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Broker/Agent Handbook

A Guide to Selling HUD Homes

Version 10/28/03

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Selling HUD Homes

About this Handbook

This handbook is to be used for Brokers and Agents working with Owner Occupant and/or Investor Purchasers. This document may be revised in the future. It is your responsibility to check for updates and/or revisions of this document on our website: www.mcbreo.com. The latest Version date of this handbook is printed on the cover and bottom left of each page; ***all previous versions are obsolete***. This Handbook does not include information on HUD's special programs such as Officer/Teacher/Firefighter/EMT Next Door, Government, and Non-profit Sales. Some of the content of this handbook will not apply toward these special program sales.

What is a HUD Home?

When someone with a Federal Housing Administration (FHA) insured mortgage can't meet the payments, the lender forecloses on the home; FHA pays the lender what is owed; and then the United States Department of Housing and Urban Development (HUD) takes ownership of the home. Then HUD sells it at market value as quickly as possible. Michaelson, Connor & Boul Inc. (MCB) is a Marketing and Management contractor for HUD 1 to 4 unit residential properties. MCB maintains and sells these properties in accordance with HUD guidelines.

How are HUD Homes Sold?

HUD homes are listed on the MLS and on the internet. Registered brokers and agents may place bids electronically on these properties on behalf of a purchaser. The bid with the highest net to HUD is selected as the provisional winner subject to receipt of all required documents.

Who can buy a HUD Home?

Any individual who can qualify for a mortgage or who can pay cash may purchase a HUD home. Purchasers must use a broker or agent who is registered with HUD to place a bid on a property. Purchasers must also have a pre-qualification letter from a lender or proof of cash funds in the amount of or greater than the property they are purchasing.

Who can sell a HUD Home?

Any licensed real-estate agent or broker who is registered with HUD may show and submit bids on HUD Homes. Please be sure to register with HUD PRIOR to working with a prospective purchaser.

Important Information about HUD Homes

HUD's "AS-IS" Policy

All HUD homes are sold strictly "AS-IS", this includes the responsibility of the purchaser to de-winterize the property. HUD does not make any repairs. There are no representations or warranties, expressed or implied, on any HUD property. HUD does not guarantee the condition of any property, FHA-insurable or not, nor whether it meets local codes or zoning requirements. Brokers should advise purchasers that there may be code and/or zoning violations on these properties and that it is the responsibility of the purchaser to identify these violations. Buyers are encouraged to have homes inspected by a qualified home inspection company to satisfy themselves as to the condition of the property at the time of sale.

Access to the Property

Owner Occupant and Investor purchasers MUST be accompanied by a broker or agent when viewing any HUD home listed for sale. Buyers may not enter a house without their broker/agent for any reason prior to closing. If there are difficulties gaining access to a property please contact the local Broad Listing Broker. Lists of local broad listing brokers may be found at www.mcbreo.com - click on your state and then "Announcements".

Brokers and/or agents must accompany any individual performing services such as home inspections, appraisals, or certifications. Brokers and agents may only use their keys for their own legitimate use. Keys are not permitted to be lent to any other individuals associated with any sales transactions.

Repairs, Improvements, or Occupancy Prior to Closing

No work is to be done to ANY HUD property prior to the close of the transaction. An accepted bid is NOT a transfer of ownership. Purchasers do not own the home until it is recorded in their name. Purchasers may not use the home for storage of personal items or occupy the premises under any circumstances.

Occupying or working on a HUD home prior to the close will be treated as trespassing. Failure to abide by this policy can result in the cancellation of the sale transaction, forfeiture of the earnest money deposit and may also involve suspension of bidding privileges for the selling agent and brokerage firm.

