

Guidebook for Real Estate Professionals

For Kansas, Kentucky, Missouri, Oklahoma, Tennessee



M&M Contractor
for
U.S. Department of Housing and Urban Development

“Successfully Selling HUD Homes”

presented by

 **First Preston**

Marketing Services Subcontractor
for
Pyramid Real Estate Services

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DISCLAIMER: THIS DOCUMENT IS REVISED FREQUENTLY. IT IS YOUR RESPONSIBILITY TO CHECK THE WEB SITE WWW.PYRAMIDREALESTATE.COM FOR UPDATES TO CONFIRM YOU ARE USING THE MOST CURRENT VERSION. THE LATEST REVISION DATE IS LOCATED IN THE BOTTOM LEFT HAND CORNER. **PREVIOUS EDITIONS ARE OBSOLETE.**

What Is A HUD Home?

The United States Department of Housing and Urban Development (HUD) oversees the Federal Housing Administration (FHA), which provides federal insurance against default on home mortgages. If the payments are not made on an insured FHA loan, the mortgagee forecloses, or accepts a deed-in-lieu, then files an FHA insurance claim for the unpaid loan balance, and conveys title to the property to HUD. At this point, the house becomes a HUD owned home. HUD did not foreclose or repossess the property, but acts as receiver when the conveyance occurs. The Management and Marketing (M&M) Contractor then begins the process of working to maintain and sell the properties according to HUD guidelines. The M&M Contractor for KS, KY, MO, OK and TN, Pyramid Real Estate Services subcontracts with First Preston to assist in marketing HUD-owned homes.

Who Can Buy A HUD Home?

Any qualified purchaser can offer to buy a HUD home, regardless of race, color, religion, sex, national origin, handicap, or familial status. Pyramid Real Estate Services and First Preston abide by all U.S. Fair Housing standards and guidelines. Before making an offer, prospective buyers must have a letter, written on the stationary of a mortgage lender, stating that they have been pre-qualified (with Credit Report performed, reviewed, and approved by the lender) for the loan amount needed. Buyers paying cash must provide proof of available funds.

Who Can Sell A HUD Home?

Currently licensed HUD registered real estate brokers, and the agents associated with them, may show, advertise, and submit offers on HUD owned properties (Kentucky real estate agents may not advertise HUD homes unless they are the listing agent.) In order to register, the designated broker (broker of record for the firm) simply completes the HUD forms SAMS 1111 and 1111A and attaches the documentation required, including copies of W-4, Brokers License with an expiration date of more than 30-days out, Drivers License and Utility Bill or Phone Bill. Print these forms from the web site www.pyramidrealestate.com under the "Brokers" tab. Please register with HUD **before** working with a prospective buyer. The same signature by the registered broker of record must be included on other HUD forms, including the HUD-9548 Sales Contract, indicating that the broker accepts responsibility to ensure that the selling broker's agents have complied with all the requirements those forms describe. When completed, with all the necessary documents attached, send the registration package to the Regional Office for your state. Separate registrations and signatories for each office in a multi-office firm are recommended. After checking for accuracy and completeness, the registration package is forwarded to HUD who will issue to the broker an official NAID number (Name Address Identifier). **Allow at least six – eight weeks for the completion of this process.**

This registration must be renewed at least annually and updated whenever any changes to the information occur. If this is not done, HUD may deactivate the NAID number. Without an active NAID number the broker and his/her agents are not eligible to bid on HUD homes.

Listings and Electronic Bidding

All HUD homes are sold by electronic bid. The M&M Contractor acknowledges the bid that presents the highest acceptable net offer to HUD, subject to certain restrictions.

Selling agents must create a Buyer Center account on the bidding site in order to be able to place an offer. This account is FREE and only takes a few moments to set up. Only licensed brokers/agents that are registered with HUD and have an active NAID number may place an offer on behalf of their buyers.

To Create a Buyer Center Account:

From www.pyramidrealestate.com, click on “HUD Properties For Sale” which will take you to the home page of BidSelect™. Scroll down to the “My Buyer Center” section and click on “Join Now.” Select the account type “Selling Agent – FREE.” Complete the required fields and press “Continue.” Once complete, your name will appear in the “Find a Registered Broker/Agent” section of BidSelect™.

Brokers may submit bids on homes as soon as they are listed as available on the Internet. Visit the web site at www.pyramidrealestate.com for current listings and other information. In most cases, a listing broker also lists properties in the Multiple Listing Service (MLS). The Listing Broker is a competitively selected subcontractor who provides specific local real estate services within assigned areas by county and/or state. The Listing Broker for your area is a source of assistance and information. The names and contact information are listed on Pyramid’s website in the “Brokers” section. There is no set schedule for soliciting listing broker services in any area.

Community Advancement Programs (CAP) and Direct Sales

To assist communities with their housing needs, HUD has designated Revitalization Areas and offers a limited number of properties in these areas, which may be purchased through direct sales programs. Approximately 3% or less of the properties are sold directly. For information on these programs, please check www.pyramidrealestate.com in the “HUD Programs” tab. The HUD web sites www.hud.gov and www.hudclips.org will also provide additional information.

