

GENERAL INFORMATION ABOUT BUYING A HUD HOME.

IMPORTANT Notes:

TO SETUP SHOWING APPOINTMENT and/or to SUBMIT AN OFFER for a HUD Owned Property you must Contact a NYS Licensed Real Estate Broker of your choice.

Your Real Estate Agent MUST be registered at HUDHomeStore.com website to submit your offer electronically.

Have your Loan Pre-Qualification letter from a mortgage bank/company or proof of funds from your bank ready.

You also must select a Real Estate Attorney who will represent you in the transaction. Your attorney contact information must be submitted with your offer.

To find a HUD registered Real Estate Broker go to www.HudHomeStore.com website, click "Broker Search" tab, enter State and City or zip code and click "Search"

To find a HUD registered Closing Agent/Attorney (Buyers Select Closing Agent , BSCA) go to www.HudHomeStore.com website, click "BSCA Search" tab, enter State and City or zip code and click "Search"

For complete information, How To Guides, Availability, Resources for Buyers and For Agents be sure to visit these websites:

www.HUDHomeStore.com

and

www.BLBResources.com

The U.S. Department of Housing and Urban Development maintains a list of homes it offers for sale. HUD homes are homes with FHA-insured mortgages that were foreclosed when their owners defaulted on those mortgages. HUD only offers its homes via bid process, first to hopeful owner-occupants and then to interested property investors. Bid acceptance by HUD for one of its listed homes is the start of a process that ends several weeks later at a sales closing.

Just about anyone can buy a house for sale by the U.S. Department of Housing and Urban Development (HUD). As long as you have the cash or can qualify for a mortgage loan, you can submit a bid through a HUD-approved real estate broker. HUD homes are first available only to home buyers who plan to live in the house. If HUD accepts your bid, how long it takes to close after being notified that yours was the winning bid depends on several factors.

HUD Closing Timeline

If you're an owner-occupant, when you bid on a HUD home you're expected to be pre-approved for a mortgage loan. HUD, though, understands that even pre-approved winning bidders on its homes will need time to close. Additionally, HUD also needs time to write up and send contracts to the real estate brokers of winning home bidders. Due to the time needed by all involved parties, HUD generally allows winning home bidders with mortgages up to 45 days to close.

HUD Preparation Time

It may take HUD from two to five days to notify bidders on its homes that they've won their bids. Additionally, winning bidders and their real estate agents have two days to deliver their purchase offers to HUD asset managers. Once HUD receives a winning bidder's signed purchase contract it takes seven to 14 days for HUD to sign and return it. Winning HUD owner-occupant bidders then have 45 days from executed contract receipt to close on their homes.

HUD Closing Periods

All HUD homes are sold "as is" and HUD makes no repairs to its bid properties. HUD does allow winning home bidders a 15-day period once they've won their bids to activate any utilities and inspect their future properties. While the HUD closing period is occurring HUD-approved closing agents are preparing paperwork, including for title transfer. Once HUD owner-occupants using mortgages to purchase their new homes are approved to close on their loans, they can proceed with closing.

Understanding HUD Homes

HUD homes up for bid are sold through approved real estate brokers only. Real estate brokers participating in HUD's home sales program have access to all listed properties in their areas. The material condition of HUD homes can be a question, and some need little or no repair while others require extensive repair and improvement. Fortunately, HUD offers FHA-insured 203(k) rehabilitation mortgages to qualified owner-occupants bidding on properties needing total repairs costing up to \$30,000.

HUD Homes

When a lender forecloses on a home with a HUD-insured mortgage, HUD pays the lender the balance of the loan principal the homeowners still owed. HUD then takes ownership of the home to sell the property as quickly as possible. If you are looking for a HUD home to buy, you must contact a real estate broker who sells HUD homes. No bids are reviewed until the property has been on the market for at least 10 days. If HUD receives no acceptable bids during the exclusive 30-day owner-occupant period, bidding is then opened to anyone, including investors.