Broker Registration

In order to register your company to place bids on HUD properties you will need to complete and submit the following documents:

***IF YOU ARE AN AGENT YOU WILL NEED TO HAVE THE BROKER IN CHARGE COMPLETE THIS APPLICATION BEFORE YOU CAN BID ON ANY HUD PROPERTY**

If you are a broker registering with a Federal Tax ID/Employer ID Number (FIN/TIN) you will need:

1. [SAMS Form 1111](#)
2. [SAMS Form 1111A](#)
3. [IRS FORM W-9-Request for Tax Payer Identification](#) (if you are a broker registering with a tax id number/employer id number.)
4. First page of a telephone bill, utility bill or bank/trust account statement showing the business address
5. Copy of the Designated Selling Brokers State Real Estate License

Note: A copy of the pocket card/continued education card is required if you are in the states of OH, NC & SC

If you are an individual broker registering with a social security number you will need:

1. [SAMS Form 1111](#)
2. [SAMS Form 1111A](#)
3. First page of a telephone bill, utility bill or bank/trust account statement showing the business address
4. Copy of the Designated Selling Broker's State Real Estate License
5. A copy of the Designated Selling Broker's State-issued Identification card or driver's license
6. A copy of the designated selling broker's social security card

Note: If you are unable to locate your social security card you can submit IRS Form W-9 in place of a social security card.

You will need ADOBE ACROBAT READER to view and print these forms on the internet. They may also be found at <http://www.mcbreo.com/forms.htm>

FOR BROKERS REGISTERING WITH A FEDERAL TAX ID/EMPLOYER ID NUMBER (FIN/TIN): Note: If your company has been assigned a Federal Tax ID number you are required to use that number to register

Upon completion, send applications via **OVERNIGHT** mail to MCB California office: **5312 Bolsa Ave. Suite 200 Huntington Beach, CA 92649**
Attention: NAID Coordinator

For further assistance please call (714) 230-3600 or E-Mail naid@mcbreo.com

Property Listings

To locate property listings go to www.mcbreo.com then choose your state on the left-hand side, then click on property listings, then choose your city.

Listing Example:

CITY

Address	Zip	Case Number	List Price	Bd/Ba	I/U	Sq Ft	Year
123 HUD St.	11111	263-000000	\$80,000	3/1.5	IE	1400	1925 LBP
Listing Date: 04/12/02		Deadline: Daily			Bid Opening: Daily-Owner Occup.		
"AS-IS" value: \$12,000		Escrow Amount:\$ 440					

Address and zip code: Property Address and zip code.

Case Number: This is the FHA Case number. This number should be used to reference HUD properties. When faxing documents to MCB please be sure to label all pages with the specific case number.

List Price: This is the current list price of the property.

I/U: Financing types: This is the FHA insurability of the property.

- IN = Insured
- IE = Insured with Repair Escrow
- IC = Insured with Conditions (such as system check)
- UI = Uninsured

Sq Ft: Square feet of the property.

Year: Year the property was built. If the property was built prior to 1978 a Lead Based Paint Addendum will be required as part of the sales package.

Listing Date: Original list date of the property.

Deadline: The last day you can place bids by 11:59 PM.

Bid Opening: Date the bids will be opened - all winning bids are posted by 4pm EST. This line will also indicate if a property is currently available for owner occupant bids only or all purchasers.

"AS-IS" Value: The FHA "AS-IS" Appraised value.

Escrow Amount: If the property is IE – this is the amount of the repair escrow. This is the repair amount plus the 10% contingency.

Financing Categories

IN – Insurable – 203(b)

- Properties listed IN appear to qualify for FHA 203(b) financing. There should not be any MPS repairs necessary.

IE – Insurable with Escrow – 203(b) *Repair Escrow*

- Properties listed IE are eligible for FHA financing with repairs to be completed by the purchaser after the close of escrow. These repairs must be Minimum Property Standard (MPS) Repairs totaling less than \$5,000. MPS Categories include; roof, structure, and mechanical systems, such as plumbing, electric, and heating. A listing posted inside the property will indicate actual repair amounts.
- The cost for the repairs **is not** paid by HUD; however, the buyer may finance the repair escrow amount in their mortgage. The lender is responsible for inspections of the repairs and authorizing release of funds.
- On the purchase agreement the repair escrow amount is not deducted from the Net to HUD or added to the purchase price on line 3. The repair escrow amount should only show on line 4.
- REPAIR ESCROW ONLY APPLIES TO FHA FINANCING – not cash or conventional transactions.