Prior to listing properties for the general public, houses that are located in a Revitalization (or “Revite”) Area, those that are “Uninsurable” and in an approved non-profit organization’s (NPO) area of interest, are offered on a separate listing for an initial period beginning each Saturday. Qualified NPO’s and government housing agencies may purchase directly from the web site. These direct sales result in a 10% discount off the appraised value, or a 15% discount if five or more bids are accepted from a single purchaser within a fifteen (15) business day period and they are closed in a single transaction. If a UI house is in a designated Revitalization (or “Revite”) Area, the discount is 30%.

Prior to listing for the general market, single-family houses, regardless of listing code, located in Revitalization Areas are offered to eligible full-time law enforcement officers and to full-time eligible certified K-12 schoolteachers and administrators, full-time Emergency Medical Technicians and full-time Firefighters.. The Good Neighbor Next Door program allows these buyers to receive up to a 50% discount. Only homes with a designated “Officer/Teacher/Firefighter/EMT Submit Bid” button or “Intent to Purchase: Officer/Teacher” button are eligible. Listing Brokers will provide keys to qualified participants, and the Regional Office will assist them with contracts, as necessary. HUD does not pay closing costs and commissions for these sales, therefore, if the buyer requests funds on Items 5 and 6 of the HUD-9548 Sales Contract, that total amount will be deducted from the Purchaser’s effective discount. Alternatively, if FHA financing is used, the Purchaser may add these costs into the loan amount. A HUD form 9548-A “Employment Verification for Officers/Teachers/Firefighter/EMT” must be fully executed as an additional addendum. There are significant other restrictions that apply to these purchases.

Contact your Regional Office Good Neighbor Next Door Coordinator for assistance with additional program specifics. If these houses are not sold during the direct sale period, the property will be posted as available for the general market, following the Listing Time Line described below.

Another Community Advancement Program (CAP) is the “Good Neighbor” or “Dollar Homes” program in which HUD owned properties that have been marketed over 180 days are sold to government entities.

These direct sale programs are part of HUD's effort to assist with affordable housing needs of persons CAP organizations are pledged to help. Unlike the general market buyers who must work with a HUD registered broker, these Purchasers may bid through the web site directly, maximizing their discounts. However, they may choose to have a HUD registered real estate broker or agent represent them, in which case the brokerage commission (not to exceed 5%) is paid by the Purchaser at closing, or may be added to the Purchaser's loan amount and paid to the selling broker from loan proceeds. A representation agreement signed by the Purchaser is strongly recommended.

Financing the Purchase of a HUD Home

The Federal Housing Administration (FHA) is often the best source for financing. Depending upon the condition of the house, an FHA 203(b) loan or an FHA 203(k) loan may be used. The "as-is" value for loan purposes is determined by the appraisal ordered by the M&M Contractor, which is valid for six (6) months. Overbidding the appraised value requires the buyer to add the difference to the FHA down payment amount needed at closing. Of course, any HUD property may also be purchased for cash, or with conventional or other financing, subject to the lender's requirements for that type of loan. For details about different options for FHA and non-FHA financing, contact any local lender. See www.hud.gov for listings of lenders and www.hudclips.org for instructions to FHA lenders.

Listing Codes and Financing Categories

An independent FHA-approved appraisal and an inspection are generally completed within two weeks of acquisition of the property, and the reports are sent to the Regional Office. A Property Condition Report (PCR) is then listed and available in the bidding system for buyers and brokers to download. Important: The PCR should not be used in place of an inspection performed by a licensed inspector. A Disposition Plan is determined, and the house is initially listed **at the appraised value**, according to the FHA financing category that is appropriate, given the current condition of the property. It is important to understand the listing codes and how financing is affected.

1. Insurable (IN)

Properties listed in this category appear to meet FHA 203(b) financing requirements. No obvious repairs are necessary for HUD to insure an FHA loan to a qualified Purchaser.

2. Insurable with Repair Escrow (IE)

Properties listed in this category are eligible for a 203(b) FHA loan with required "minimum property standard" (MPS) repairs totaling less than \$5,000 to be made by the Purchaser, financed by the FHA lender. If a 203(b) FHA loan is the financing, the repair escrow must be used for the needed work specified in the listing. In completing the Sales Contract (HUD-9548), the escrow amount is NOT deducted from the net to HUD to derive the amount that will be entered on line #7, NOR is it added to line #3, the purchase price. There is a separate line in Item #4 for the repair escrow amount to be noted.

The lender making the new FHA 203(b) loan establishes an escrow account for the amount of the repairs. The amount given with the listing includes a 10% contingency. After close of escrow, the lender will inspect work as it is completed on the house and distribute the repair monies as appropriate within ninety (90) days. The costs of repairs are included in the loan amount and repaid by the borrower as part of the house payment. Any funds in the escrow account not used for the repairs will reduce the unpaid principal balance of the loan.

Note that the repair escrow **only** applies to FHA 203(b) financing. If non-FHA financing is used, or if a cash purchase is made for an IE property, the repair escrow does not apply.

3. Uninsurable (UI)

Properties listed UI, uninsurable, need more extensive repairs after close of escrow and are deemed not eligible for FHA mortgage insurance in their “as-is” condition. Cash, or other financing not involving FHA, is often used to purchase UI properties. However, a special acquisition and rehabilitation FHA loan program called 203(k) is frequently an excellent source of financing for homes in the owner-occupied category.