Early On

If you submit a bid on a HUD home, you will be notified within 24 to 48 hours of the bid deadline if your bid is accepted. After that, the selling agent has two days to deliver a completed contract package to the HUD asset manager at a regional HUD Resources office near you. It can take another seven to 14 days before a signed sales contract is returned. If you are applying for a mortgage loan, you have 45 days from that time to close the deal, unless you are going for an FHA 203(k) loan to remodel the home. Home buyers paying cash have only 20 days from the contract signing date to close on the sale.

Closing Process

The total amount of time it takes from beginning to end on the purchase of a HUD home is based on whether you are paying cash, applying for a conventional mortgage loan or looking into an FHA-insured mortgage. Overall, it can take as few as 30 days for a cash deal to go through or as many as 75 days if you are applying for a loan. If you plan on financing the purchase of the home with a mortgage loan, get your loan approval before making an offer, advises Nate Martinez, an Arizona real estate agent. HUD does not consider bids without a loan preapproval letter from a lender.

Escrow Period

HUD allows a 45-day escrow period to close on the purchase of a HUD home. But if you are applying for an FHA 203(k) renovation loan, HUD allows you up to 60 days to close on the loan. In a case where you are paying cash for the home, you can close sooner. Just how quickly depends on how long it takes the closing agent to complete all the required paperwork. When paying cash for a HUD home, you must provide a copy of a bank statement or other financial document dated within the last 30 days to prove that you have the funds available.

FINANCING (general information)

Since the 1930s, *Federal Housing Administration* insurance has provided a vital safety net for housing lenders and borrowers. Borrowers fund the program with monthly insurance premiums, and the FHA guarantees mortgages against default. If a lender forecloses, the FHA pays the remaining principal balance on the mortgage and conveys title to its parent agency, the *Department of Housing and Urban Development* or HUD. Although the FHA has covered millions of home loans, its guidelines on properties and borrowers render some of them **uninsurable**.

FHA guidelines may disqualify a property from the FHA's standard, single-family mortgage insurance program, also known as **203(b) financing**. The home may be in need of expensive repairs, or may have been damaged in a storm or fire. More specifically, **the FHA program disqualifies any property requiring more than \$5,000 in repairs**. The home may only be insurable through "rehabilitation" or **203(k) financing**, which allows a buyer to roll repair costs into the mortgage amount. In some cases, the FHA will extend conditional approval if buyers set up an escrow account to pay for needed repairs, as determined by an appraiser.

HUD properties—What does it mean insured or uninsured

What does it mean when a HUD property is listed as insured or uninsured? This designation pertains to whether HUD will allow another FHA loan to be obtained on the property.

If the **property is insurable** then a new FHA loan can be obtained. If the property says that it is insurable with escrows then the property can go FHA provided the buyer will make some repairs. These repairs can only be made after closing. No repairs can be done prior to closing. The list of repairs can be found on HUD's website www.hudhomestore.com. This list of repairs is items that an appraiser wants repaired in order for the house to go FHA.

The repairs listed as escrow items are what an appraiser is requiring to be done for the FHA loan. They are not inclusive of everything that may be wrong with the house. That is why HUD strongly recommends that you obtain a full home inspection.

Because HUD is the backer of FHA loans they allowing a new buyer to close on the house and repair the listed items after closing. The buyer needs to have the repairs done within a 30 day period; a lender can give an extension for an additional 30 days.

When a **property is listed insured with escrows** a dollar amount is given that goes into an escrow account. This is not money from HUD. This is the buyer's money which is most often financed into the loan. Once the property closes, the buyer makes the necessary repairs and turns in the receipts to the lender. The lender will send out an appraiser to verify the work is complete. The lender will then issue the buyer a check for the repairs up to the amount of the receipts or the escrowed amount which ever is less. Any additional funds not used by the buyer to complete the repairs, are applied to the loan principle. Consequently, the buyer should have the funds available to make the necessary repairs after closing.

If the property is listed as **uninsured**, then the property has more than **\$5000** in repairs and is not eligible for a standard FHA loan. The property may go conventional or cash.

Main Difference between FHA and Conventional Loans

A conventional mortgage product is originated in the private sector, and is not insured by the government. A conventional mortgage loan can be insured by a third-party insurance company operating within the private sector.

An FHA loan is also originated in the private sector, but it gets insured by the government through the Federal Housing Administration.