UI – Uninsurable – *Conventional, Cash, or 203(k)*

- Properties listed UI generally are in need of extensive repairs and are usually purchased with cash or conventional financing. The only type of FHA financing they may qualify for is a FHA 203(k) loan. 203K FHA financing is a rehabilitation loan for owner occupants purchasing properties that have over \$5,000 dollars worth of MPS repairs. Not all UI properties will qualify for FHA 203(k) financing.

Electronic Bidding – How to Place A Bid

Bids MUST be submitted electronically either by telephone or through the internet. Have your HUD Sales Contract 9548 (1/99) and all necessary addenda filled out completely prior to submitting a bid on a property.

Bidding on the internet

To submit bids via internet, go to <http://www.mcbreo.com> and choose your state.

1. Click on "Property Listings" button.
2. Select the City from the City Index.
3. Have your completed HUD sales contract 9548 (1/99) in front of you as the line numbers below refer to it.
4. Click on the "Submit a Bid" just below the selected property.
5. Enter Brokers Federal Tax ID or SSN
 - Enter Purchase Price from **line 3**
 - Enter Financing Arrangement from **line 4**
 - Enter Closing Costs from **line 5**
 - Enter Selling Agent Commission from **line 6a**
 - The Type of Purchaser from **line 8**

Purchaser Information - The purchaser's full name, SSN, and address are required in order to submit a bid. If a company is purchasing the property the company name, FIN, and address are required in order to submit a bid.

1. Enter the **Primary Purchasers** Social Security Number or Federal Identification Number.
 - If the SSN/FIN on the bid does not match SSN/FIN on the contract **YOUR BID WILL BE CANCELED.**
2. Enter Purchasers Last Name
3. If a company is purchasing the property enter the company name.
4. Enter the Purchasers First Name
5. Enter the Purchasers Address
6. Enter the Purchasers City
7. Enter the Purchasers State
8. Enter the Purchasers Zip Code
9. Enter the Purchasers Email

All Purchaser/Company information must be accurate and match the Sales Contract or your bid will be cancelled.

Broker/Agent Information

10. Enter agent/broker phone number
11. Enter agent/broker fax number
12. Enter Agent Name
13. Enter Agent E-mail Address

This information will be used to contact the Broker/Agent by fax and E-mail.

IMPORTANT NOTE: If you are posted on the internet as the accepted bid you must over-night mail your Sales Contract and addenda to MCB within **48 hours**.

Electronic Bidding – Regulations

Accuracy of Bid Submission

The purchaser information entered on the bid must be accurate. If a generic social security number, federal identification number, purchaser, or company name is used in lieu of the actual SSN/FIN, purchaser, or company name your bid will be invalidated. The information entered on your bid cannot be changed after it has been provisionally accepted. Submission of false information will result in cancellation of the provisional bid acceptance and the property will be placed back on the market for competitive bidding.

Multiple Owner Occupant Bids

Owner Occupant purchasers may only have one accepted offer at a time. If for some reason the provisional bid or contract for an Owner Occupant must be cancelled, you will not be able to submit another Bid on behalf of that owner occupant until MCB has processed your cancellation request. Upon completion of processing a cancellation letter will be faxed stating the disposition of the earnest money deposit. Submission of Bids during this transition period will only cause delay in your client's ability to place a new Bid.

Accepted Bids

If your bid is accepted you are responsible for presenting the original signed sales contract to Michaelson Connor & Boul within 48 hours. Therefore, you must have your Sales Contract and addenda including your purchaser's pre-qualification letter or verification of cash funds for a cash sale prior to submitting your bid. If your sales package is submitted incomplete your bid acceptance may be cancelled.

Electronic Bidding – Important Information

Michaelson Connor & Boul reserves the right to accept or reject any and all bids, and assumes no responsibility for any inadvertent errors in the listing information. MCB is not responsible for errors or equipment failures that may occur in the electronic transmission of bids.

IMPORTANT NOTE: Once a bid is accepted you may not change the purchase price, closing costs, or commissions whatsoever. Any change will negate the initial offer and result in cancellation of the transaction.

