

HUD

Bidding Information

BID INFORMATION

- Please be aware the bid deadline shown on the HUDhomestore website does not reflect when offers will be reviewed and awarded. Awards may take place prior to the bid deadline. For example, Exclusive Listing bids will first be reviewed on day 10. If there are no acceptable bids, than bids will be viewed on day 11. The process will continue like this until day 30. If there are no acceptable bids after day 30, investors and others may bid on day 31 and the listing will show as Extended Listing Period.
- After submitting your bid, please print the repair escrow sheet (if applicable) and PCR. These items will NOT be available on HUDhomestore.com after the bid is awarded.
- Visit www.hudpemco.com to print the Sales Contract package and any other applicable documents (under Forms link)
- Contract package should be filled out and signed in blue ink by all parties
- Earnest Money is in the form of certified funds only (cashier's check or Postal Money Order) and should have TWO payees. Make check payable to: HUD or buyer's name. For example, "HUD or John Doe"
- Double check to confirm all documents are signed and filled out properly
- If you are awarded the bid, the ORIGINAL earnest money check MUST be included with the contract package and sent to PEMCO within 2 business days of award with tracking (UPS, FEDEX, etc) to the appropriate PEMCO office:

For the States of:

California, Oregon, Washington, Alaska, and Hawaii

Submit the contract package to:

**PEMCO, LTD
1600 Sacramento Inn Way Suite 220
Sacramento, CA 95815**

- Upon execution of the sales contract, the Selling Broker will receive a notice of contract acceptance, information of HUD Closing Agent and the appraisal
- PEMCO will send a copy of the executed contract package along with the earnest money to the HUD Closing Agent
- All property management issues should be communicated with HUD's Field Service Manager (FSM). This information can be found by using the **Property Contacts** link at HUDhomestore.com

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. Once the disposition of the property has been established, the property is initially listed at the as-is appraised value and will reflect the financing acronym that is appropriate. It is vital that real estate agents have a clear understanding of the FHA financing types, and the corresponding acronyms.

(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 Standard (MPS) repairs. Please note that properties with MPS repairs totaling \$250 or less will be listed as IN and will not include those MPS repairs.

(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. This disposition represents properties that have MPS repairs which must be addressed post closing. The MPS repairs cannot total more than \$5,000, except in cases where the 10% contingency causes the increase in escrow, and is the financial responsibility of the buyer.

The repair escrow is **never** a credit to the buyer. The purchaser must finance the repair escrow with the lender writing the FHA loan. The lender holds the money for repairs in an escrow account until they are completed. FHA allows up to 90 days after closing for MPS repairs to be completed. Once the repairs have been completed for the property, the lender will inspect the contractor's work and disburse the funds to the appropriate parties.

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.

(UI) Uninsurable

Properties listed as Uninsurable (UI) do not qualify for FHA 203(b) financing. Typically, these properties have MPS repairs exceeding \$5,000 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.

(UK) Uninsurable – 203(k) Eligible

Properties listed as Uninsurable – 203(k) Eligible (UK) also does 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. Most lenders offer both the standard FHA 203(k) and the 203(k) streamlined loan.

Over-Bidding with FHA Financing and 2nd Appraisals

If a buyer is securing FHA financing, their lender will be required to use HUD's FHA "As-Is" Appraisal, unless HUD's Appraisal is over 4 months old at the time of contract acceptance. A second appraisal may not be ordered to facilitate support of a higher purchase price. In the event the appraisal is over 4 months old at the time of Acceptance, the buyer will be required to obtain a new FHA "As-Is" appraisal at the buyer's expense. If a buyer's bid is accepted, and their bid amount is in excess of the HUD appraised value, the purchaser must pay the difference between the bid amount and the appraised value in cash. FHA will not approve a loan amount that is greater than the appraised value of the property.

If a buyer is securing a loan that does not involve FHA financing, then the buyer's lender will always order a new appraisal on the property at the buyer's expense, regardless of whether they overbid the property or not.



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REQUIREMENTS FOR PREQUALIFICATION LETTER OR PROOF OF FUNDS (CASH CLOSING)

A prequalification letter or proof of funds (for cash purchase) must be submitted with all Sales Contract Packages. Any offer received without the Pre-Qualification letter will be rejected and the backup bidder will be contacted. Below are the guidelines for submitting acceptable documents to PEMCO.

Prequalification Letter (required on contracts being submitted with FHA or conventional financing)

- Must be printed on the Lender's letterhead and signed by the Lender
- Must have Property Address
- Must have HUD Case #
- Must have Purchaser's Name
- Must be dated within 30 days of the bid acceptance date
- Must confirm the type of financing and terms Purchaser has applied for
- Finance type must match the finance type on the contract
- Must confirm the amount the Purchaser has been approved for
- Must confirm the Purchaser's credit has been obtained and reviewed
- Approved loan amount must meet or exceed the gross purchase price
- If for some reason the loan amount does not cover the purchase price a Verification of Funds letter from the Broker will also be required for the difference.

Proof of "cash" funds available

- Copy of bank statement verifying funds are available
- Account number may be "blacked out" on bank statements or other related documents
- Purchaser's name must be on the statement, regardless of document type
- Statement must be dated within 30 days of bid acceptance date
- Available account balance must meet or be greater than the gross purchase price
- PEMCO will accept a signed statement from the Broker on their letterhead confirming sufficient funds have been verified and are available. (**A SAMPLE LETTER IS INCLUDED IN CONTRACT PACKAGE**)