Note on FHA 203(k) Financing: UI properties are generally eligible for the FHA 203(k) loan program, (most condominiums are excluded, unless specifically noted otherwise.) Also, any **IN** or **IE** property may be purchased subject to 203(k) financing, instead of 203(b), if the house and the owner-occupant Purchaser’s credit justify making improvements in excess of \$5,000. Through this program, a lender can provide funds for rehabilitation along with the purchase mortgage. Ask your FHA lender for details.

Listing Time Line

New Listings Are Posted on Friday of Each Week

Days 1 – 10 (Owner-Occupants Only, First Bid Opening)

- Priority will be given to Purchasers who are owner-occupants and non-profit organizations (NPO) for the first ten (10) calendar days after a new listing is posted. (Owner-occupants must live in the house as their primary residence for at least one year and may not purchase another HUD home for two years. Anyone else is considered an investor.)
- All owner-occupant and NPO offers received during the first ten (10) day period are considered as though they were received simultaneously.
- During the next business day, after the initial ten (10) day period, the M&M Contractor will review the owner-occupant and NPO bids received electronically. From these, the bid that offers the highest net amount is acknowledged as acceptable, if it meets HUD’s requirements.
- If there are no owner/occupant or non-profit bids received that have met HUD’s requirements, Investor bids will be reviewed. From these, the bid that offers the highest net amount will be acknowledged as acceptable, if it meets HUD’s requirements.
- Bids are not opened on weekends or federal holidays and will be opened and reviewed the following business day.

Days 11 – 30 (All Bidders, Daily Bid Openings)

- If there are no acceptable owner-occupant or NPO bids during day 1- 10, the occupancy status is no longer considered. Bids are reviewed daily, with all bids received on the same day being deemed as received simultaneous. At each daily review, the highest net bid is selected, if it meets HUD’s requirements. If investor bids were submitted during the first ten (10) day period, they will be considered, beginning the 11th day.
- Bids are not opened on weekends or federal holidays, but accumulate as though received simultaneously and opened the following business day.

Days 31 and Beyond (All Bidders, 5-day Bid, and then Daily Bid Openings)

- If a property remains unsold, the M&M Contractor will re-analyze the case and may reduce the price and re-list the property beginning on the following Wednesday. For five days after the property is re-listed, all bids are considered simultaneous, with owner-occupants given priority, although investors may bid. If the property remains unsold in the five-day initial re-list period, then bids are reviewed daily and the bid that offers the highest net value to HUD (regardless of occupancy) and meets HUD’s requirements is acknowledged as the successful bid.

Posting Bids and Deadline for Contract Package Delivery

BID RESULTS

The bid deadline is **11:59 PM Pacific Time** for all regions/states. Bids are opened and the results posted to “Search Offer Results” within the BidSelect™ system. To view and access the results data, you may search using specific criteria, such as case number, bid confirmation number or lottery number. The selling agent may also learn the results of their bid by accessing their “My Buyers Center” within the BidSelect™ system. Typically bids are posted by noon the next business day after the bidding has closed. When bids are posted, the 48-hour clock starts for the selling agent to deliver the contract package to the appropriate Regional Office. Regional Office addresses are posted under “About Us” section, under “Locations” on the web site.

PLEASE NOTE: No bid acknowledgment is final, nor is the offer “accepted” until all required documentation is received by the Regional Office AND the Sales Contract has been signed (ratified) on behalf of HUD. Late or incomplete contract packages are always subject to rejection. Occasionally a property may be withdrawn from the market before the Contract is ratified, canceling or voiding the bid. HUD and/or the M&M Contractor reserve the right to cancel bid acknowledgment prior to Contract ratification for any reason.

ONCE YOUR BID IS ACKNOWLEDGED

If you are the acknowledged bidder on a HUD home, you have a maximum of **48 hours** (weekends and holidays excluded) to deliver your complete and correct contract package to the appropriate Regional Office that services your state. **THERE ARE NO EXCEPTIONS TO THIS DEADLINE.** Do NOT send the package to the Listing Broker, to HUD, or to any other office location. Use any overnight delivery service that offers a receipt and tracking number. Simply postmarking within 48 hours is **not** acceptable; delivery within 48 hours is required.

ONCE YOUR SALES CONTRACT IS RATIFIED

A copy of the ratified (fully executed) HUD-9548 will be returned by email, provided an email address was provided to us during the bidding process. Other wise the document will be returned via two-day service to the address filled in under “Broker’s Business Name and Address. Please be sure your name as “sales person” is legible on the last line of the Contract so you may be contacted about the transaction if necessary, and you will receive credit for the sale when the Listing Broker posts it into the MLS database.

ERRORS ON THE SALES CONTRACT OR ADDENDA

Make every effort to complete and submit the contract package correctly and on time. Mistakes and delays may result in the cancellation of the bid.

If the Regional Office receives a contract package on time that contains errors or omissions, you may receive an electronic mail or fax notification explaining the items needing correction. You then have a 48-hour time period to submit corrections. This may require writing a completely new Sales Contract and having the Purchasers sign again. Faxed copies of changes to the HUD-9548 are not allowed. Do not use liquid paper “white-out” on any legal document. Re-submitted contract packages containing errors or omissions will be rejected and the preliminary bid acknowledgment canceled, voiding the offer. The next highest bidder may be contacted, or the property may be returned to the market on the Internet on Wednesday.