Placing Bids

Bid results will be posted daily by 4:00 PM Eastern Standard Time. If you place your bids prior to 4:00 PM you may be bidding on a property that has already been awarded. Therefore your bid will not be considered. To avoid this it is suggest that you wait until after 4:00 PM Eastern Standard Time to place bids for your client.

Over-Bidding with FHA financing

If your purchaser is obtaining FHA financing you will be required to use HUD's FHA AS-IS Appraisal (unless HUD's Appraisal is over 6 months old, in this case your purchaser will be required to obtain a new FHA AS-IS appraisal at their cost). Therefore, if you overbid the appraised value and your purchaser is obtaining FHA financing, the purchaser must pay the overbid difference in cash. This is because FHA will not insure a loan for greater than the appraised value of the property.

Bidding for Investors

For the first ten (10) days on all new listings, preference is given to owner occupant buyers. Baltimore City has an extended Owner Occupant Period of 20 days. Bids by investors will not be considered until the final day of the Owner Occupancy Period.

Listings with a Deadline of "Daily"

Bids are reviewed on the following Business Day after they are submitted. If a listing has a deadline of "Daily" you must submit a bid by 11:59 PM. The winner (if there is an acceptable offer) will be posted the following day by 4:00 PM.

IMPORTANT NOTE: Bids submitted on Friday, Saturday, or Sunday on properties listed Daily will be reviewed on Monday (the following Business Day).

The Sales Package

Contract Documents must reach MCB within 48 hours after the internet posting of bid results. The successful bidder MUST submit a completed sales package by OVERNIGHT MAIL, which consists of the following:

1. Sales Contract – HUD form 9548 dated 1/99
2. Copy of Earnest Money check.
3. Forfeiture and Extension Policy - Version 3/31/03
4. Broker's Agreement to Abide by HUD's earnest money forfeiture policy
5. Lead Based Paint Addendum - if applicable.
6. Owner Occupant Certification – HUD form 9548D (1/98) -if applicable
7. Pre-qualification letter or for cash sales provide verification of funds.

Please Note: New versions of addenda may be available. Please check the website (www.mcbreo.com) for Announcements or new forms.

Send these documents by overnight mail to:

<p>Michaelson, Connor & Boul, Inc. 5312 Bolsa Avenue, STE 200 Huntington Beach, CA 92649</p>

Errors and Omissions

If your contract package contains any errors or omissions your bid may be cancelled and the property placed back on the market. Please be careful when filling out the contract and addenda and be sure it is complete and correct.

1. Sales Contract – HUD form 9548 (1/99): Line by Line

Electronic Version: You may download and use the electronic version of this form as long as the “Conditions of Sale” is signed by all buyers, and you do not make any copies of the PDF contract (you must use the one from the Printer).

- **Line 1** – Complete the Purchaser(s) name(s) and Address of the property including City, State, and Zip Code. Fill in the HUD case number in the designated box and write the confirmation number above the box. These Contracts are not assignable. The Purchaser whose social security number was used in the bid must appear on the contract.
- **Line 2** – Fill in the purchaser(s) name and legal style. The HUD closing agent will prepare a deed to transfer ownership according to this line. This line may **not** be left blank or “to be determined”.

- **Line 3** – Enter the purchase price (the bid price) and Earnest Money deposit. Deposit checks must be written out to the brokerage and must be in the selling broker’s possession **PRIOR** to placing a bid. Earnest money deposits should be in the form of a certified check, cashier’s check, or a money order.
 - Sales price **up to \$49,999** earnest money deposit = **\$500**
 - Sales price **\$50,000 and up** earnest money deposit = **\$1,000**
 - Vacant Lot: ½ of the purchase price of the property.

