUD OWNED HOMES

HUD is pleased to have all registered brokers and their agents participate in marketing HUD owned 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 HomeSource 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 placed on the market for sale to the general public on the Internet, and only then at the listed price. HomeSource lists new properties on Friday for an open bidding period of ten (10) days. However, you may advertise that you are registered to sell "HUD Homes" without giving a specific address at any time.
2. No broker is allowed to imply that they have an exclusive listing on any HUD owned property. Although the listing agent is the only one authorized to place the property into MLS, all registered brokers and their agents, operating with a current NAID number, may market 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 not "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 it 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 web sites, must contain the familiar Equal Housing Opportunity logo. If your web site links to the M&M Contractor's web site, 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 on www.hudhomesource.com.

OPEN HOUSES

Listing Agents under the direction of HomeSource are authorized and required to hold "Open Houses" on designated properties each week. **These are the only cases where an agent is authorized to host an "Open House" on a HUD owned property. THIS RESTRICTION WILL BE STRICTLY ENFORCED.**

ONLY APPROVED "FOR SALE" SIGNS

HomeSource will install appropriate signage at each HUD owned property. Additionally, HomeSource has authorized the applicable listing agent to install appropriate signage while the property is available for bidding on the HomeSource website. HomeSource and its local listing agents are instructed to remove (and may 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 OWNED HOMES

A HUD master key for Maryland and the District of Columbia is available to agents and brokers who are registered to show and sell HUD homes at the main office of HomeSource. A log of who has keys 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. **All locks have been changed and “new” HUD key must be obtained to access each property. However, all properties will have a lockbox with keys installed at the time of listing that may be used for access. The key code cannot be used to cut your own key and duplicates cannot be made.** Each lockset has a corresponding set of “Homeowners” keys that will be dispersed at settlement and can be used to reset the lock to prevent further access. Prior to closing the selling agent or broker must NEVER give them the master key! Doing so may cause the deactivation of your NAID number and 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 the new owners. If vandalism occurs and you are aware of it, please notify HomeSource immediately. 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, with penalties resulting that 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 HomeSource immediately if you know of any violation.

COMPLETING 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 HomeSource website, along with the applicable addenda. You are responsible for keeping up to date on changes made by HUD, so please check our web site at www.hudhomesource.com frequently.

Please Complete the HUD-9548 (1/99) Sales Contract 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 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 on whose

behalf you place the electronic bid, whose name and Social Security Number was entered on the bidding screen, must be the same person who initialed and signed the Sales Contract and addenda before you bid. The same person must take title at the time of settlement and 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 property has a preset, unpublished minimum acceptable price below which the seller (HUD) will not sell at that time. 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 for Owner Occupant purchasers, which is \$500 (for an offer of \$50,000 or less) or \$1,000 (for an offer of \$50,001 or more), or one-half the price of a vacant lot. Investors must provide \$2,000 earnest money, regardless of the price they are bidding. There is no earnest money required from qualified OND/TND and NPO Purchasers. 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 your Broker's Escrow Account. Use your company's or broker's name as the payee. For example, "ABC Real Estate, Inc., Escrow Account" or "Broker Jane Smith's Escrow Account." Once the bid has been accepted the agent should deposit the funds in the Brokers escrow account.

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 the 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 \$5000 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, on Item #3, "The agreed purchase price of the property is \$_____ " your clients want to bid an amount greater than the appraised value, AND they plan to use FHA financing, then HUD requires that the buyer(s) must pay the difference in cash in addition to their down payment amount at the time of settlement and closing. HomeSource will check that the Contract Package includes verifiable evidence that the buyers have sufficient funds 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 HomeSource 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 \$5500). 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. Additionally, this escrow will not be a factor when qualifying the purchaser financial ability.

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

- Please leave the three (3) 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 in Maryland and the District of Columbia. For further information about what is included and what may not be included in this amount, please review the www.hudhomesource.com web site Real Estate Professionals 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. In no event may the selling broker’s fee exceed 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.
- Item 6b. Leave this line BLANK. This line item will not be used to calculate the “net” to the seller.

Item #7 The NET Proceeds to Seller

Calculate the net proceeds to HUD by totaling Items #5 and #6a for the closing costs and commission, and subtracting 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 it 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 state that they are Owner Occupants in order to enter the first ten (10) 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

All property sales that are not subject to 203(k) financing must close within forty-five (45) days from the date the Sales Contract was ratified by HomeSource on behalf of HUD. For property sales with FHA 203(k) loans, sixty (60) days are allowed, with an automatic 15 day extension to the 45 days. Unless extended in writing by HomeSource, the Sales Contract expires on the date that is 45 days after the ratification date. (See "Contract Extension" information in this handbook.) If there are early closing incentives, there will be a notice on www.hudhomesource.com.

Settlement can be conducted by the Closing Agent of your choice and/or HUD's designated Closing Agent. Additionally, you may elect to enter "To Be Determined" if the purchaser has not selected their settlement agent.

Item #10 Contract as Back-Up

This is a major change to the new M&M Contract procedures. If your clients are willing to be in back-up position please check the first box. Back-up bids will be accepted, the back-up Contract Packages received and reviewed, and if the primary package does not get executed or is cancelled within a reasonable amount of time, the back-up will be allowed to take its place and proceed to settlement and closing.

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 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 through the Environmental Protection Agency (EPA) and many real estate associations.

There are ALWAYS "other" addenda required, so check that box and be sure to have your buyers sign all the documents that must be included in the complete Contract Package. There is a list of addenda and attachments in the Sales Contract Package(s) posted on the HomeSource website along with a checklist to help ensure you that the package is in proper order before submission.

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 and you 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 their initials and last name on any of the addenda.

The "Signature of Broker" is for your broker or their designee (such as a Branch Office Manager.) This affirms that the broker of record has performed as promised when the HUD NAID number was applied for and broker registration was approved by HUD. 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.

Your name as the licensee who is the actual selling agent should be printed along with your direct phone number and fax number, on the line near the end of the first page of the Sales Contract.

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 HomeSource acting by Limited Power of Attorney for the HUD Secretary. Leave blank the area where it says, "This section for HUD use only." HomeSource personnel complete "Authorizing Signature and Date."

Please feel free to call the HomeSource office M-F between 8 AM and 5 PM
to ask questions, make comments and/or have all concerns addressed.
Thank you we look forward to working with you soon.



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