HUD Sales Procedures and Requirements

“AS-IS” POLICY

All HUD homes are sold strictly “AS-IS.” HUD does not make any repairs. There are no representations or warranties, expressed or implied, on the houses. HUD does not guarantee the condition of any house, listed FHA-insurable or not, or whether it meets local codes or zoning requirements. Purchasers must make sure the home is in a condition they are willing to accept. The HUD-92564-CN addendum “For Your Protection: Get a Home Inspection” must be signed at the same time as the Sales Contract. See paragraph B in the Conditions of Sale on the HUD-9548 Sales Contract, and make certain it is reviewed with the Purchasers.

INSPECTION PROCEDURE

The Purchaser has fifteen (15) days after the ratification date on the Sales Contract to have all inspections made. The “Home Inspection Policy” and a request form are included on the web site and must be submitted to the Property Management Center, along with a copy of the ratified Sales Contract. There is a \$75 deposit for re-winterization during the months of September through April in Kentucky, Tennessee, Missouri Kansas and Oklahoma. Please include this deposit with your inspection request form. After you receive permission to do the inspection, the utilities may be turned on at the Purchaser’s expense. The selling agent must accompany prospective buyers and inspectors at the property AT ALL TIMES prior to closing. Please carefully read, and make certain your Purchasers understand and accept all the provisions of the Conditions of Sale on the second page of the Contract, notably Paragraph B.

“PRE-QUALIFICATION” of the PURCHASER

Brokers are responsible for ensuring that prospective buyers have been pre-qualified for a loan by a lender who has issued a letter on the lender’s letterhead to the Purchaser. Letters from mortgage brokers who do not actually lend funds are not acceptable. The pre-qualification letter must be included in the contract package. For purposes of this program, “pre-qualification” means a loan application has been made, and a preliminary loan commitment has been obtained from a recognized mortgage lender who states that a preliminary Credit Report has been performed, reviewed, and approved. Furthermore, the letter must state that on the basis of this review, the mortgage financing for a specified dollar amount sufficient to purchase the property should be available to this Purchaser. Pre-qualification letters must be dated and signed within 60 days or less prior of the bid date.

MULTIPLE OFFERS ON DIFFERENT PROPERTIES BY ONE OWNER-OCCUPANT

An owner-occupant can only purchase one property, and therefore needs to provide only one earnest money deposit. (An investor may buy several properties at a time, and must have a separate earnest money deposit for each bid.) If multiple offers are submitted by an owner-occupant on several properties, the offers will be considered in the following manner:

- 1st) If the owner-occupant is the sole acceptable offeror on a single property, the bid will be selected without consideration to other offers.
- 2nd) Otherwise, the offer that provides the greatest net return to HUD, or that is in the best interest of HUD, will be selected for the Purchaser. NOTE: The buyer does not make the choice, so make certain that your Purchaser is prepared to close on any home they place an offer on.

MULTIPLE OFFERS BY ONE PURCHASER ON THE SAME PROPERTY

If more than one bid is submitted on behalf of the same Purchaser, the highest bid will be the one considered. You must cancel any bids you wish to withdraw **prior to the bid deadline** using the Bid Cancellation button in the selling agent's "My Buyer's Center."

CANCELING AN ESCROW

You must contact the Regional Office Closing Department as soon as you know a Purchaser is not going to close. Requests for return of the earnest money deposit must be in writing and accompanied by supporting documentation to justify a refund according to the addendum, "Forfeiture of Earnest Money Policy." Use the "Contract Cancellation and Earnest Money Disposition Request" from "Forms" found under the Brokers tab of www.pyramidrealestate.com. **All requests must be delivered to the Regional Office within fifteen (15) days of the cancellation.** Failure to do so may result in automatic forfeiture of the entire earnest money deposit. **Please note:** Notification to the Closing Agent is NOT sufficient. You must follow the required procedures to request a refund of the deposit.

EARNEST MONEY DEPOSIT REFUND OR FORFEITURE

The required earnest money deposit the selling broker must secure from the Purchasers prior to bidding on their behalf is either \$500 (for \$50,000 or less sales price) or \$1,000 (for \$50,001 or more sales price). For a vacant lot, the deposit is equal to one-half of the price of the lot. There is a required addendum that Purchasers must sign and include in the contract package stating the policy that determines if the Purchaser's deposit will be refunded or forfeited to HUD, as follows:

A. Investor Purchasers

- 1) Uninsurable (UI) Sales —The Purchaser forfeits 100% of the deposit for failure to close, regardless of reason.
- 2) Insurable (IN) Sales —The Purchaser forfeits 50% of the deposit for failure to close if the Purchaser is determined by HUD (or a Direct Endorsement Underwriter) to be an unacceptable buyer. The Purchaser forfeits 100% if the sale fails to close for any other reason.
- 3) Vacant Lots —The Purchaser forfeits 100% of the deposit.

