



Lender Q&A

A Guide to Lending on HUD Homes in
CT, ME, MA, NH, NJ, NY, RI, & VT

Revised 5-25-17



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1.0 Introduction

This Lender Q&A, presented by BLB Resources, Inc. (DBA BLB Resources), is intended to answer frequently asked questions by lenders concerning U.S. Department of Housing and Urban Development (HUD) Real Estate Owned (REO) Homes. This document provides general information regarding:

- The definition of a HUD Home,
- The selling process of HUD homes, and
- The lending process for HUD homes.

Information contained herein applies to HUD Homes in AK, AZ, CA, HI, OR, and WA managed by BLB Resources, and is subject to periodic review and change.

We encourage lenders to remain abreast of changes with the HUD Home process by periodically reviewing the Selling Broker Handbook and other information found on our website, www.blbresources.com, and by attending training and outreach events conducted by our Outreach Managers and Local Listing Brokers (LLBs).

1.1 Who is BLB Resources?

BLB Resources was incorporated in 2002 and is a woman-owned business. Our corporate office is located in Irvine, California, and we maintain a branch office in Southfield, Michigan. Susie Gaston, President and sole Owner, has over 30 years of successful HUD REO sales and marketing experience, with over 1,200 personal HUD Home sales. The management team includes Rod Gaston, CEO and Broker of Record, who also has over 30 years of experience, and has personally sold over 4,400 HUD Homes.

This depth of experience and knowledge enables us to better understand your HUD selling opportunities and challenges. We care about your success, appreciate your business, and strive to simplify the HUD Home buying process. Let us know what we can do to better serve you by contacting us at CSRDept@blbresources.com.

HUD awarded BLB Resources four separate contracts to provide **Asset Management (AM)** services for HUD Homes throughout the country, in the following areas:

- Arizona
- Alaska, Oregon, and Washington
- California, Hawaii, Guam, Northern Mariana Islands, and American Samoa
- Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont

1.2 What is a HUD Home?

A home that has gone into mortgage default with a loan that is insured by the Federal Housing Administration (FHA) is referred to as a HUD Home. When this occurs, the lender takes possession of the property and conveys ownership to HUD. HUD then sells the home through their Asset Management (AM) contractor, such as BLB Resources. A HUD Home may be a single-family house, townhouse, condominium, mobile home or a multiple family attached home up to 4 units.



1.3 Who handles the property preservation and protection services?

Field Service Managers (FSMs) are companies that provide property preservation and protection services consisting of, but not limited to, inspecting and securing the property, performing cosmetic enhancements and/or repairs, and providing ongoing maintenance. Each HUD Home is assigned to one FSM, and there may be multiple FSMs in each contract area. If you are looking for FSM contact information for a particular property, please locate that property at www.HUDHomestore.com, and then click on the “Agent Info” tab.

The FSMs for the contract areas that BLB Resources currently serves are as follows:

Area	State(s)	AM Contractor(s)	FSM Contractor(s)
3S	AZ	BLB Resources	CWIS
5S	CA, HI	BLB Resources	CWIS
6S	AK, OR, WA	BLB Resources	PK Management Group
3P	CT, ME, MA, NH, NJ, NY, RI, VT	BLB Resources	BLM Companies LLC

1.4 Who can purchase a HUD Home?

HUD Homes may be purchased by any person, company, HUD-approved nonprofit organization, or government entity that can secure financing or pay cash for the property.

Please note that Local Listing Brokers (LLBs), their affiliates, owners, managers, employees, sales agents, brokers, and family members and business partners of the aforementioned are prohibited from purchasing any HUD Homes. Employees of any HUD contractor (such as the AM, FSM, or Buyer’s Selected Closing Agent) or sub-contractor (such as the FSM’s vendors, the appraiser, or other AM vendors), and their family members, are also prohibited from purchasing a HUD Home.

