



CITYSIDE
MANAGEMENT
CORPORATION

Real Estate Management

MI, VT, ME, NH, MA, CT,
RI, NJ & NY

BROKER'S GUIDE TO SELLING HUD HOMES



WHAT IS A HUD HOME?

When payments are not paid on a mortgage insured by the Federal Housing Administration (FHA), the lender (mortgagee) forecloses, or accepts a deed-in-lieu. The mortgagee files a claim with the Department of Housing and Urban Development (HUD) for the unpaid principal balance and conveys title of the property to HUD. Once conveyed, the M & M Contractor (Cityside Management) then begins the marketing of the property.

WHO CAN PURCHASE A HUD HOME?

Any individual regardless of race, color, sex, religion, national origin, handicap or familial status may purchase a HUD home. Prospective buyers must use a HUD Registered Broker and must have a pre-qualification letter from a lender. Cash buyers must provide proof of cash funds in the amount equal to or greater than the purchase price of the property.

WHO CAN SELL A HUD HOME?

Only HUD registered real estate brokers and their sales agents may submit electronic bids for HUD owned properties on behalf of buyers. HUD Registered Brokers may also advertise HUD Homes provided that they include the fair housing logo, identify the home as "HUD owned", do not advertise as distressed or foreclosure sale, and do not represent the listing as exclusive.

BROKERS MUST REGISTER ANNUALLY WITH HUD.

ANNUAL BROKER REGISTRATION

To register your company to participate in the selling of HUD homes please visit HUDHomestore.com and click on "NAID Registration".

The broker of record for the company must complete the required forms as noted on the HUD website and submit the forms to the appropriate Home Ownership Center (HOC).

WHEN SHOWING A HUD HOME.....

When showing a HUD owned home, please remember:

1. Bring your HUD key
2. Sign in at each visit
3. Make sure the property is secure when leaving
4. Report any noted hazards to Cityside Management, after business hour notifications should be made to the FSM emergency number posted on the property
5. The water is not on, so please do not allow your clients to use the restrooms

“AS IS” POLICY

All HUD homes are sold strictly “AS-IS”. HUD does not make repairs on any property. There are no representations, or warranties, expressed or implied on the HUD homes. HUD does not guarantee the condition of any property, regardless of its FHA insurability.

The property may or may not meet local code or zoning requirements.

It is the buyer’s responsibility to investigate compliance with local regulations. Agents should encourage buyers to have a home inspection conducted by a qualified home inspector to satisfy them as to the condition of the property at the time of the sale. A copy of the Property Condition Report (PCR) should also be reviewed by the buyer. Please note that the PCR is for information purposes only, and should not be considered a warranty of any kind. It is the buyer’s responsibility to verify the accuracy of its content. The HUD 92564-CN addendum “For Your Protection: Get a Home Inspection” must be reviewed and submitted as part of the HUD-9548 contract.

GAINING ACCESS TO THE PROPERTY

All purchasers and their representatives MUST be accompanied by a HUD broker or agent when viewing HUD homes that are available and listed for sale. Buyers may not enter a home for any reason prior to closing without the HUD agent. HUD Brokers and/or agents must accompany any individual performing services such as an appraisal, utility activation, or home inspection.

OCCUPANCY OR REPAIRS PRIOR TO CLOSING

Repairs are not to be completed on any HUD property prior to the close of transaction. Buyers are not permitted to move into the property or move any personal possessions into the property. Neither bid acceptance nor ratification of the contract constitutes ownership.

Occupancy or initiating repairs prior to closing will be treated as trespassing and may result in the cancellation of the sale and forfeiture of earnest money. Any broker or agent who disregards this rule may be subjected to suspension of bidding privileges.

PROPERTY LISTINGS

All HUD homes are sold using Electronic Bidding. All bids must be submitted through the internet at HUDHomestore.com

Irregularities in bids

In accordance with Housing notice 92-96 with reference to HUD Handbook 4310.5, HUD assumes no liability for errors in the EMRF and/or Sales Contract. HUD continues to reserve the right to reject any and all bids and to waive any informality or irregularity in any bid. Properties are subject to withdrawal or change without notice

All necessary addendums must be reviewed and executed prior to submitting an offer to eliminate the chance of errors.