B. Owner-Occupant Purchasers

- 1) The entire deposit will be returned, if requested in writing within 15 days, with adequate documentation included, when:
 - There has been a death in the immediate family (Purchaser, spouse, or a child that resided in the same household);
 - There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial income loss, adversely affecting the Purchaser's financial ability to close the sale;
 - There has been a loss of job by one of the primary breadwinners, or substantial loss of income through no fault of the Purchaser;
 - On an IN sale, HUD (or Direct Endorsement underwriter) determines that the Purchaser, in spite of having a pre-qualification letter, is not an acceptable borrower, or
 - On an UI sale, the purchaser was pre-approved for mortgage financing in an appropriate amount by a recognized mortgage lender and, despite good faith efforts, is unable to obtain mortgage financing. "Pre-approved" means a commitment has been obtained from a recognized mortgage lender for mortgage financing in a specified dollar amount sufficient to purchase the

property, or there is other equally good cause, as determined by the M&M Contractor, in keeping with the spirit and intent of the above policy.

- 2) On an UI sale, the Purchaser forfeits 50% of the deposit in those instances where, despite good faith efforts by the Purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender.
- 3) On either an IN or UI sale, the Purchaser forfeits 100% of the deposit in 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 documentation is not provided within a reasonable time following contract cancellation.

EXTENSIONS OF ESCROW DUE DATE

There is a required addendum that the Purchasers must sign and include in the contract package that reflects HUD's policy regarding extending the closing date. Extensions may be granted at the sole discretion of the M&M Contractor based on the facts of each case. The Extension Request Form, a letter from the lender indicating the status of the loan, the appropriate fee made payable to HUD must be submitted to the HUD Closing Agent at least five (5) business days prior to the expiration of the Contract. The M&M Contractor, not the Closing Agent, determines if an extension will be granted. No request will be considered unless the Closing Agent has the form and the fee on deposit at the time the request is made.

NOTE: Cancellation of the Contract will be automatic on the date of Contract expiration if no approved extension to the closing date is set beforehand. Extensions, if granted, are for 15-day increments only. If the extension is approved and the sale fails to close for any reason, the extension fee is forfeited, even if a portion or all of the earnest money is refunded. The fee (see chart below) may be waived for 203(k) loan processing in some cases, or when the cause of delay of closing is due to the process of resolving title issues.

<u>Sales Price</u>	<u>Extension Fee</u>
\$25,000 or less	\$150.00 (\$10.00 per day)
\$25,001 to \$50,000	\$225.00 (\$15.00 per day)
Over \$50,000	\$375.00 (\$25.00 per day)

Important Management and Marketing Information

BROKERAGE COMMISSIONS

The successful selling broker may be paid a commission not to exceed 5% of the sales price of the house (minimum of \$500). For vacant lots the fee is up to 10%, or a minimum of \$200 as detailed on line 6A of the 9548-sales contract.

ADVERTISING HUD HOMES

All HUD registered brokers and their agents are invited and encouraged to advertise HUD homes as long as they strictly adhere to the following rules (Kentucky Real Estate Commission does not allow real estate professionals to advertise homes unless they are the listing agent.):

1. Properties may not be advertised until the M&M Contractor on behalf of HUD officially lists them for sale to the general public on the Internet, and only then at the listed price.

2. Brokers may not design or word advertisements in such a manner as to give the appearance that they are the sole source of property information or that they have an exclusive or favored sales listing or sales advantage.
3. Brokers may not design or word advertisements in such a manner as to indicate that the sales of HUD homes are distressed sales. “HUD Owned” and “HUD Acquired” are proper terms, but not “HUD Foreclosed.” The term “repo” is not acceptable.
4. All space advertising of HUD homes (including all ads appearing in print or in electronic media such as newspapers, magazines, flyers, or Websites) must contain an Equal Housing Opportunity logotype, statement or slogan.
5. All ads must comply with the Truth-in-Lending Act.
6. If applicable, the ad must include a flood plain notation, or other warning information as it appears on the Internet listing for the property.

OPEN HOUSES

Due to serious safety, liability, and property condition concerns, no real estate licensee, other than the listing broker may hold open houses on HUD homes at any time. Violation of this policy will result in disciplinary action. Area brokers are encouraged to report such violations.

REAL ESTATE COMPANY SIGNS

Only the listing broker may place their “For Sale” sign on the property. The main source of information, on HUD homes, is the listing broker who can offer details about the property and the bidding process as well as the necessary forms and other information about the property.

ACCESS TO HUD HOMES

The Listing Broker provides master keys to the HUD homes. As a registered HUD real estate agent or broker, you may purchase a key – only for your own legitimate use. Please provide your license number, NAID number, and contact information to the Listing Broker for their record keeping.

KEYS FOR NEW OWNERS AFTER CLOSING

On the day the transaction closes (the funding date), the selling broker is to contact the Listing Broker and the Property Management Center to notify that title has transferred and occupancy is imminent. This notification is necessary for your sale to be properly credited to you with the MLS. The selling broker may open the house for the buyer after closing, but may not provide the master key.

Please note: Notify the Purchasers that they are responsible after closing to have the locks re-keyed for their own security purposes, and to ensure that they have a unique key to their home. This is not a HUD or M&M Contractor expense.

AGENCY DISCLOSURE AND STATE-REQUIRED DOCUMENTS

The selling broker represents HUD, unless the M&M Contractor receives notice to the contrary. If you are representing the Purchaser, to disclose that fact, include the documentation in your contract package. If the Purchaser is NOT paying any commission, then HUD will pay the selling broker fee as usual. If the Purchaser IS paying the commission, then the disclosure statement must clearly indicate that HUD is not to pay any fee, and line 6a on the Sales Contract should be marked “\$0.” Either way, the Purchaser’s signature is required. Under no circumstances may the selling broker collect commissions from both HUD and the Purchaser. The delivery receipt with your file copy of the contract package is evidence that agency disclosure, or any other state-required document, has been provided to the seller.

