

What is a HUD Home?

The U.S. Department of Housing and Urban Development (HUD) is the agency that oversees federal housing agencies and programs including the Federal Housing Administration (FHA) which insures home loans. A HUD Home is a one-to-four unit single-family residence, condominium or townhome that has been conveyed to HUD by the lender as a result of foreclosure when the borrower defaults on the FHA-insured loan. HUD in turn sells the property at "AS IS" market value based on a recent appraisal as quickly as possible through an Asset Manager (AM) Contractor such as PEMCO, LTD. HUD Homes vary in price, location, and condition. Some are move-in ready condition and others are not.

Who can buy a HUD Home?

Anyone with a valid Tax ID (*SSN or Employer Federal Tax ID) issued in the United States can buy a HUD home. Potential buyers must qualify for a mortgage or pay cash to buy a HUD home. Buyers must have a pre-qualification letter from a certified lender, or proof of funds in the amount of, or greater than the gross purchase price of the property.

Where can I find a HUD home?

HUD homes are listed on the HUDHomestore website and in the local Multiple Listing Service (MLS).

How can I view a HUD Home?

All buyers MUST be accompanied by a broker or agent when viewing any HUD Home listed for sale. Brokers and agents must also accompany any individual performing services such as home inspections, appraisals, or certifications.

Do I need a realtor to place a bid for me?

Yes, please contact a registered HUD broker or agent to place a bid on a property and to access the home listed for sale. To lookup a broker/agent in your area, visit the HUDHomestore website.

Do owner-occupants have a priority in bidding?

Yes, there are owner-occupant priority bidding periods set aside throughout the bid process.

Exclusive Listing Period – IN and IE

- There is a 30 day exclusive listing period for owner occupants for IN (insured) and IE (insured with escrow) properties. All bids received in the first 10 days are treated as having been received simultaneously and if no winning bid is received by the 10th day, the bids are reviewed daily for the remainder of the exclusive listing period (up to 20 days) for owner occupant purchasers only.

Exclusive Listing Period - UI

- There is 5 day exclusive listing period for owner occupants for UI (uninsured) properties. All bids received in the first 5 days are treated as having been received simultaneously and if no winning bid is received by the 5th day, the property is made available to all bidders.

I am an investor. When can I bid on a HUD property?

During the exclusive listing periods, bids may be submitted by Owner Occupants. At the conclusion of these exclusive listing priority periods, all general public bids will be accepted.

Why do I need a Home Inspection?

All HUD Homes are sold "AS-IS". 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 codes, 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 based paint, or any other condition that may render the property uninhabitable or otherwise un-useable. The purchaser is responsible for taking such actions as they believe necessary to satisfy themselves that the property is in a condition acceptable to them, 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 strongly encouraged to have a home inspection performed to identify any possible defects.**

What is a Property Condition Report?

This report is available on the HUDHomestore under the addendums tab; it is provided to assist the purchaser in assessing the condition of the property. It is NOT in any way a guarantee or warrant that the property is free of visible or hidden defects. All purchasers are strongly urged to complete a full property inspection with the utilities activated to identify the current condition of the property and any repairs that may need to be completed.

What is a Field Service Manager?

The Field Service Manager (FSM) is the HUD contractor responsible for property maintenance and preservation services such as: **inspecting the property, securing the property and providing on-going maintenance.**

What is an Asset Manager?

The Asset Manager (AM) is the HUD contractor responsible for marketing and selling HUD-owned properties. PEMCO is one of several Asset Managers.

Who can sell HUD homes?

Any licensed real estate broker registered with HUD and has an active NAID, or an agent employed by a registered broker, may show and submit bids on behalf of purchasers. Brokers and agents can check their current NAID Registration Status at the HUDHomestore.

How do I become a HUD-registered broker?

Register at [HUDHomestore](#). The principal broker (Selling Broker) must register and receive a NAID. You can find the required forms, SAMS 1111 Broker Application and SAMS 1111A Selling Broker Certification, and **NEW mailing instructions** on the NAID registration link. Be sure to mail the forms to the correct address listed for your state's HUD Homeownership Center.

What is a NAID number?

A NAID number is a unique Name Address Identification Number issued by HUD. This number allows the agents and brokers to submit bids on behalf of prospective buyers of HUD homes.

What is a Listing Broker?