Purchasers, Selling Agents, and Selling Brokers are all required to sign a Conflict of Interest Certification, identifying any potential conflicts of interest. This form also requires the Purchaser(s), Selling Agent, and Selling Broker to acknowledge the penalties for violating the conflict of interest policy. These penalties may include 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.

1.5 What are the different purchaser types?

There are five purchaser types: Owner Occupant, Investor, Good Neighbor Next Door participants, Government Entities, and Nonprofit Organizations.

An **owner occupant** is a person who plans to live in the property as their primary residence for at least one (1) year, and has not purchased another HUD Home as an owner occupant within the past two (2) years.

An **investor** purchaser is someone who buys the property as a second home or as an investment, or who does not qualify as an owner occupant.

A **GNND participant** is a qualifying officer, teacher, firefighter, or emergency medical technician (EMT). Please see the “Good Neighbor Next Door (GNND) Sales Program” section of the Selling Broker Handbook for eligibility and other program requirements.



Government entities, including counties, cities, and townships, foster housing opportunities by purchasing HUD Homes at a discount, making any necessary repairs, and then reselling the homes to low to moderate income families. Only government entities can purchase Dollar Homes (please see the “Dollar Home Program” section of the Selling Broker Handbook).

HUD-approved **nonprofit organizations** may also purchase homes for rehabilitation and resale to first-time homebuyers and low to moderate income families. Nonprofits may not bid on Dollar Homes, and will only receive a discount if the property is purchased during the Lottery period. Please see the “Programs for Approved Nonprofits” section of the Selling Broker Handbook for details.

1.6 Can residents of other countries (such as Canada or Mexico) purchase a HUD Home?

Yes, HUD homes may be purchased by residents of other countries (referred to as foreign nationals), provided they can secure financing or pay cash for the property. Please note that when a bid for a foreign national is submitted, a valid identification number must be entered in the Social Security Number (SSN) field. Foreign nationals who do not have a valid US government identification number may not purchase HUD Homes.

Foreign nationals intending to purchase a HUD Home as an owner occupant must submit their bid with a valid SSN. All owner occupant purchasers, even foreign nationals, must have a valid SSN and may be required to provide a copy of their Social Security card.

Foreign nationals intending to purchase a HUD Home as an investor must submit their bid with a valid SSN, business Employer Identification Number (EIN), Individual Tax Identification Number (ITIN), or other US government identification number.

BLB Resources reserves the right to request verification of the US government identification number submitted in the bid by the foreign national.

1.7 Will HUD pay for any closing costs and the selling agent’s commission?

HUD will pay up to 3% of the gross purchase price in closing costs for owner occupant purchasers only, that are considered to be reasonable and customary in the jurisdiction where the property is located, if submitted in the bid. Closing costs should be entered on Line 5 of the Sales Contract and must match the electronic bid. HUD will pay the lesser of either the amount requested on Line 5 or the actual closing costs. Any funds remaining after the allowable closing costs have been paid will not be credited to the purchaser at closing. Please refer to the most recent HUD Housing Notices for additional information regarding closing costs.

Please be advised that the Code of Federal Regulations (24 CFR Part 291) now disallows the use of closing costs for investor purchasers. HUD will no longer pay any closing costs for investor purchasers and HUDHomeStore has been programmed to prevent investor purchasers from entering closing costs into their bids.

HUD also allows, and will pay, up to **3%** of the purchase price for the selling agent’s commission, which should be entered on Line 6a of the Sales Contract. Line 6b denotes the Local Listing Broker’s commission, which is 3% of the purchase price.



Selling and Listing Brokers are eligible to receive a \$1,000 commission on select HUD Homes, regardless of the list price and purchase price. These properties are notated in the MLS listing and are also identified on www.HUDHomestore.com with a symbol of a person and a dollar sign in a little bubble (like this: ) in the status column of the Property Search results. Please be advised that the commission on these properties is established from the list price, not the purchase price.