To locate a property on the Cityside Website:

1. Go to www.citysidecorp.com
2. Click on **HOMES for SALE** – This will bring you to HUD’s website HUDHomestore.com
3. Select the state of interest.
4. Search by City, Zip Code, FHA case number or price range

Each listing will provide:

| | |
|-----------------|--|
| Case Number: | ID # used to reference HUD homes |
| Address: | Address, City, Zip Code and County/Parish |
| Price: | Current list price |
| As-Is Value: | The FHA “AS-IS” appraised value |
| Appraisal Date: | 00/00/00 |
| Bed/Bath: | Number of bedrooms and bathrooms |
| Sq. Ft: | Square footage of the home |
| Year: | Year the home was built |
| LBP Disclosure: | Click here to view the LBP (Lead Based Paint) Addendum (for homes built prior to 1978.) |
| LBP Report: | Click here to view the LBP Report if report is available. (for homes built prior to 1960) |
| Financing: | Eligible Financing <ul style="list-style-type: none"> ○ IN – Insured ○ IE – Insured with Repair Escrow ○ UI - Uninsured |

List Date: Date property was listed

Bid Deadline: Last day bid can be placed by 11:59 PM

Priority: Owner/Occupant or All Bidders

Property Condition: [Click here to view the Property Condition Report](#)

Status: New, Re-list, or Reduction

Escrow Amount: \$000

Escrow Information: List of repairs

FINANCING OPTIONS

“IN” – INSURABLE: 203(b)

Properties listed IN appear to qualify for FHA 203(b) financing. Minimum Property Standard (MPS) repairs are not necessary.

“IE” – INSURABLE WITH ESCROW: 203(b) with Repair Escrow

Properties listed IE are eligible for FHA financing with repairs to be completed by the purchaser **after** close of transaction. These MPS repairs must total less than \$5,000. MPS categories include: structure, roof and mechanical systems, such as plumbing, electric and heating. A list of actual repairs and estimated cost appears with the property information.

The repair costs are not paid by HUD. The buyer must finance the repair escrow amount in their FHA mortgage. Until the repairs are completed, the lender holds the “repair escrow” funds. The lender is then responsible for inspecting the repairs and authorizing release of funds.

On the sales contract, the repair escrow amount is not deducted from the Net to HUD nor added to the purchase on line 3. The repair amount should only show on line 4.

REPAIR ESCROW ONLY APPLIES TO FHA FINANCING – Not relevant with conventional financing.

“UI” – UNINSURABLE: 203(k)

Properties listed UI generally are in need of repairs in excess of \$5,000 and may qualify for a FHA 203(k) or the new 203(k) streamlined loan. The 203(k) is a rehabilitation loan for owner/occupants **only**.

LISTING TIME FRAMES

New listings are posted each day. Re-listed properties and reduced prices will also be posted daily.

GNNND and NON-PROFIT LOTTERY

Single family homes in HUD designated Revitalization areas are offered to eligible GNNND participants at a 50% discount regardless of the FHA insurability for 7 days.

Uninsurable properties, single and multi-family home, in a HUD designated revitalization area are offered to approved Non-profits and government entities at a 30% discount for 7 days.

A HUD registered Broker must submit the bid for any interested GNNND participant on HUD's website. The lottery winner is responsible for paying the broker commission outside of the closing.

Prior to listing a property on the general list, Uninsurable properties in a non-revitalization area are offered to approved non-profits and government entities at a 10% discount for 7 days.

OWNER OCCUPANT PRIORITY BID PERIOD

FHA insurable and FHA insurable with repair escrow properties will be initially listed to Owner-Occupants for 30 days bid period. An owner occupant is a purchaser who will live in the house as their primary residence for at least one (1) year, and may not purchase another HUD home for two (2) years. From the date of listing to day 10, no bids are viewed for acceptance. On day 11 of the 30 day bid period, all bids from owner-occupants are opened and reviewed for acceptance. If there are no acceptable bids at that time, then bids are reviewed from day 11-30 on a daily basis.

FHA uninsurable properties will initially be listed to Owner-Occupant bidder for 5 days. On day 6 all bids will be reviewed. If there are no acceptable bids, the property will proceed to a daily bid period for all bidders.