Listing Brokers (LBs) are subcontracted by the Asset Managers and are responsible for listing the property in the local MLS and provide assistance to realtors with access to the property and with sales information. Selling brokers are limited to a maximum of 3% of the purchase price for their commission. A selling broker commission of less than 3% can be entered when submitting an offer. Upon submission of a bid, the selling broker enters the actual commission they wish to be paid on the commission line of the HUD sales contract; (line 6a). HUD's software is set up to automatically calculate any commissions to be paid to the listing broker. On certain predetermined "hard-to-sell" properties, a flat fee commission of \$2,500 (\$1,250 each) will be offered.

What are bidder types?

There are **five buyer types** that are eligible to purchase HUD Homes: Owner Occupants, Investors, Good Neighbor Next Door (GNND), Eligible Nonprofit organizations, and Approved Government Entities.

- **Owner Occupant** buyers are individuals with a valid Social Security Number (SSN) who have not purchased a HUD property within the past two years as an owner occupant. An owner occupant must live in the property as their primary residence for one year and may not purchase another HUD Home for two years. Owner Occupants can bid on homes in the exclusive or extended periods.
- **Investor** buyers are individuals with a valid SSN or Employer Identification Number (EIN) who purchase the property as an investment. Investors can bid on homes in the extended listing phase. There is no restriction on how many properties an investor may purchase.
- **GNND buyers** are qualifying law enforcement officers, pre-Kindergarten through 12th grade teachers and firefighters/emergency medical technicians. HUD offers a discount of 50% from the list price of a home located in revitalization areas and in return GNND participants must commit to live in the property for at least 36 months as their sole residence. HUD also requires that buyers sign a second mortgage and note for the discount amount. The GNND buyer or spouse may not have owned a property within the last 12 months, or have participated in the GNND program before. A GNND buyer must bid 100% of the listing price. GNND buyers can use any type of financing or cash deal. FHA financing: a GNND buyer must qualify for the entire purchase price prior to discount. The buyer can finance into the mortgage all reasonable and customary closing costs, including prepaids and real estate commissions. HUD will NOT pay any closing costs or real estate commissions. GNND participants must submit bids through a real estate broker licensed to do business in the state where the property is located. If using FHA financing to purchase the home, GNND buyers can purchase the home for only \$100 down. FHA financing must be used for the \$100 down payment incentive to apply.
- Approved **Nonprofit Organizations** can bid on homes in lottery, exclusive, and extended phases provided the properties are located in approved purchase areas. If the property is in the lottery phase, the home must be uninsured. Nonprofits rank below Government Entities in the bid selection process for the lottery, but above them for exclusive and extended listings. Nonprofits cannot bid for dollar homes.
- Approved **Government Entities** can bid on homes in lottery, exclusive, and extended phases provided they are in approved purchase areas. If the property is in the lottery phase, the home must be uninsured. Only Government entities can bid on Dollar homes.

When are properties listed for sale on HUDHomestore.com

Properties are listed daily (Sunday to Saturday).

How many listing periods are there?

There are 4 listing periods: Lottery, Exclusive, Extended, and Dollar Homes.

What is a Lottery?

Properties that are eligible under HUD Special Programs are first offered to GNND and HUD approved Nonprofits and Government entities by Lottery. **Eligible properties located in HUD designated Revitalization Areas and uninsurable properties located in approved purchase areas** of an approved nonprofit or government entity are listed for sale for a period of seven (7) calendar days (the Lottery Period).

- **Insured Single Unit Properties within a Revitalization Area** - Only bids from GNND participants may be accepted.
- **Uninsured Single Unit Properties within a Revitalization Area** - Only bids from GNND participants, qualified nonprofit organizations and government entities whose approved purchase area covers the location of the property, may be accepted. In the event of competing bids from the aforementioned groups, the order of preference is as follows: (1) potential GNND Program participants; (2) government entities; (3) qualified nonprofit organizations.
- **Uninsured Multi-unit properties within a Revitalization Area** - Only bids from approved nonprofit organizations and government entities whose approved purchase area covers the location of the property may be accepted.
- **Uninsured Properties in a non-Revitalization Area** - Only bids from approved nonprofit organizations and government entities whose approved purchase area covers the location of the property may be accepted.

When will unsold lottery properties go the Exclusive Listing Category?

- Unsold insured (I) and insured with escrow (IE) lottery properties enters a ten (10) day owner occupant Exclusive Listing period. All bids received during this period are treated as having been

received simultaneously and if no winning bid is received by the 10th day, the property will be extended to all buyers.