- **Line 4** – Financing Type
 - If your purchaser is applying for FHA Financing
 - Property listed IN: 203(b)
 - Property listed IE: 203(b) with repair escrow
 - Add the repair escrow amount where the contract states: *“Said Mortgage involves a repair escrow amounting to \$_____”*
 - **ONLY IF THE PURCHASER IS OBTAINING AN FHA 203(b) REPAIR ESCROW LOAN** – do not fill in an escrow amount if the purchaser is paying cash or getting a loan not involving FHA.
 - Property listed UI: 203(k)
 - If the property qualifies for 203(k) financing.
 - Non-FHA financing
 - Purchaser is **paying cash** or applying for conventional or other financing not involving FHA.
 - If purchaser is paying cash please circle the word cash and be sure to include in your package a verification of funds.
 - **Please leave all other mortgage information BLANK**
 - down payment, mortgage amount, and months

- **Line 5** – Closing Costs up to 5% of the purchase price.
 - Closing costs can be found on page 2 of the Forfeiture and Extension agreement.

- **Line 6a** – Selling agent commission up to 5% of the purchase price.

- **Line 6b** – Broad Listing Broker commission up to 1% of the purchase price. (Some BLB commissions may be lower than 1%).

- **Line 7** – Net to HUD – line 3 minus lines 5, 6a, and 6b. Please be sure your math is correct on this line.

- **Line 8** - Purchaser type: Investor or Owner Occupant. Misrepresenting a purchaser as an Owner Occupant is a **SERIOUS** offense that may constitute fraud and may result in an investigation of the Broker, Agent

and Purchaser by the office of the Inspector General. Leave Discount amount blank. (Discounts for OND/TND and Non-Profit purchasers only)

- **Line 9** - Sales transactions shall close not later than 60 days from seller's acceptance. Properties may close in less than 60 days but 60 days MUST be on the contract. If closing does not occur by 60 days then extension fees will apply.
- **Line 10** – Back-up offers – Does not apply – you should only send in a Sales contract package if you are the accepted bidder. Contract packages received that are not the awarded bidders will be discarded without notification.
- **Line 11** - If the property was built prior to 1978 please mark line 11 “is” attached. Always mark that other Addendum “is” attached, every contract package must also contain the other required addenda.
- **Line 12 – HAVE PURCHASER(S) INITIAL CONTRACT HERE-** Please double check that ALL purchasers have initialed this box before sending the contract package.
- **Line 13** – Purchaser information: Please be sure all information is written in the correct boxes.
 - Type or print name.
 - **SIGNATURE(S)** – All purchasers' signatures are required. Contracts that are received without the purchaser's signature may be cancelled immediately and placed on the market.
 - Social Security Number or EIN/FIN for **ALL** purchasers.
 - Purchaser's address, and phone number.
 - Date Contract was signed.
 - **DO NOT** have purchasers sign in the “Seller” box or the “Authorizing Signature & Date:” Box. This is to be used by the authorized HUD signing agent ONLY.
- **Certification of Broker**
 - Broker's Name and business address
 - Broker's EIN or SSN#
 - Signature of broker – Broker (or individual given written permission to sign as the broker, such as an office manager)
 - **SIGNATURE STAMPS are not allowed.**
 - Broker's Phone Number with Area Code.
 - Agent's Full Name.
 - Agent's Phone Number with Area Code.

2. Copy of Earnest Money Deposit

A copy of the money order or certified check is a required portion of the sales package. Earnest Money is held by the Selling Broker. A copy of the deposit slip of the Earnest Money into the broker's account is also acceptable.

Sales price up to \$49,999 earnest money deposit = \$500

Sales price \$50,000 and up earnest money deposit = \$1,000

These amounts are not negotiable.

3. Forfeiture and Extension Policy – version 3/31/03

This form is an explanation of forfeiture and refund of earnest money deposits for Owner Occupants and Investors. Acceptable closing costs and extension of closing date request guidelines.

Please be sure this document is read and signed by all purchasers.

4. Broker's Agreement to Abide by HUD's Earnest Money Forfeiture Policy – Version 1/26/98

This document MUST be signed by the BROKER not the agent or an individual authorized in writing to sign on the broker's behalf. Signature stamps are NOT ALLOWED.

5. Lead Based Paint Addendum

If the property was built prior to 1978 this addendum is required. Please fill out both pages and be sure the Certification of Accuracy is signed.

6. Owner Occupant Certification - HUD form 9548D (1/98)

Required for all Owner Occupant Purchasers – must be signed by all purchasers and the Broker, not the agent – Stamp signatures are not acceptable.