VANDALISM ISSUES

Everyone working with HUD in any capacity has an obligation to preserve and protect these houses until they are sold and closed. Please immediately contact the Regional Office and the Property Management Center if you discover evidence of vandalism.

TERMITE INSPECTIONS AND CERTIFICATIONS

In most cases, a termite inspection will be ordered and active infestation will be treated. A copy of the termite inspection report will be sent to the selling agent with a copy of the ratified sales contract. The selling agent may then supply a copy of the report to the lender as required. If an inspection and/or a treatment has been done, a termite clearance or treatment certification will be provided, if requested, prior to the close of escrow.

REPAIRS OR OCCUPANCY TO THE HOME PRIOR TO CLOSING

Purchasers may NOT make repairs to the home prior to closing and funding. Purchasers may NOT occupy or move any personal items into the home prior to closing and funding. The broker or agent must accompany the buyer during any entry into the house prior to closing, and make certain to secure the house upon departure.

Any violation of this prohibition constitutes a breach of the HUD-9548 Sales Contract. Charges of trespassing as well as the cancellation of the sale, forfeiture of earnest money, and loss of personal property found on the premises are among the possible consequences. Brokers are also subject to possible disciplinary action by HUD. Each broker should take compliance with this policy seriously and monitor the actions of their Purchasers prior to closing. Notify the M&M Contractor immediately if there is a violation.

The HUD-9548 Sales Contract

The HUD-9548 Sales Contract dated 1/99 may be used in either of two forms: the original carbon set or the electronic version that may be printed from the web site. If using the carbon set form, be sure to use a ballpoint pen and press firmly through all copies. Submit in the entire form with all carbons in place. When using a self-printed copy, make certain all shaded areas are legible, and use only BLUE INK. Please have your Purchaser(s) initial and sign the first page, and also initial the bottom of the "Conditions of Sale" page. Staple the two pages together and submit in one copy with original BLUE INK signatures. An "Electronic Filing of the HUD 9548 Contract Addendum" is required to state that there have been no alterations or omissions to the content.

COMPLETING THE SALES CONTRACT...ITEM BY ITEM

Item #1 Purchaser(s) Names and Property Address

Fill in all Purchasers' names and the complete HUD property address, including city, state, county, and zip code. Fill in the HUD case number in the box. The sale must close with at least one of the original signatories to the Sales Contract; these Contracts are NOT assignable. The person for whom the bid was submitted and their social security number must be the same as what appears on the submitted contract and must also match how title is taken at closing.

Item #2 Legal Vesting of Title

Fill in the name and legal style in which title will vest to the Purchasers. The documents will be drawn by the lender and title should be taken by "legal name" and in agreement with the loan application. The HUD Closing Agent will prepare the deed to transfer title according to this item, so be certain it reflects how the

Purchaser(s) wishes to take title. If vesting style is uncertain, provide the Purchasers' relationship to one another by blood or marriage, or if none, state "Unrelated Individuals." If one unmarried person is the Purchaser, state "A Single Person" or "A Married Person, purchasing as his/her separate property."

Item #3 Purchase Price and Earnest Money Deposit

Fill in Purchaser's bid price on the far right blank. The prospective Purchaser may offer any price on a HUD home. The appraised or "as is" value of the home is shown on the listing. It is neither a minimum nor a maximum price.

Fill in the correct earnest money deposit of \$500 (for an offer of \$50,000 or less) or \$1,000 (for an offer of \$50,001 or more), or one-half the price of a vacant lot. There is no earnest money required from qualified OND/TND/FND/EMTND and NPO Purchasers. Before bidding, the selling broker must have possession of the earnest money deposit in form of CERTIFIED or CASHIER'S CHECK or MONEY ORDER. Note: Certain HUD Closing Agents will not accept a Money Order or a bank's "Official Check." Please consult your area LISTING BROKER.

The earnest money check must be made payable to "HUD" unless otherwise directed.

The last sentence states, "The earnest money deposit shall be held by_____."

Note: For KY and TN: Please write the name of the selling agency. (Example: ABC Realty)
For KS, MO and OK: Please write "HUD's Designated Closing Agent."

Item #4 Type of Financing

- 1) Check ONLY ONE of the boxes on the far left to reflect either FHA financing, or a Non-FHA source of funding, whichever is appropriate for this purchase.
- 2) If FHA financing is being planned, check the type of FHA financing:
 - a.) 203(b) (IN) Insured,
 - b.) 203(b), with escrow (IE) Insured with Escrow, or
 - c.) 203(k). Any property may be sold with 203(k) financing, unless the listing specifically states that the property is not eligible for 203(k). Condominiums are not eligible for 203(k) loans.

Please note: If a Purchaser offers an amount on Item #3, "The agreed purchase price of the property" greater than the appraised value, AND the Purchaser is using FHA financing, then HUD requires that the difference be paid in cash by the Purchaser at time of closing. The Regional Office may require evidence of sufficient available cash in addition to a loan pre-qualification letter before the Contract will be accepted and signed on behalf of HUD.