The submitted bid is the final determination of the selling agent commission amount, and may not be modified after bid acceptance under any circumstances. Note that higher closing costs and commissions will reduce the net to HUD, and may affect the competitive bidding ratio. Only the selling agent may choose to reduce his/her commission; the LLB commission may not be reduced.

HUD does not pay any closing costs or commissions on Good Neighbor Next Door (GNND) properties. Please note that even though GNND participants are required to utilize a real estate agent to submit their bids, HUD will not pay the selling agent commission; however, if FHA financing is used, the purchaser may add closing costs and commissions to their loan. Please also note that HUD does not pay closing costs or commissions on Dollar Homes or properties sold to nonprofit organizations or government entities.

1.8 When can the purchaser get a home inspection done?

All HUD Homes are sold “As Is.” HUD does not make any repairs to the property, and does not guarantee or make any representations or warranties as to the condition of the property. Therefore it is important that the purchaser do a visual inspection of the property prior to submitting a bid. The purchaser is also encouraged to have a professional home inspection performed with the utilities activated, **AFTER** the contract has been accepted and signed by HUD. All inspections, tests, and risk assessments are performed at the purchaser’s expense.

Please note that the purchaser must request permission to activate the utilities with the FSM assigned to the property, which may require a non-refundable deposit. The purchaser will be responsible for any damage that occurs as a result of the inspection. Please contact the assigned FSM directly with any questions regarding the utility activation process and to obtain the necessary forms. Submission of the request form does not guarantee that the FSM will grant permission for the purchaser to activate utilities. If the FSM denies the request, the purchaser may still obtain an inspection but may not activate utilities.

Please note that 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. HUD directive states that the lender is to obtain an “as is” statement from the purchaser accepting the pool in “as is” condition. If the underwriter will not accept this method, the transaction must be cancelled. In this situation, please submit a “Cancellation Request” form, along with a lender denial letter as supporting documentation. Please be advised that if BLB Resources discovers that the pool has been filled, it is grounds for cancellation of the transaction.

2.0 Important Information about HUD Homes

2.1 HUD's "As Is" Policy

HUD Homes are sold in "As Is" condition, and without warranty. BLB Resources and HUD make no representation or warranties, expressed or implied, concerning the condition of the property, and will not make repairs to the property. Since the new owner will be responsible for making any needed repairs, BLB Resources and HUD strongly urges every potential homebuyer to get a professional inspection. As stated in [paragraph 1.8](#) of this Handbook, purchasers have 15 days from the date the contract is accepted by HUD to conduct an inspection. All inspections, tests, and risk assessments are performed at the purchaser's expense.

2.2 Occupancy, Repairs, or Improvements Prior to Closing

The following activities are **strictly prohibited** and will be grounds for cancellation of an accepted bid/contract, including forfeiture of the earnest deposit in favor of the Seller:

1. Any work performed on the property prior to close of escrow except for those repairs to be performed by Seller, as expressly provided for in the applicable Purchase Agreement, and only if approved **in writing in advance** by BLB Resources. At a minimum, this includes all repairs, improvements, lock changes, and landscape modifications, including such activity as planting and/or removing trees or plants.
2. Depositing personal property in the home, yard, garage, or anywhere on the property prior to close of escrow.
3. Parking vehicles in the driveway, garage, or anywhere on the property prior to close of escrow.

Under no circumstances may purchasers occupy the property prior to closing of escrow.

Please note that the purchaser may not occupy, rekey, or make repairs/improvements to the property until close of escrow has been confirmed (deed has been recorded and wire transfer is complete). Purchaser is responsible for rekeying the property AFTER the close of escrow for their own safety. Neither the LLB nor the selling broker or agent may give out the keys, copies of the keys, or lockbox codes to purchasers, inspectors, appraisers, contractors, lenders, or any other parties at any time. Selling agents and LLBs will facilitate access to the property for purchasers to complete inspections and/or perform their rekey. Please note that the LLB will return to the property after close of escrow has been confirmed to retrieve their lockbox(es) and signage. On behalf of the LLB, we respectfully request that these items are not discarded. If escrow has closed and the LLB has not picked up these items, please contact the LLB for immediate pickup.