7. Pre-Qualification Letter or Proof of Funds for Cash Sale

A Letter of Commitment or a Pre-Qualification Letter - from an industry recognized bank or mortgage underwriter. For cash sales, provide verification of cash funds. This can be a bank statement, letter from a bank, or other forms or verifications that provide evidence that cash funds will be available.

After the Contract has been signed by an HUD Authorized Agent

After the Sales Contract has been ratified it will be faxed and mailed back to the agent/broker along with the closing agent instructions sheet. This will identify HUD's Designated Closing Agent for the transaction and the expiration date of the contract. If you cannot close by the expiration date you MUST submit an extension request PRIOR to the expiration of the contract.

Requesting Appraisals and Termite Inspection Reports

FHA As-is appraisals and termite inspection reports are available by Lenders request. To request an appraisal and/or termite inspection report the lender must complete the [Appraisal and Termite Request Form](#) located at www.mcbreo.com by choosing your state then HUD FORMS and fax it to (714) 230-3699.

Turning on Utilities

After the sales contact has been ratified it is strongly recommended that a home inspection be performed with the utilities on. In order to activate the utilities please complete the "Request to turn on Utilities" form located at www.mcbreo.com by choosing your state then HUD FORMS. Please fax this completed form to MCB for authorization. This form will be faxed back to you and you may use it to activate utilities in the property for a period of 72 hours.

Adding or Removing Purchasers

You may add or remove a purchaser if absolutely necessary. This can be done by printing the "Addendum to ADD Purchasers" or "Addendum to REMOVE Purchasers" from our website. Please have these forms completed and signed by all purchasers. These should be faxed to (714) 230-3699.

Changing Financing

If financing must be changed you must complete and submit the "Addendum to change financing" form from the website. If you are changing from an FHA 203(b) to a 203(b) with Repair Escrow or, if you are increasing a repair escrow amount, you must attach the home inspection report showing the required repairs. If you are changing to 203(k) rehab financing, you must attach a 203(k) HUD Plan review completed by a certified 203(k) consultant. These should be faxed to (714) 230-3699.

Approval or Denial of Addendums to the contract is entirely within the Seller's discretion.

Extension Requests

MCB may grant extension of closing dates in 15-day increments upon written request. Extensions of time to close the sale are entirely within the Seller's discretion. An extension request must be submitted to **HUD's designated Closing Agent PRIOR** to the expiration of the contract. All extension requests must include the following:

1. Extension Request Form (can be found on the internet)
2. A letter from the Lender
 - Must establish the cause of the delay.
 - Must state when the closing will occur.
3. Extension Fees

Purchase price \$25,000 or less	\$150 (\$10 per day)
Purchase price \$25,001 to 50,000	\$225 (\$15 per day)
Purchase price \$50,000 or more	\$375 (\$25 per day)

Extensions will be for a period of fifteen (15) calendar days.

- Extension fees will be retained by the seller if a closing doesn't occur.
- At the closing, extension fees will be prorated as of the date of closing. Unused fees will be refunded to the purchaser.
- The granting of one extension shall not obligate the Seller to grant additional extensions, and the Seller shall declare a Default for the Purchasers' failure to close the sale upon the expiration of the original closing period or upon expiration of the extensions.
- Extension requests must be filed regardless of the nature of the delay of settlement. Purchase agreements must be kept current to avoid expiration of the closing date and possible cancellation of the contract. If there is a title problem preventing closing, or if the closing agent is causing the delay, an extension must be filed by the agent. If extensions are not kept current and the contract expires, the transaction will be cancelled.
- Extensions filed after the expiration of the contract will not be considered.
- **CONTRACTS WILL BE CANCELLED ON THE DATE OF EXPIRATION IF AN EXTENSION HAS NOT BEEN FILED.**

Re-Keying the Property after Settlement

Purchasers should be advised that they are responsible for re-keying the locks of the property immediately after settlement for their own security.

Cancellation of Bids, Accepted Offers, and Ratified Contracts

Cancellation requests will be reviewed and processed within 72 hours of being received. MCB will respond with a cancellation and the disposition of the earnest money deposit.