If the listing specifies that the property is insurable with repair escrow (IE), and the buyer is getting a FHA 203(b) loan, enter the escrow amount in the blank. This amount is neither added nor subtracted to any other amount written in the Contract. The repair escrow is not provided by the seller, rather it is additional loaned funds that the FHA lender is authorized to provide to the Purchaser to pay for the required repairs. The Purchaser will repay this amount as a part of the mortgage payment.

- 3) **LEAVE BLANK** or enter TBD (To Be Determined) in the three spaces for down payment, mortgage loan amount, and the number of months.
- 4) Circle the word "cash" if no loan whatsoever is involved. Then include evidence of sufficient cash to close in the contract package. A bank statement or deposit slip, or a letter signed by a banker, is acceptable.

- 5) Circle the word “conventional” or the word “other” if some type of a loan is being applied for by the Purchaser. Include a pre-qualification letter from that lender.

Item #5 Closing Costs to be Paid by Seller on behalf of Purchaser

Enter the amount of closing costs HUD is to pay. This amount may not exceed 3% of the bid price. The www.pyramidrealestate.com web site provides closing cost information under “Forms” found in the “Brokers” section. You may include in item #5 certain closing cost items normally charged to buyers that the Purchaser is asking HUD to pay. HUD will pay pre paid and escrow items with the exception of Hazard Insurance for Owner Occupant buyers, only. HUD will also pay transfer fees, if required by HOA or Condo Associations and Flood Certification, if offered with FHA financing and if the property is in a flood plain. The total may not exceed whatever is actual, reasonable and customary in the area where the property is located; **HUD will not return any unused amount to the Purchasers.** Please contact your Listing Broker or Closing Agent to determine what closing costs typically are for your area. Inform to the Purchasers before the Contract is filled out and the bid submitted, that they may enhance their bid by paying some or all of their own closing costs, thereby increasing the net offer to HUD.

Item #6 Brokerage Commissions Seller is to Pay

Item 6a. Enter the amount of the selling broker’s commission in whole dollars. This amount **may not exceed 5%** of the bid price on line #3. The selling broker may choose to request a fee less than 5%, thus increasing the net to HUD and improving the bid.

Item 6b. **LEAVE BLANK** The listing broker fee will be paid outside of closing, by the M&M contractor, therefore, this line should be left blank.

Item #7 The NET Proceeds to Seller

Compute the net to HUD by subtracting #5 and #6a from #3. Enter this amount in the shaded area on the Contract, and make certain it is an exact match to the amount you bid electronically. In the event of two or more offers providing an equal net value to HUD, priority is given to any offer made by an owner-occupant. If all elements of the offer are equal, then a random selection by the computer will determine the winning bid.

Item #8 Type of Purchaser

Check the box that applies to the Purchaser. Misrepresenting the Purchaser as an owner-occupant is a SERIOUS offense that may constitute fraud, and subject any or all of the parties to investigation by HUD and other governmental agencies. See Paragraph O in the Conditions of Sale on the HUD-9548.

Item #9 Expiration of Contract and Closing Agent

Item #1: All financed sales must close within **45 days** from the date the Regional Office signs on behalf of HUD, ratifying the Contract. For 203(k) loans, **60 days** are allowed and all cash transactions must close within **30 days** of the execution of the contract.

Item #2: States “Closing shall be held at the office of Seller’s designated closing agent or _____.” Please write “HUD’s designated closing agent.”

See “Extension of Escrow Closing Date” in this Guidebook regarding delayed closings. Your Listing Broker or Regional Office will provide details regarding early closings and incentive programs, if any. Fill in the HUD Closing Agent’s name, or simply write “HUD Designated Closing Agent.” Check the Pyramid Real Estate Services website under the “Brokers” tab for a list of Closing Agents. You may also call the Listing Broker.

Item #10 Contract as Back-Up (Not Applicable)

Check the first box. Although no “back-up offers” are accepted, next highest bidders may be given an opportunity to submit a contract package in certain situations.

Item #11 Addenda Attached to Contract

HUD has a nationwide effort to alert homebuyers about the hazards of lead-based paint in older homes. If you are making an offer on a home constructed prior to 1978, you must inform the Purchaser that there might be lead-based paint on the premises. Check the first box if the Lead Based Paint addendum is attached.

Purchasers of older homes must fill out the applicable Parts A through D of the Lead Based Paint Addendum (available on the Website) at the time a HUD-9548 Sales Contract is signed. The original is to be submitted in the contract package. You MUST provide Purchasers of homes built before 1978 with copies of the addendum as well as the EPA pamphlet "Protect Your Family from Lead in Your Home." Copies of pamphlets are available through the Environmental Protection Agency and many real estate associations.

ALWAYS check the box indicating that “other” is attached. (See list of attachments in this Guidebook, and check “Forms” in the Real Estate Professionals section of the Website.)

Item #12 Purchaser Initials Regarding Earnest Money Deposit

This is an often overlooked item. All Purchasers MUST initial in the blank with blue ink.

