

## Important Reminders Regarding Bidding and Lending on HUD Homes

Please review this document for some important reminders regarding the HUD REO process. Familiarity with these requirements will help ensure a smooth and timely transaction. Please refer to the Selling Broker Handbook and Lender Q&A on our website ([www.blbresources.com](http://www.blbresources.com)) for additional details.

### Financing Information:

- **(IN) FHA 203(b):** Properties listed as Insurable (IN) qualify for FHA 203(b) financing. This disposition represents properties that do not have obvious Minimum Property Requirements (MPR) repairs.
- **(IE) FHA 203(b) with Repair Escrow:** These properties have MPR repairs, which cannot total more than \$11,000 (\$10,000 repair limit + 10% overage allowance). The repair escrow is **never a credit to the purchaser.**
  - BLB Resources will only list Minimum Property Requirements (MPR) items as identified in HUD's appraisal on the addendum for the repair escrow. Cosmetic repairs or other items to bring the property to average condition will not be included. However, please note, any repairs listed are an estimate. Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, lead-based paint, or any other condition that may render the property uninhabitable or otherwise unusable. A final list of repairs, if applicable, will be determined by the lender and buyer's appraisal.
  - The purchaser must finance the repair escrow through the lender writing the FHA loan. The lender holds the money for repairs in an escrow account until the repairs are completed. FHA allows up to 90 days after closing for MPR repairs to be completed, however some lenders may have different MPR repair deadlines. When the repairs have been completed, the lender will inspect the contractor's work and disburse the funds to the appropriate parties.
  - Please note that the repair escrow **ONLY** applies to FHA 203(b) financing. The repair escrow does not apply to financing outside of 203(b) or to cash purchases. If the purchaser is using non-FHA financing (e.g. conventional, USDA, VA, etc.) or paying cash, the repair escrow amount is not applicable.
- **(UK) Uninsurable – 203(k) Eligible:** These properties do not qualify for FHA 203(b) financing. However, they may qualify for FHA 203(k) financing. The 203(k) option is a rehabilitation loan for owner-occupants only.
- **(UI) Uninsurable:** These properties do not qualify for FHA 203(b) or 203(k) financing. Typically, these properties have MPR repairs exceeding \$10,000 or may not meet the guidelines for FHA financing for other reasons. Non-FHA financing (i.e., conventional financing) and cash purchases are most often used for properties with the disposition of UI. Please note that HUD will **NOT**

perform a lead based paint inspection/stabilization, or do a termite inspection/clearance for properties sold **without FHA-insured financing**.

**Bidding and Appraisal Information:**

- We encourage purchasers to submit their bid based on what they believe to be the appropriate market value for the property. However, please be aware that the purchase price for all financed transactions must be supported by the FHA as-is appraised value of the property. Please note that this differs from standard real estate sales, in which the purchaser may renegotiate the purchase price based on the appraised value. If the purchaser wishes to renegotiate the purchase price of a HUD Home, the contract must be cancelled and the property may then be offered to back up bidders or placed back on the market, available for all bidders in accordance with the listing period to which the property returns.
- HUD will not provide a copy of the appraisal, which is obtained for marketing purposes only. If a purchaser is securing financing, their lender will take appropriate steps to determine if they must obtain an appraisal, including reviewing [Mortgage Letter 2015-17](#). All appraisals obtained by the lender are at the purchaser's expense, and the purchaser must pay in cash the difference between the bid amount and the appraised value.

**Purchaser Type:**

- **All of the information on the sales contract MUST exactly match the submitted and accepted bid.** This includes the purchaser's name(s), SSN, purchase price, commissions, closing costs, and financing type. It is extremely important that the purchaser type matches as well (owner occupant, investor, non-profit organization, or government entity).
- Remember that only owner occupant purchasers may bid during the Exclusive Listing Period. HUDHomestore won't allow investor bids during this time. Knowingly submitting an investor purchaser's bid as an owner occupant bid during this Exclusive Listing Period is fraudulent. All owner occupant purchasers must include the Individual Owner-Occupant Certification form in the contract package. Please always ensure that the purchaser type on the contract package matches the bid.
- Falsifying information on the Owner-Occupant Certification form (or any other HUD form) is a felony, punishable by a fine not to exceed \$250,000 and/or a prison sentence of not more than two years. It may also result in one or more of the following: 1) cancellation of the purchaser's contract, 2) forfeiture of the purchaser's earnest money deposit, 3) removal of the LLB from the LLB network, and/or 4) loss of Selling Broker's bidding privileges.

**Vandalism:**

- **Vandalism Damage After Acceptance of a Sale Contract:** If damage from any cause (including vandalism) occurs after the contract has been ratified, and a Seller Credit is approved, the amount will be debited from HUD's proceeds on the HUD-1 in lieu of performing repairs prior to closing, and the purchaser may be required to sign a Hold Harmless Agreement.
- **Missing Appliances After Acceptance of a Sale Contract:** If appliances are damaged or removed from the property after acceptance of a sales contract, please notify the BLB Resources Closing



Department immediately. Seller credit for missing appliances **may** be approved by HUD on a case-by-case basis.

**Pools:**

- **Pools are not to be filled at any time. HUD REO properties do not require pools to be filled,** which differs from front-end FHA transactions. Pools are also not required to be covered as long as there is a secure fence surrounding the backyard. FHA lenders are to obtain an as-is statement from the purchaser accepting the pool in as-is condition.
- **If this is unacceptable to the underwriter, the transaction must be cancelled.** Please submit a Cancellation Request form along with a lender denial letter as supporting documentation.
- **Please note that if BLB Resources discovers that a pool has been filled, it is grounds for cancellation of the transaction, and forfeiture of all monies and deposits.**

**After Contract Ratification:**

- Upfront Approval is required by BLB Resources for the following changes:
  - Change of financing
  - Extension requests
  - Adding or Removing Purchasers