Cancellations of Bids Prior to Acceptance

If you place a bid by mistake or made an incorrect bid please print and complete the “Bid Cancellation Prior to Acceptance” form from the website. If we do not receive your cancellation request and your bid is posted as the accepted bid, you must fill out the “Bid Cancellation After Acceptance”.

Cancellations of Bids After Acceptance

If your offer has been posted as the winning bid and you would like to cancel please print and complete the “Bid Cancellation After Acceptance” form from the website. This should be completed and signed by the purchaser.

Cancellation of Ratified Contracts

If the contract has been ratified and the purchaser cannot close the transaction you must submit a typed cancellation request on your company letterhead. This request should contain the following:

- Case number
- Property Address
- Purchaser(s) Name
- Agent’s Name
- Reason for the Cancellation
 - As detailed as possible
- Purchaser(s) Signature (REQUIRED)**
- Supporting Documentation for Cancellation
 - Agent/Broker Explanation
 - Inspection Reports
 - Lender Letters
 - Etc...

<p><u>All Cancellations must be faxed to:</u> ATTENTION: SALES DEPARTMENT FAX NUMBER: (714) 230-3699.</p>
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Disposition of Earnest Money Deposits

The failure by a purchaser to close on the sale of property within the allowable time period, including any granted extensions, will result in the forfeiture of the entire earnest money deposit, except where the purchaser presents documentation to HUD that one of the special circumstances described in paragraph (B) below this section has occurred.

A. Investor Purchasers:

1. The failure by an investor to close on an uninsured (not involving FHA) sale will result in forfeiture of the entire earnest money deposit.
2. Fifty percent of the earnest money deposit on an FHA-insured sale will be returned to an Investor Purchaser where HUD (or a Direct Endorsement Lender using HUD guidelines) determines that the Purchaser is not an acceptable borrower.

B. Owner Occupant Purchasers:

1. The entire earnest money deposit will be returned to an Owner-Occupant Purchaser who fails to close after the sales contract was signed due to:
 - There has been a death in the immediate family (contract holder, spouse, or children living in the same household).
 - There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely affecting the purchaser's financial ability to close the sale.
 - There has been a loss of employment by one of the primary breadwinners, or substantial loss of income through no fault of the purchaser.
 - In the case of an FHA-insured sale HUD (or a direct endorsement lender using HUD guidelines) determines that the purchaser is not an acceptable borrower.
 - For other good cause, to be determined by MCB.
2. In the case of an uninsured (not involving FHA) loan where, despite good faith efforts by the purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender, 50 percent of the earnest money deposit will be returned.
3. On either type of sale, forfeit 100 percent of the deposit on 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 the documentation is not provided within a reasonable time frame following contract cancellation.

TRANSACTIONS STEP BY STEP

Prior to listing:

1. Lender deeds property to HUD
2. Property is inspected and secured by MCB
3. Trash out completed
4. Appraisal performed
5. MCB determines price
6. Property is listed on the MLS and on the internet

After property is listed:

7. Real estate agent shows property to buyers
8. Real estate agent completes sales package with purchasers
9. Real estate agent submits a bid
10. Bids opened by MCB
11. Bid acceptance posted on internet

After an accepted offer:

12. Earnest money deposited with real estate broker
13. Sales Package is sent via overnight mail to MCB
14. If sales package is complete and correct, sales contract is signed forwarded to HUD's designated closing agent with a copy to the Real Estate Agent.

After a ratified sales contract:

15. Open escrow or closing process initiated at title/closing agent company
16. Buyer secures financing
17. Purchaser(s) perform a home inspection
18. Sale closes at title company
19. Purchasers re-key the locks.