Please also be advised that the FSM and its contractors may perform maintenance and/or repairs on the HUD Homes. Agents, purchasers, and their contractors may not interfere with or influence the work being performed. For example, if the FSM is replacing a broken window, the purchaser may not instruct the FSM to use a specific type of window.

Inspections are routinely performed by the FSM, its contractors, and the LLBs to ensure compliance with this policy. Any violation of any part of this policy may cause cancellation of the sale, forfeiture of the earnest money deposit, and suspension of the selling broker's NAID and bidding privileges.

3.0 Financing Types

HUD Homes may always be purchased using cash, conventional, or other special financing. However, FHA offers financing options that are tailored to HUD Homes. There are many variables that are taken into consideration when the disposition of a property is created. The condition of the property as reflected in the FHA-approved appraisal and the Property Condition Report (PCR) weigh heavily in determining its insurability, although other factors may be considered. When the disposition of the property has been established, the property is listed at fair market value and will reflect the appropriate financing acronym. It is vital that real estate agents have a clear understanding of the FHA financing types, and the corresponding acronyms.

3.1 (IN) Insurable, 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.

3.2 (IE) Insurable with Escrow, FHA 203(b) with Repair Escrow

Properties listed as Insurable with Escrow (IE) qualify for FHA 203(b) with Repair Escrow financing. This disposition represents properties that have MPR repairs which must be addressed post closing. The MPR repairs cannot total more than \$11,000 (\$10,000 repair limit + 10% overage allowance). The necessary repairs are itemized in the disclosures found on the “Addendums” tab of the Property Details on www.HUDHomestore.com.

The repair escrow amount is the financial responsibility of the purchaser. The repair escrow is **never** a credit to the purchaser. 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.

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 is not applicable.

Please refer to HUD Handbook 4000.1 and Mortgagee Letter 00-27 for more information.

3.3 (UI) Uninsurable

Properties listed as Uninsurable (UI) do not qualify for FHA 203(b) 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 and cash purchases are most often used for properties with the disposition of UI.

3.4 (UK) Uninsurable – 203(k) Eligible

Properties listed as Uninsurable – 203(k) Eligible (UK) also do not qualify for FHA 203(b) financing. However, these properties may qualify for FHA 203(k) financing. The 203(k) option is a rehabilitation loan for owner occupants only. Many lenders offer both the standard FHA 203(k) and the 203(k) streamlined loan.

3.5 Gift Funds

There are many options for financing the purchase of a HUD Home, including gift funds. If a purchaser is utilizing gift funds as any portion of the down payment, certain guidelines must be met for the funds to be considered acceptable. Gift funds may be provided by the purchaser's family, employer, friend, or charitable organization, but there must be no expected or implied repayment of the funds. Also, the gift cannot be received from a person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, lender or any other associated person or entity.

Additional information on the gift fund requirements may be found in HUD Handbook 4000.1. Please also contact the purchaser's lender for any other requirements, as the lender is responsible for verifying that the closing agent received the funds and that the funds were from an acceptable source.

When the purchaser is utilizing gift funds, a Gift Letter must accompany the sales contract package submitted to BLB Resources, as part of the purchaser's proof of funds. The "Gift Letter Template" found on the Agent Resources page of the BLB Resources website includes the following 10 items as required by HUD:

1. The dollar amount of the gift
2. Name of the donor
3. The donor's signature
4. Address of the donor
5. Telephone number of the donor
6. Donor's relationship to the recipient/purchaser
7. Name of the purchaser
8. The purchaser's signature
9. A statement that no repayment is required
10. A statement asserting that the funds were not provided by any person or entity with an interest in the sale of the property.