INVESTORS

Investor bids may **not** be submitted during the 30 day owner/occupant priority period. Investors may only bid after the 30 day owner/occupant period has expired. All investor bids will be opened daily on the following business day. Bids received throughout the day shall be considered to be received simultaneously.

DAILY - ALL BIDDERS

Any properties not sold during the 30-day owner/occupant priority period will be placed in this category, and will remain for all bidders until a price reduction or the property is sold.

Bid Awards

Barring any technical difficulties, winning bids are posted to both the Cityside and HUD web sites by 1:00 PM on the next business day following the bid deadline. The bid results should be considered preliminary acceptance subject to the review and approval of a correct and timely sales package.

Owner occupant bid acceptance is also subject to verification of compliance with HUD owner occupant guidelines. In the case of an OND/TND sale, the award is subject to verification of information reported on the required HUD 9548-A contract addendum.

When a bid is accepted, the broker is responsible for presenting the original signed contract and addenda to Cityside Management within 48 hours. Preliminary bid acceptance may be cancelled if the package is late or incomplete.

ELECTRONIC BIDDING IMPORTANT INFORMATION

Accuracy of Bid Submission – Purchaser information during bid submission must be accurate. The information entered on your bid cannot be changed after the preliminary acceptance. False information given on submission will result in the cancellation of the preliminary acceptance and the property will be re-listed as available on the website.

Bid Acceptance - If your bid is accepted it is your responsibility to send the original signed sales package to Cityside Management including the purchaser's prequalification letter or verification of cash within 48 hours (weekend and holidays excluded).

Over-bidding with FHA Financing - If the purchaser is obtaining FHA financing, your buyer will be required to use HUD's FHA "AS-IS" appraisal. Therefore, if the purchaser overbids the appraised value and is obtaining FHA financing, the purchaser must pay the overbid difference in cash. This is because FHA will not insure a loan greater than the appraised value of the property. Buyers who overbid and cancel due to not having the financial means to cover the overage will forfeit their earnest money to HUD.

Pre-Qualification of Purchasers – Broker/agents are responsible to see that potential buyers have been pre-qualified for a loan by a lender. A pre-qualification letter on the lender's letterhead must be submitted with the sales contract package.

SALES CONTRACT PACKAGE

All packages must be in the Cityside Management office within 48 hours of bid results.

All packages must contain the following:

1. Sales Contract – HUD 9548 Form is printed from HUD Home Store Bid Submission
2. Lead Base Paint Addendum – with property information on the website(properties built prior to 1978 only)
3. Earnest Money – Original certified check or money order payable to HUD
4. Radon Gas/Mold Disclosure
5. Owner/Occupant Certification (if applicable)
6. For Your Protection Get A Home Inspection (form 92564CN)
7. Pre-qualification letter or verification of funds
8. HUD 9548G- Rehabilitation Financing Lead Agreement (only for buyers financing with FHA 203K)
9. Notice to Purchaser (if bid is over appraised value)
10. Earnest Money Forfeiture Policy
11. Closing Extension Policy

If the contract package contains errors or omissions, the bid may be cancelled and property re-listed as available. Prior to submitting the sales contract package, review the contract and addenda for accuracy and completeness.

Submit contract packages to:

For Michigan:

Cityside Management
12900 Hall Road
Suite 220
Sterling Heights, MI 48313-1151

For VT, ME, NH, MA, CT, RI, NJ & NY:

Cityside Management
5 Medallion Center
Greeley Street
Merrimack, NH 03054

Contract package must be received at the above address within 48 hours of bid acceptance, or it is subject to immediate cancellation without further consideration.

Forms may change. Please check the website for changes and news updates.

HUD 9548 SALES CONTRACT LINE BY LINE

Line 1. Purchasers(s) name(s) and property address.

Fill in all the purchaser's names and complete HUD property address. Put the FHA case number in the designated box. These contracts are not assignable. The person whose social security number was used to place the bid must appear on the contract.

Line 2. Legal style, Title.

Fill in the purchaser's name and legal style. The HUD designated closing agent prepares the deed to transfer ownership according to this line. i.e.: married couple, single person, a married person.

Line 3. Purchase Price and Earnest Money Deposit

Enter the purchase price (bid amount) and earnest money deposit.

Earnest Money must be in the form of a certified check, cashier's check or money order. All checks must be made payable to HUD.