MCB Contact Information

Main Office

5312 Bolsa Ave., Suite 200
Huntington Beach, CA 92649
Phone: 714-230-3600
Toll Free: 888-622-7361
Fax: 714-230-3699

*All Sales Contracts and addenda must be sent overnight mail to the Main Office
in California.*

Field Offices

Maryland

10400 Shaker Dr., Unit F
Columbia, MD 21046
Phone: 410-772-5800
Fax: 410-772-2299

Michigan

1844 Thunderbird St.
Troy MI 48084
Phone: 248-273-0041
Fax: 248-273-0042

Ohio/West Virginia

26250 Euclid Ave., Suite 513
Euclid, OH 44132
Phone: 216-289-1575

North Carolina

5736 North Tryon St., Suite 104
Charlotte, NC 28213
Phone: 704-599-1512
Fax: 704-599-1812

South Carolina

5001 Sunset Blvd., Suite B
Lexington, SC 29072
Phone: 803-996-2944
Fax: 803-996-2945

PRIOR TO PLACING A BID
*******CHECKLIST*******

Date: _____ Agent: _____

Case Number: _____ Phone #: _____

Property Address: _____

Please complete and check off all of the following prior to submitting a bid:

- Original Sales Contract – HUD form 9548 dated 1/99** (PDF or Carbon)
 - (If PDF contract is used it may not be photocopied – you must complete the PDF contract that comes directly from the printer.)*
 - Line 1 – All Purchasers on Contract
 - Line 2 – Title Name(s) & Style (individuals taking title)
 - Line 3 – Purchase Price
 - Line 4 – Check Financing type – FHA financing must match listing type
 - IN = 203(b)
 - IE = 203(b) Repair Escrow (also fill in amount of escrow)
 - UI = property may qualify for 203(k) financing
 - All properties may be financed with Conventional Financing
 - Line 5 – Closing Costs may not exceed 5% of the purchase price
 - Line 6a – Selling Commission not to exceed 5% of the purchase price
 - Line 6b – BLB Commission will be 1% (or less) of the purchaser price
 - Line 7 – Net Amount - Line 3 minus lines 5, 6a, and 6b
 - Line 8 – Type of ownership (owner occupant or investor)
 - **OWNER OCCUPANTS** must occupy the property for 12 months and have not purchased a HUD HOME as an Owner Occupant within the past 24 Months.
 - Line 9 – Closing Date must be 60 Days
 - Line 11 – Lead Based Paint Addendum must be attached if property was built prior to 1978
 - Line 12 – Purchaser must Initial**
 - Have Purchaser(s) Print Name(s) and Sign**
 - Include all Purchaser's Social Security number's, current place of residence, phone number, and date of offer
 - Social Security Number MUST match the purchasers Social Security number submitted on the bid.
 - Broker Information including office address, **broker signature** (not a stamp) Tax ID number, Agents Name, and Phone number

PRIOR TO PLACING A BID - Page 2

*******CHECKLIST*******

FORMS AND ADDENDA

- Copy of Earnest Money Deposit check**
 - Sales price up to \$49,999 earnest money deposit = \$500
 - Sales price \$50,000 and up earnest money deposit = \$1,000

- Forfeiture and Extension Policy - Version 3/31/03**
 - Must be read and signed by all purchasers

- Broker's Agreement to Abide by HUD's Earnest Money Forfeiture Policy**
 - Broker MUST sign – Stamps are not allowed

- Lead Based Paint Addendum** - if the home was built prior to 1978
 - Must be signed by all purchasers and the Broker or Agent

- Owner Occupant Certification** – HUD form 9548D dated 1/98
 - *If purchaser is an Owner Occupant*
 - **OWNER OCCUPANTS must occupy the property for 12 months and have not purchased a HUD HOME as an Owner Occupant within the past 24 Months.**
 - Misrepresenting a purchaser as an Owner Occupant is a **SERIOUS** offense that may constitute fraud and may result in an investigation of the Broker, Agent, and purchaser by the office of the inspector general.

- Pre-Qualification** or Pre-Approval letter from a lender. *If this is a cash sale: verification of cash funds*

Over-Bidding with FHA financing

If your purchaser is obtaining FHA financing you will be required to use HUD's FHA AS-IS Appraisal (unless HUD's Appraisal is over 6 months old, in this case your purchaser will be required to obtain a new FHA AS-IS appraisal at their cost). Therefore, if you overbid the appraised value and your purchaser is obtaining FHA financing, the **purchaser must pay the overbid difference in cash.** This is because FHA will not insure a loan for greater than the appraised value of the property.