Please ensure that the Gift Letter also references the FHA Case Number and Property Address. In addition to the Gift Letter, the purchaser must also include a copy of the gift check or bank statement from the donor reflecting the gift withdrawal, as well as a copy of the deposit receipt or purchaser's bank statement evidencing receipt of funds.

4.0 Important HUD Policies and Information

There are several policies and guidelines unique to HUD REO Homes. This section will provide a brief overview of important information that may affect the lending process.

4.1 Closing Costs

HUD will pay up to 3% towards an owner occupant purchaser's closing costs, if negotiated in the bid and contract. All closing costs will be paid in accordance with the guidelines provided in HUD Notice H 2003-02.

A number of closing costs are automatically paid by HUD. These include:

- Proration of property taxes and any special assessments such as HOA fees, utility bills, etc.
- Recording fees and charges for the deed (i.e., normal amount charged per page for recordation)
- Document fee – HUD will not pay for a lender's certification

4.2 Importance of Timely Closing

Line 9 of the HUD Sales Contract Form 9548 states: "Time is of the essence as to closing." It is vital that all of the HUD vendors, the selling and listing agents, the purchaser, and the lender work together to facilitate a smooth, quick closing. If the transaction does not close within the timeframe specified on the contract, the sale may be subject to cancellation. Please note that loan documents being sent to the closing agent is not considered a closed sale. Closing timeframes are as follows:

- 30 days for all Cash/Hard Money purchasers
- 45 days for 203(b), 203(b) repair, or conventional financing
- 45 days for Non-profit purchasers
- 60 days for 203(k) financing

BLB Resources may grant a closing date extension if the purchaser is an owner occupant and the lender has a conditional loan commitment signed by an underwriter. However, please note that extensions of time to close the sale are entirely within the Seller's discretion, and the granting of one extension does not obligate the Seller to approve additional extensions. Extension requests must follow established procedures as outlined in the Selling Broker Handbook.

4.3 HUD's As-Is Policy

Please remember that HUD makes no representations or warranties concerning the condition of the property and will make **no repairs** to the property prior to close of escrow.

4.4 "Buyer Select" Closing Agent Program

HUD has implemented a "Buyer Select" closing agent program. All buyers will be required to select their own escrow company. During the bid submission process, the selling agent will be required to provide the name and contact information of the selected escrow company. Escrow company contact information should be obtained from the buyer or their real estate agent.

4.5 Pre-qualification / Pre-approval Letters

The purchaser must submit proof of funds with their contract package. For financed transactions, that means they must submit either a pre-qualification or a pre-approval letter. Please note that BLB Resources requires a valid pre-qualification letter from a lender for purchasers obtaining financing. However, HUD's earnest money deposit forfeiture policy requires a pre-approval letter. The letter must be printed on lender's letterhead, be dated within the past 30 days, and include the following information:

- Purchaser's name
- Amount of loan pre-qualification / pre-approval
 - Note: if pre-qualification / pre-approval amount is less than the purchase price, the purchaser must provide proof of funds for the difference
- Type of loan
 - If 203(b) repair escrow, must include repair escrow amount
- Lender's contact information (including email address) and signature



5.0 Appraisal Questions

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.

6.0 Repair Questions

6.1 What are MPR repairs?

Minimum Property Requirements (MPR) repairs are repairs for any items that affect the safety, security, or soundness of the property. Please refer to HUD Handbook 4000.1 for further detail.

6.2 Can other repairs discovered during our home inspection or appraisal that the lender would like included be added to the repair escrow?

BLB Resources will only list 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.

BLB Resources would require submission of our "Request to Change Financing Type" form, found in the forms section on our website, www.blbresources.com, to change the repair escrow, along with supporting documentation, for review and approval. Please remember to add the 10% overage in the escrow repair amount grand total, and note that the repairs cannot total more than \$11,000 (\$10,000 repair limit + 10% overage allowance).