Sales price up to \$50,000 = \$500

Sales price over \$50,000 = \$1,000

Vacant lot = half of purchase price

Line 4. Financing Type

Only one box may be checked.

- If purchaser is applying for FHA financing and property is listed IN: check 203(b)
- If property is listed IE: check 203(b) with repair escrow. Check the box and enter the amount of escrow on the line provided.
- If property is listed UI: check 203(k). Put "TBD"(To Be Determined) in spaces for down payment, mortgage loan amount and months - or -
- Check the box for cash or conventional financing if purchaser is paying cash or applying for conventional or other financing not involving FHA.

Line 5. Closing Cost

Closing cost up to 3% of the purchase price.

Note: This line must be left blank for GNND sales

Line 6a. Selling Agent Commission

Commission up to 3% of the purchase price.

Note: This line must be left blank for GNND sales. Sales commission must be negotiate independently of this contract

Line 6b. Broad Listing Broker Commission

Commission is 3% of the purchase price.

Line 7. Net to HUD

Subtract lines 5 & 6a and 6b from line 3 = Net

Line 8. Purchaser Type

Owner/Occupant, Non-Profit or Investor – Misrepresenting a purchaser as an owner/occupant is a serious offense that may constitute fraud and may result in an investigation by the Office of Inspector General of the U. S. Department of Housing and Urban Development. Such investigations focus not only on the buyer, but also on the broker or agent representing the buyer.

Leave the discount amount blank unless sale is to GNND buyer or qualified Non- Profit

Line 9. Contract Closing

All sales must close within 45 days for Michigan and all New England states. Properties may close in less than the designated number of days – however the appropriate number of days must be on the contract. Fill in the name of the HUD’s designated closing agent or “Designated Closing Agent”.

Line 10. Back up offers

This information will be completed on the web site when you place your bid. It is not necessary to complete this section of the contract. A bidder accepting a back-up position when placing the bid electronically may be contacted by Cityside Management in the event the first bidder defaults. Send your signed contract package only if you are the winning bidder. All others will be discarded.

Line 11. Addendum Attached

Check Lead Based Paint Addendum if appropriate. Check “Other Addendum Attached.”

Line 12. Purchaser’s Initials

ALL purchasers must initial. This section relates to the seller’s rights to retain the earnest money deposit as liquidated damages if the buyer defaults.

Line 13. Purchaser Information

Be certain all information is written in correct boxes

1. Type or Print
2. Signatures – All purchasers’ signatures are required
3. Social Security Number or EIN/FIN for all purchasers
4. Purchaser address and phone number
5. Date contract signed

Broker Information

1. Broker name and business address
2. Broker’s FIN number
3. Broker’s NAID number
4. Signature of Broker – stamps not permitted
5. Agents full name
6. Agents phone number including area code

Lead Base Paint Addendum

Addendum is specific to the property on the website if appropriate.

PRE-QUALIFYING LETTER OR PROOF OF FUNDS FOR CASH SALE

A pre-qualifying letter or commitment letter from a bank on the bank's letterhead is required. The letter should state the eligible amount equal to or greater than line 3 of the sales contract. For cash sales, proof of funds can be a bank statement, letter from bank, or verification that cash funds will be available at time of closing.

After the sales contract package has been reviewed and signed by a HUD Authorized Agent, it will be sent to the selling agent via e-mail, fax, or mail. The agent is to forward copy to the buyer, lender and their closing agent. A copy will be submitted to the HUD closing agent who will subsequently issue closing instructions. If the buyer cannot close by the expiration date, an extension request must be made prior to the expiration date. Failure to do so may result in cancellation of the contract and forfeiture of earnest money.

REQUESTING TERMITE INSPECTION OR TREATMENT REPORTS

Termite inspection reports are available by lender request as required. The lender must submit request on lender letterhead to the appropriate Cityside Management Office.

REQUESTING FHA "AS-IS" APPRAISAL

Appraisals are available by lender request. To obtain an appraisal the lender must submit a request on lender letterhead to the appropriate Cityside Management Office.

UTILITY ACTIVATION

Once the sales contract has been executed, a Home Inspection is recommended. It is the selling agent/brokers responsibility to work with the buyer to complete the "Request for Utility Activation" supplied in the executed contract package. Broker and buyer must follow instructions provided by respective FSM regarding the utility activation and de-winterization and re-winterization of the property.