- Unsold uninsured (UI) lottery properties enters a five (5) day owner occupant Exclusive Listing period. All bids received during this period are treated as having been received simultaneously and if no winning bid is received by the 5th day, the property will be extended to all buyers.

What is an Exclusive Listing Period?

The exclusive listing period is reserved for Owner Occupant bidders, qualified nonprofit organizations and government entities and may vary depending on the property's insurability.

Exclusive Listing Period – IN and IE

- There is a 30 day exclusive listing period for owner occupants for IN (insured) and IE (insured with escrow) properties. All bids received in the first 10 days are treated as having been received simultaneously and if no winning bid is received by the 10th day, the bids are reviewed daily for the remainder of the exclusive listing period (up to 20 days) for owner occupant purchasers only.

Exclusive Listing Period - UI

- There is 5 day exclusive listing period for owner occupants for UI (uninsured) properties. All bids received in the first 5 days are treated as having been received simultaneously and if no winning bid is received by the 5th day, the property is made available to all bidders.

What is an Extended Listing Period?

- Properties that are insurable (I) or insurable with escrow (IE) that were not sold in the Exclusive Listing Period are open to ALL bidders in the Extended Listing Period, starting on the 31st day. All bids received on the same day are treated as having been received simultaneously and are opened daily at the end of each business day.
- Properties that are uninsured (UI) that were not sold in the Exclusive Listing Period are open to ALL bidders in the Extended Listing Period, starting on the 6th day. All bids received on the same day are treated as having been received simultaneously.

What is "I", "IE", "UI"?

These are listing codes, finance types that describe the FHA insurability of a property.

“IN” Insurable

203(b) Regular FHA Loan

This means the property meets FHA 203(b) financing requirements; no obvious repairs necessary to insure an FHA loan to buyer.

“IE” Insurable with Repair Escrow

203(b) - Repair Escrow

This means the property is eligible for a 203(b) FHA loan and that necessary repairs do not exceed \$5,000.

“UI” Uninsured

This means the property requires extensive repairs exceeding \$5,000. These properties are eligible for an FHA 203(k) mortgage if the required repairs and or the improvements are completed within 90-days of the closing.

**“203K” Streamlined 203(k)
Limited Repair Program**

FHA's Streamlined 203(k) program permits homebuyers to finance up to an additional \$35,000 into their mortgage to improve or upgrade their home before move-in. With this new product, homebuyers can quickly and easily tap into cash to pay for property repairs or improvements, such as those identified by a home inspector or FHA appraiser.

How do I find out if an offer has been accepted?

It remains the responsibility of the bidder's Broker/Agent to monitor and review the status of all submitted bids on HUDHomestore.com. On the Review your Bids screen, you can filter to find all accepted bids. Automated emails are generated from the system as a courtesy but should NOT be relied upon for notification of accepted bids.

What if we Over-Bid 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 at the time of contract "Acceptance"). 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, **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.

What are the different types of bid status?

Open: The bid has been submitted and is awaiting review by the Asset Manager. The bidder can modify or withdraw their bid.

Accepted: The bid has been accepted by the Asset Manager.

Withdrawn: The purchaser or their bidder has withdrawn the bid, and it is no longer under consideration by HUD.

Cancelled: The bid has been cancelled.

Under Review: The bid has been opened and is being reviewed by the Asset Manager.

What do I do when an offer has been accepted?

If your offer has been accepted, you are required to deliver the signed sales contract and all addenda to us within two (2) business days after bid acceptance. The successful bidder must submit a complete sales package by OVERNIGHT MAIL to our designated regional office. Office locations and contract packages (fill able PDF forms) are available on our website at hudpemco.com under the "forms" tab. EVERY DOCUMENT necessary to consummate the transaction must be completely **signed in BLUE ink**, sealed and delivered, along with the earnest money deposit check (with the exception of Oregon sales*), within 2 business days from award notification (check your Review Bid Screen at the HUDHomestore.com). Not doing so may cost the buyer a property and you a commission. Once the contract is ratified, PEMCO will **notify you of the specific** Closing Agent holding escrow and overseeing the transaction. PEMCO will forward the earnest money to the Closing Agent. **For Oregon sales ONLY, earnest money checks are sent separately to our Agent in Oregon (see special instructions in the contract packages on our website under the "forms" tab).*

What is a “complete” sales contract?

