

Broker/Agent Handbook

A Guide to Selling HUD Homes

Rev. 2

09/29/06

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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 Next Door, Teacher 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?

If a loan insured by the Federal Housing Administration (FHA) goes into default, the lender must take steps to collect on the loan. This may result in the lender taking possession of the collateral Real Estate. If this occurs, the lender may submit a claim against the FHA insurance fund and convey ownership of the property to the United States Department of Housing and Urban Development (HUD). HUD in turn sells the property at market value as quickly as possible. Michaelson Connor & Boul is a Marketing and Management contractor for HUD owned residential properties, 1 to 4 units; we maintain and sell these properties in accordance with HUD guidelines.

How are HUD Homes Sold?

HUD homes are listed on the MLS and on the internet. Brokers registered with HUD and their 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 buyer that can secure a loan to purchase real estate, or can pay cash, is eligible to purchase a HUD home. Purchasers must use a broker or agent who is registered with HUD to submit 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 broker registered with HUD, or an agent employed by a registered broker, may show HUD owned properties and submit bids on behalf of purchasers. Please be sure to register with HUD PRIOR to working with a prospective purchaser.

Important Information about HUD Homes

HUD's "AS-IS" Policy

HUD makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, dry basement, foundation, structural, or compliance with code, zoning or building requirements and will make no repairs to the property. Regardless of whether the property is being financed with an FHA insured mortgage, HUD does not guarantee or warrant that the property is free of visible or hidden defects, termite damage, lead base paint, or any other condition that may render the property uninhabitable or otherwise un-useable. The purchaser is responsible for taking such actions as it believes necessary to satisfy itself that the property is in a condition acceptable to it, of laws, regulations and ordinances affecting the property and agrees to accept the property in the condition at the time of contract acceptance. Purchasers are encouraged to have a home inspection performed to identify any possible defects.

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 Listing Broker. Lists of Local 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 completion of the transaction. An accepted bid, or ratified sales contract, is NOT a transfer of ownership. Purchasers do not own the home until title of ownership is transferred into their name. Purchasers may not use the home for storage of personal items or occupy the premises under any circumstances prior to ownership.

Occupying or working on a HUD home prior to the transfer of ownership 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 documents listed below. The requested information can also be entered electronically using the Broker Application Process available on our website (see Broker Registration). This will allow you to fill out the forms on-line; please note, this does not complete your registration:

***IF YOU ARE AN AGENT YOU WILL NEED TO HAVE THE DESIGNATED BROKER COMPLETE THE REGISTRATION 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 Broker's State Real Estate License

Note: If your company has been assigned a Federal Tax ID number you are required to use that number to register.

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

1. [SAMS Form 1111](#) (Must be broker's name not a company name)
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. IRS Form W-9

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

Upon completion, send applications via **OVERNIGHT** mail to:
5312 Bolsa Avenue, Suite 200, Huntington Beach, CA 92649,
Attention: NAID Coordinator

For further assistance please call (888)622-7361 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. You can also search for a specific property by case number, address, or zip code.

Listing will have the following information: (See link for example www.mcbreo.com)

- **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 us 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
 - 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 MPR 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 Requirements (MPR) Repairs totaling less than \$5,000. MPR Categories include; roof, structural, and mechanical systems, such as plumbing, electric, and heating.
- 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 MPR repairs. Not all UI properties will qualify for FHA 203(k) financing.

Electronic Bidding – How to Place A Bid

Bids MUST be submitted electronically 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 www.mcbreo.com and choose your state.

You can search by case number, address or zip code, or to pull up the list of properties in a city you may click on "Property Listings" hit ok; then select the City from the City Index.

1. Have your completed HUD sales contract 9548 (1/99) in front of you as the line numbers below refer to it.
2. Click on the "Submit a Bid" just below the selected property.
3. 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 Purchaser's** Social Security Number or Federal Identification Number.
 - If the SSN/FIN on the bid does not match SSN/FIN on the contract **YOUR BID MAY BE CANCELLED.**
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 may be cancelled.