Contract Change/Amendment

Any change request after contract execution will need to be in form of contract amendment; forms can be found on website or requested from staff.

Changes in Financing

Please make note, if changing from FHA 203b/203b Repair to Cash or Conventional on a HUD property where Lead Based Paint Stabilization and/or Termite Inspection/Hazard work has been commenced or completed, the buyer is required to reimburse HUD for all the costs incurred. Buyer will be charged at closing for the inspection, stabilization and/or treatment costs. Closings will not move forward until HUD is reimbursed.

EXTENSION REQUESTS

For Michigan: Cityside may grant an extension to close and each extension will be for a period of 15 days. The extension fee is \$10.00 per day in 15 day intervals. The initial 15 day extension request will be provided to owner/occupant purchasers free of charge if accompanied by documentation that indicates proper and timely loan application was made, the delay is not the fault of the purchaser, and that the mortgage approval is imminent.

For ME, VT, NH, MA, CT, RI, NJ & NY: Cityside may grant an extension to close and each extension will be for a period of 15 days. The extension fee is as follows:

| Contract Sales Price | Extension Fee |
|-----------------------------------|----------------------------|
| Equal to or less than \$25,000.00 | \$150.00 (\$10.00 per day) |
| \$25,000.01 to \$50,000.00 | \$225.00 (\$15.00 per day) |
| \$50,000.01 and over | \$375.00 (\$25.00 per day) |

The initial 15 day extension request will be provided to owner/occupant purchasers free of charge if accompanied by documentation that indicates proper and timely loan application was made, the delay is not the fault of the purchaser, and that the mortgage approval is imminent.

Extension Requests requirements:

1. The request is submitted on the "Request for Extension of Closing Date" form to HUD's closing agent prior to contract expiration.
2. Documentation with the extension request must reasonably establish the closing will succeed within the extension period.
3. The extension must be accompanied with certified funds in the amount determined above and made payable to HUD.
4. The extension fee will be held by the closing attorney. If the closing occurs prior to the end of the extension period, the unused prorated portion of the fee will be credited at closing.
5. Extension fees are not refundable and any extension approval does not obligate Cityside to grant further extensions.

BID CANCELLATIONS

"Bid Cancellation Prior to Acceptance" – A broker can cancel a bid by going back to HUDHomestore.net

"Bid Cancellation after Acceptance" - complete and fax to appropriate Cityside Management office. This form must be signed by the purchaser.

CONTRACT CANCELLATION

Cancellation requests must be submitted if the contract has been ratified and the purchaser cannot close the transaction. Reason for the cancellation with supporting documents must be submitted. The purchaser MUST sign the cancellation form.

EARNEST MONEY

The following provisions will be enforced in all instances except where HUD is unable to close the sale, in which case the entire deposit will be returned.

Investors:

- Uninsured sales – the entire deposit will be forfeited to HUD.
- Insured sales – 50 percent of deposit may be refunded if purchaser is determined by HUD or DE underwriter to be an unacceptable buyer.
- 100 percent of the deposit will be forfeited to HUD if the sale fails to close for any other reason.

Owner/Occupants:

- Full refund of deposit
 - Serious illness or death of the purchaser or an immediate family member which would affect the purchaser's financial ability to close.
 - Loss of job or substantial loss of income to purchaser.
 - For insured sales – When the purchaser was pre-approved (commitment was obtained) and despite good faith efforts is unable to secure financing.
- 50 percent forfeiture of deposit
 - For uninsured sales – the purchaser is unable to secure mortgage financing.
- 100 percent forfeiture of deposit
 - No documentation submitted
 - Documentation received fails to provide an acceptable reason for purchaser's failure to close
 - Documentation is not provided within a reasonable time following contract cancellation.

CONCLUSION

Selling HUD owned homes can be both exciting and lucrative. We at Cityside Management are anxious to help you in any way possible should the need arise. Feel free to contact us at any time.

VT, ME, NH, MA, CT, RI, NJ & NY: (603) 423-0313
Toll Free (877) 289-7433

Michigan: (586) 685-2300
Toll Free (866) 211-8313