6.3 The underwriter is requiring certain repairs be completed prior to close of escrow. How do we handle this?

Please note that all HUD Homes are sold "As Is" and no repairs may be done at any time prior to close of escrow. If the transaction cannot close due to this issue, please submit a "Cancellation Request" form, along with a lender denial letter as supporting documentation.

If BLB Resources discovers that repairs were completed prior to close of escrow, it can be grounds for termination of the transaction.

6.4 The underwriter is requiring the pool to be filled and tested prior to close of escrow. Can we complete this inspection?

No, 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. HUD directive states that the lender is to obtain an "as is" statement from the buyer accepting the pool in "as is" condition.

If the underwriter will not accept this method, the transaction must be cancelled. Please submit a "Cancellation Request" form to BLB Resources, along with a lender denial letter as supporting documentation.

Please note that if BLB Resources discovers that the pool has been filled, it is grounds for cancellation of the transaction.



6.5 When utilizing 203(b) Repair Escrow financing, is money held by the lender or is the closing agent sending a check to the lender to hold for the buyer?

The lender is creating the escrow holdback account. No money is held in escrow.

6.6 On offers accepted with FHA 203(b) financing, can the buyer change to FHA 203(k) financing?

Yes, subject to approval by BLB Resources, the buyer may change financing type by submitting a "Request to Change Financing Type" form to BLB Resources, along with proof of 203(k) loan approval and property condition documentation.

7.0 Inspection Questions

7.1 Will the Seller provide a copy of the Property Condition Report (PCR)?

Yes, a copy of the PCR has already been posted on www.HUDHomestore.com. Please click on the “Addendums” tab on the Property Details, and then click the “PCR” link. The PCR is also included as part of the ratified sales contract package.

Please contact our Customer Service Department if the PCR cannot be located.

7.2 Will the Seller provide a Termite Inspection?

Yes. BLB Resources will order a termite inspection from the FSM at contract ratification if the property meets both of the following requirements:

- 1) Property must be located in an area where Wood Destroying Organism (WDO) inspections are mandated by state or local jurisdictions.
- 2) The property is being sold with FHA financing and is not located within a Termite Treatment Exception Area : http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_POLI_TERMITE.pdf.

If inspections are not mandated by state or local jurisdiction and the purchaser is paying cash or obtaining non-FHA insured financing (conventional, VA, Rural Development, etc.), a termite inspection will not be provided and the purchaser has the right to order an inspection and treatment at their own expense. Please note that in this situation, the purchaser’s inspection may be conducted prior to close of escrow, however any necessary WDO treatment must be completed after the close of escrow.

7.3 Will HUD complete the termite clearance?

Yes, if the inspection report indicates active WDO infestation, BLB Resources will issue a Work Order Notification to the FSM for treatment of the active infestation. However, please note that the FSM will only clear the active infestation, not all Section 1 items will be included. If the lender requires additional Section 1 repairs completed that were not part of the active infestation, they can be included in the repair escrow. Note: repair escrow cannot exceed \$11,000 (\$10,000 repair limit + 10% overage allowance).

7.4 If a termite inspection is required, can the buyer close without it, or include it in the escrow holdback?

No, if a termite inspection is required, it must be completed prior to close of escrow. The inspection cannot be included in the escrow holdback. However, any unresolved items after active infestation has been cleared may be included in the escrow holdback.



7.5 Will HUD provide a Lead Based Paint (LBP) inspection for homes built prior to 1978?

LBP inspections will only be provided if FHA insured financing is being used. This includes 203(b), 203(b) repair escrow, and 203(k) financing types. If the purchaser is paying cash or obtaining non-FHA insured financing (conventional, VA, Rural Development, etc.), a LBP inspection will not be provided.

7.6 If the inspection reveals LBP that needs to be stabilized, will HUD pay for the stabilization?

HUD will pay for the LBP stabilization and clearance, not to exceed \$4,000.