Electronic Bidding – Regulations

Accuracy of Bid Submission

The purchaser information entered on the bid must be accurate. If an erroneous 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 may be rendered invalid. The information entered on your bid cannot be changed after it has been provisionally accepted. Submission of false information will result in the cancellation of the provisional bid acceptance and the property will be placed back on the market for competitive bidding or awarded to a back up bidder.

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 your cancellation request has been processed. 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 delivery of the original signed sales contract and addenda to Michaelson Connor & Boul within **2 business days**. 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 suggested 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 expense). If you bid in excess of the appraised value, and your purchaser is obtaining FHA financing, the purchaser must pay the difference between bid amount and appraised value 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. (Some cities have extended owner occupant periods – this information would be noted on the Property listings on the website). If a contract is cancelled and the full 10 days on the market have not been fulfilled the property will be offered exclusively to Owner Occupants until after this period has been completed. Price reductions are sometimes made on properties and for 5 days following a price reduction preference will be given to Owner Occupant buyers. Bids by investors will not be accepted until the end 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 (or the following Business Day).

Back up Offers

In the event that there is more than one acceptable bid received, MCB will award to the highest net bidder and hold back up offers. Back up bidders will be notified by email or fax at the time of the bid award. The completed contract package should be held by the agent until further notification. If the awarded bid cancels, the back up offeror will be contacted by email or fax and advised to send the necessary documentation within **2 business days**.

Counter Offers

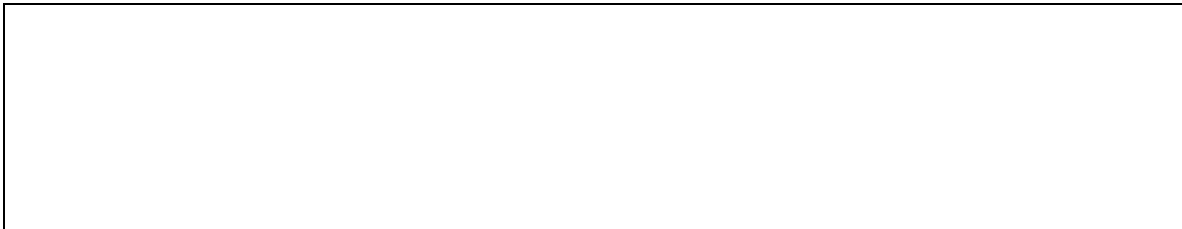
If there are no acceptable bids received, but one or more bids are within a certain range of the acceptable threshold, we will notify by email those whose net bids were within the range. MCB will post the counter offer announcement and the period for resubmitting bids on our website. The highest acceptable net bid received within the specified time frame shall be accepted.

The Sales Package

Contract Documents must reach us 2 business days 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 09/29/06
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. Radon Gas and Mold Notice and Release Agreement.
8. 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.



Errors and Omissions

If your contract package contains any errors or omissions your bid may be cancelled and awarded to the back up bidder if applicable or the property will be 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 submit an electronic version of this form with your bid information automatically entered. The Sales Contract, Conditions of Sale (the second page of the contract) must be signed by all buyers and must be original signatures. Do not make copies of the PDF contract, the Sales Contract must be legible (use the original from the printer). To produce a completed form, enter the HUD case number and your confirmation number. Enter the appropriate information on lines 2, 12, and 13 (see below). If you elect to complete the sales contract manually, please follow the directions below.