Item #13 Purchaser Certification Regarding Conditions of Sale and Conclusion

Complete the remainder of the Contract with proper signatures (all signatures must be in BLUE ink.) Include each and every buyer’s Social Security Number, beginning with the signature and SSN of the person for whom you submit the electronic offer on the bid screen. Write the date the buyer(s) signed the contract. The Purchaser(s) must write their signatures in the box that says “Purchasers: (type or print names and sign).” Note: There is no “X” in this signature box, so be certain your buyers notice that they are to sign, not print their names. ALL signatures on each addendum must be the same and reflect how title is to read at closing.

Make sure the broker of record for your firm signs where it says “Signature of Broker.” This signature must match the SAMS 1111 forms. This affirms that he/she has met all the requirements agreed to for the HUD registration. If the broker is unavailable, a letter authorizing the person who does sign on his/her behalf must be included with the Contract. Do not forget to include the broker’s FIN (Federal ID

Number, Tax ID Number, or Social Security Number) and the current NAID# as it is recorded with HUD. If a licensee who is not the broker is the actual selling agent, please type or print the name of the sales agent, and the direct line phone number for him or her followed by the fax number, on the line indicated near the bottom of the Contract.

Never put any signature in the box for “Seller: Secretary of Housing and Urban Development.” This is for the authorized signatory in the M&M Contractor’s Regional Office, acting under power of attorney for HUD. Never mark or sign below the line at the bottom, “This section for HUD use only.” Leave this area blank. Regional Office personnel complete “Authorizing Signature and Date.”

Attachments to the HUD-9548 Sales Contract

Several addenda and other documents are required and must be included in the contract package. Please keep up to date by checking the website (www.pyramidrealestate.com) frequently.

A partial list of items that are required in a complete Contract Package follows:

1. The HUD-9548 Sales Contract (1/99) – fully and properly completed and executed.
 - a. Electronic Version of Contract (Preferred.) If using a downloaded and printed version, make sure both pages are completed and signed in **BLUE INK**. Add the signed Electronic Filing of the HUD-9548 Contract Addendum stating that the Contract content has not been altered in any way.
 - b. If using a carbon set form, all copies and carbons should be attached. Make a photo copy for your records and one for your Purchaser. Contract to be signed in **BLUE INK**.
 - c. For both types of Contract form, please review the “Item by Item” notes on pages 12 through 15 and make sure you fill in the Sales Contract correctly. **Your successful sale depends upon it!**
2. For Your Protection Get a Home Inspection.
3. HUD-9548-D Owner Occupant Certification.
4. Copy of Pre-qualification letter for the Loan. (Make certain that a statement that a Credit Report has been performed and reviewed by the lender is included.)
 - a. Evidence of Cash to Close (Required in the event of an all-cash sale or when there is a cash requirement above the down payment in the event of a bid with FHA financing that is above the AS-IS appraised value for the property.)
5. Selling Broker Addendum.
6. Purchaser’s Rights and Responsibilities.
7. Lead Base Paint Addendum to Sales Contract (if built before 1978)
8. Forfeiture of Earnest Money Policy.
9. Closing Date Extension Policy
10. Copy of Earnest Money in form of Certified or Cashiers Check or Mooney Order.
11. Radon Gas and Mold Addendum
12. Flood Addendum (if applicable.)
13. Any locally required forms (if applicable.)
14. Special Addendum for Direct Sales Programs (if applicable.)

Checklist for SUCCESSFULLY Selling HUD Homes

1. Register with HUD in SAMS and Receive a NAID #.
2. Create a FREE Buyers Center account within the BidSelect™ System.
3. Obtain Current HUD Keys.
4. Read this Guidebook and all HUD Documents Thoroughly.
5. Learn the Bidding Procedures and Information on www.pyramidrealestate.com .
6. Preview Available Properties.
7. Work with Your Prospective Purchasers.
 - a. Obtain a Pre-Qualification Letter from a Lender (and/or Evidence of Cash necessary to close).
 - b. Obtain a Certified Check for Earnest Money (\$500 or \$1,000).
 - c. Explain the HUD-9548, especially all the Conditions of Sale, and other Required Documents.
8. Find and Show the Home Your Purchasers Want to Buy.
9. Complete the HUD-9548 and Addenda with Purchasers' Signatures.
10. Make an Offer to Purchase the Property on the Website bidding System (Fill in the information from the signed HUD-9548, which is your legal authorization to bid).
11. Print your Bid Confirmation Screen.
12. Check "Search Offer Results" the Next Business Day.
13. Congratulations! Your Offer is the Acknowledged Bid.
14. Ensure ON TIME Delivery of the Complete Contract Package to the Regional Office within 48 Hours.
15. Keep a Tracking Receipt.
16. Watch for Fax or Email Notification of Any Corrections Needed and Comply Immediately.
17. Receive Ratified Copy of the HUD-9548 Sales Contract.
18. Deliver the Earnest Money Deposit to the Closing Agent (unless otherwise instructed in your HOC area).
19. Arrange for Purchasers to Finalize Loan Application and Obtain Financing.
20. Arrange for Property Inspections:
 - a. Obtain Permission from the Property Management Center (PMC)
 - b. Meet Inspectors at the Property
 - c. Obtain Inspection Reports
 - d. Discuss Results with Purchasers
21. Contact the Closing Agent to Arrange a Closing Date.
22. Notify the LISTING BROKER and the PMC Immediately upon Closing.

Congratulations! Now You are Successfully Selling HUD Homes!