7.7 How do we proceed if the stabilization costs exceed \$4,000?

The buyer has the following options:

- 1) Cancel the transaction and receive a full EMD refund
- 2) Proceed with 203(k) financing and include the stabilization costs in the rehab costs. If the buyer is using 203(b) or 203(b) repair escrow financing, the buyer will need to submit a Request to Change Financing Type, changing to 203(k) financing.
 - a) Please note that if purchaser is using 203(k) financing and stabilization costs exceed \$4,000, HUD will credit up to \$4,000 to the buyer at closing.
 - b) Please also note that both the purchaser(s) and the lender will be required to sign Form HUD-9548-G: 203(k) Rehabilitation Financing Lead Agreement, which incorporates the LBP stabilization plan into the 203(k) repair.
- 3) Proceed with cash or non-FHA financing.

7.8 If an LBP inspection/clearance is required, can the buyer close without it, or include it in the escrow holdback?

No, if an LBP inspection/clearance is required, it must be completed prior to close of escrow (except for 203(k) financing). This cannot be included in the escrow holdback. There will be no exceptions.

7.9 What happens if the buyer changes from FHA financing to non-FHA financing and the termite and/or LBP inspections and/or clearances have already been conducted?

The buyer will be responsible for any and all costs incurred in obtaining the following:

- Termite inspections,
- Termite treatment and clearance,
- LBP inspections, and
- LBP stabilization and clearance.



8.0 Condo Questions

8.1 The condo is not on the approved list even though BLB Resources listed it as insured. How is this possible?

Per Mortgagee Letter 09-19, HUD REO condos no longer require approval.

8.2 How do we proceed if the occupancy rate is below 51% Owner Occupied?

Since the condo no longer requires approval, the occupancy rate does not matter. The condo may still use FHA financing.



9.0 FHA Connection Questions

9.1 How do we proceed if we need a new case number for a new FHA loan?

Please log into FHA Connection to request a new case number for the new FHA loan.

9.2 The case number that BLB Resources provided is missing the last digit. I cannot assign the new case number without it. How do I obtain the missing digit?

The last digit is dropped off the number for security purposes as it belongs to the previous sale. BLB Resources does not have access to the last digit. However, we recommend trying numbers 0-9 or the letter X. One of those entries will work.



10.0 Other Questions

10.1 Is the \$100 Down Payment Program still available?

Yes, the \$100 down payment program is available for select properties. To be eligible for the \$100 down payment program, the bid on the property must have been accepted on or after October 1, 2016. In addition, the property must be financed with FHA-insured financing.

Please also note that if a GNND purchaser qualifies for and uses any FHA-insured mortgage program [i.e., 203(b), 203(b) repair escrow, or 203(k) financing], the down payment is only \$100, and closing costs and pre-paid expenses may be financed.

10.2 If an extension is necessary, will BLB Resources waive the fee?

Extension fee waivers are granted on a case-by-case basis. The extension fee is required to be submitted with all extension requests. BLB Resources will review the request to determine if the fee may be waived. If the fee is waived, it will be refunded to the buyer at close of escrow. Please note that granting of one extension and/or waiving fee does not obligate Seller to approve additional extensions or waive additional extension fees. Extension requests must follow established procedures as outlined in the Selling Broker Handbook available on our website.

10.3 Who is responsible for approving the final HUD-1 settlement statement?

BLB Resources is responsible for approving the final HUD-1 and notifying the buyer's selected escrow company/closing agent of approval.

10.4 Who is responsible for sending the final HUD-1 settlement statement to the lender?

The buyer's selected escrow company/closing agent will send the final HUD-1 to the lender.

10.5 What do we do if the buyer has changed lenders due to rate or lack of performance?

Please notify the Closing Department at BLB Resources as soon as possible if any changes occur.



11.0 Conclusion

We hope that this handbook has provided answers to the most commonly asked questions regarding HUD Homes and the lending process. If you have any additional questions, please contact our office. We are available to assist you Monday through Friday 8:00 a.m. – 5:00 p.m. EST (closed on Federal Holidays):

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We appreciate your business. Best of success with your transaction.