- **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 the style in which title is to be taken. 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 delivered to the Closing Agent within 3 days of execution of the contract by the seller. 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 3% of the purchase price.
 - Allowable closing costs can be found on page 2 of the Forfeiture and Extension policy.
- **Line 6a** – Selling agent commission up to 5% of the purchase price.
- **Line 6b** – No longer applies and should be left blank.
- **Line 7** – Net to HUD – line 3 minus lines 5, and 6a. 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 45 days from seller's acceptance. Properties may close in less than 45 days but 45 days MUST be on the contract. If closing does not occur by 45 days then extension fees will apply.
- **Line 10** – Back-up offers – Does not apply; a back up offer will be contacted by MCB if applicable – 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. Contract packages received, other than those from 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 PURCHSER(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 purchasers’ signature may be cancelled immediately and placed on the market.
 - Social Security Number or EIN/FIN for **ALL** purchasers.
 - Primary 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#
 - SAMS NAID#
 - 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.
 - Selling Agent’s Full Name.
 - Selling 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 contract package. Earnest Money is held by HUD’s Closing Agent. A copy of the Earnest Money should be included with the sales package sent to MCB.

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 09/29/06

This form is an explanation of HUD’s policy on 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 all **(3) pages** of this document are **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.

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. Radon Gas and Mold Notice and Release Agreement

This agreement must be signed by all purchasers.

8. 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 winning bidders' request, for use in obtaining a mortgage loan. If, for any reason, the winning bidder's lender requires a new or updated appraisal report, the cost of that report will be the responsibility of the winning bidder. To request an appraisal and/or termite inspection report the winning bidder must complete the [Appraisal and Termite Request Form](#) located at www.mcbreo.com by choosing your state then MCB FORMS. For Arizona/Nevada these should be faxed to **(480)941-9855**.

Turning on Utilities

We strongly recommend that all properties under contract have a home inspection performed with the utilities activated. The purchaser has 15 days from the date of purchaser's signature on the sales contract to conduct this home inspection. 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 MCB FORMS. Please fax this completed form to the appropriate state office for authorization (**see page 23 of this handbook for contact information**). 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**. Any costs associated with utility activation will be at the buyer's expense.

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. For Arizona/Nevada these should be faxed to **(480)941-9855**.

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. For Arizona/Nevada these should be faxed to **(480)941-9855**.

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

Extension Requests

Extension of closing dates may be granted 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. We will respond with a letter of cancellation informing you of 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>For Arizona/Nevada - Cancellations must be faxed to: (480)941-9855.</u></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. (e.g., 90 days).

TRANSACTIONS STEP BY STEP

Prior to listing:

1. Lender deeds property to HUD
2. Property is inspected and secured by MCB
3. Property is prepared for market
4. Property is appraised
5. The price is determined
6. Property is listed on the MLS and on the internet

After property is listed:

7. Real estate agent may show property to prospective purchasers
8. Real estate agent completes sales package with purchasers
9. Real estate agent submits a bid electronically
10. Bids are reviewed to determine best net offer to HUD
11. Bid acceptance posted on internet

After an accepted offer:

12. Earnest money held by Real Estate Broker
13. Sales Package is sent via overnight mail
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. Earnest money delivered to HUD's Closing Agent
16. Open escrow with HUD's closing agent
17. Buyer secures financing
18. Purchaser(s) perform a home inspection
19. Sale closes at Closing Agent's office
20. Purchasers re-key the locks after close of escrow.

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

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

Arizona/Nevada

6908 E. Thomas Rd, Suite 200
Scottsdale, AZ 85251
Phone: 480-941-8737
Fax: 480-941-9855
Toll Free: 866-941-8737

North Carolina

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

Denver Office

4500 Cherry Creek Drive Ste. 1060
Glendale Colorado, 80246
Phone: 303-758-6736
Fax: 303-758-6748

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 3% of the purchase price
 - Line 6a – Selling Commission not to exceed 5% of the purchase price
 - Line 6b – No Longer applies and should be left blank.
 - Line 7 – Net Amount - Line 3 minus lines 5, 6a.
 - 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 45 Days
 - Line 11 – Lead Based Paint Addendum must be attached if property was built prior to 1978
 - Line 12 – Purchaser(s) 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 address, **broker signature** (not a stamp) Tax ID number, SAMS NAID number, Selling Agent's 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 9/29/06**
 - 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.

- Radon Gas and Mold Notice and Release Agreement**

- 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.