- Sales Contract - HUD Form 9548 and certification of broker form.
- Addendums: Lead Based Paint (if applicable), Radon & Mold Disclosure, Earnest Money, Forfeiture and Extension Policy, Get a Home Inspection Notice, Owner Occupancy form (if applicable)
- A Pre-Qualification letter from a certified, licensed lender is a requirement on all sales containing a mortgage contingency. For cash sale, verification of availability of funds (copy of bank statement, etc.)
- Earnest Money Check (original funds)

Note: Additional forms may be required depending on what state the property is located in, please go to our “forms” tab.

Can I cancel an offer after it has been submitted?

Yes, you can cancel an offer after it has been submitted, until the bid opening date. Log in to HUDHomestore.com, click Bidder Functions, and go to Review your Bids. Click the bid you want to cancel. Click the Withdraw this Bid button. A summary screen will appear, and you will again have to click the Withdraw this Bid. The bid is then withdrawn from consideration by HUD. You will not be able to cancel an offer after the bid opening date has passed.

What are Back-up Offers?

In the event that there is more than one acceptable bid received, PEMCO will award to the highest net bidder and hold back-up offers. Back-up bidders will be notified by email at the time of the bid award. The completed contract package should be completed and held by the agent until further notification. If the awarded bid cancels within 15 days (and the contract has not been ratified by HUD) the back-up offer will be contacted by email and advised to send the necessary documentation, **within 2 business days of acceptance.**

What is a counter-offer?

If all received bids are unacceptable, the AM may counteroffer by providing all bidders with an identical minimum acceptable bid allowing them to counteroffer with a cut-off date for submitting bids. The highest acceptable net counter-offered bid received within the specified time will be the winner. If none of the counteroffers meet the requirements, the bids will be rejected and be listed under the extending listing period.

What do I do if an offer has been counter-offered?

As a bidder, you can review all HUD initiated counteroffers by selecting the Counteroffer search criteria to 'Yes' on Review your Bids at HUDHomestore.com. Also, if you have been notified that there has been a counteroffer, your original bid will have been cancelled. Go to the Review Your Bids screen, and locate the bid. Click the **Property Case number** link to view the Property Details screen. You will then see a link that you can use to respond to the counteroffer.

How is the repair escrow amount determined?

The FHA appraiser lists the estimated cost of repairs needed to bring the property up to minimum FHA standards. This amount is then multiplied by 110% and this amount is listed as the repair escrow amount. Example: if repairs total \$1,000 x 110% = \$1,100. The Repair Escrow amount will be listed at \$1,100. Repair escrow ONLY applies to FHA financing – not cash or conventional transactions.

How do I determine the mortgage amount when there is a repair escrow?

The DE Underwriter (FHA Direct Endorsement Underwriter) will determine the final 203(b) mortgage amount. The DE Underwriter will take into account the repair escrow amount to determine the FHA loan amount. The DE underwriter will determine this amount. Regardless of whether or not a repair escrow will be used in the purchase of a home, the lines on the Sales Contract that request the down payment amount and the secured mortgage amount should be filled in "TBD" (To Be Determined). The line associated with the length of the loan should also be filled in TBD. Please remember that the repair escrow amount needs to be filled in only if the buyer is using 203(b) repair escrow financing.

Where can I find an FHA lender?

You can find a FHA lender in your area on HUD's website at <http://www.hud.gov/ll/code/llslcrit.cfm>

Where do I get more information on FHA?

Visit <http://www.fhaoutreach.gov/FHAFAQ/> website containing almost 1,300 questions and answers about FHA programs, underwriting and processing. FHA Resource Center - 1-800-CALLFHA (1-800-225-5342)

Will HUD pay for any closing costs and selling agent's commission?

HUD allows up to 3% Real Estate Commission. Although HUD may pay for these costs, keep in mind that the higher the closing cost and commission will reduce your Net to HUD and may affect your competitive bidding ratio. For more information, ask your real estate agent or the listing broker. Please see the

Forfeiture and Extension Policy addendum for a list of the closing costs that will automatically be paid by HUD and other closing costs that may be paid by HUD. [Reference HUD Notice: H 09-17, or HUD's most recent notice for more information.](#)

Does PEMCO offer any “free” Training Classes?

Absolutely! Please check out our Calendar of Events. It is so important to keep abreast of the many changes. Please make it a priority to attend every training opportunity in your area so you are able to best service your current and future customers.