

U.S. Department of Housing and Urban Development (HUD) Closing Instructions and Certification

The following are general settlement instructions and do not provide all specific instructions for sales under special programs.

FHA Case Number: _____ Date of HUD's Ownership: _____
Property Address: _____
Buyer(s) Name: _____
Amount of Discount Buyer Received: _____ %
Amount of Rental Money Due: \$ _____ Amount of Utility Payment Due: \$ _____

As settlement/title company/agent, you must adhere to the following closing instructions to close this sale between the US Department of Housing and Urban Development (HUD) and the buyer identified on the attached executed sales contract. If you are unable to perform these tasks within the required time frame (as defined on Line 9 of the HUD Form 9548), please notify the buyer's Real Estate agent immediately so the buyer can select a different settlement/ title company.

As a settlement/title company, you must meet all **applicable** local and state standards as well as those required by HUD.

You must close this sale for only the buyer(s) identified on the executed sales contract, or amendment/addendum which has been executed by the buyers and HUD's delegated Asset Manager.

EARNEST MONEY: The Asset Manager has ___ has not ___ included the earnest money with the fully executed sales contract.

REAL ESTATE TAXES: Real estate taxes for the current year shall be pro-rated to the date of closing. HUD will only pay for taxes currently due and will not pay or reimburse any party after closing if real estate taxes are reassessed by local government. The last payment was made on _____ in the amount of \$_____, which covers the following period of time: _____ through_____.

HOMEOWNER ASSOCIATION (HOA) FEES/DUES: HUD will pay for HOA fees/ dues pro-rated from the date of HUD's ownership **through** the date of closing. HUD will only pay for HOA fees/dues that are the responsibility of HUD during its ownership. The last payment was made on _____ in the amount of \$_____, which covers the following period of time: _____ through_____.

RENTAL MONIES: You shall verify with the Asset Manager that all rental monies due HUD have been collected outside settlement if the buyer is an approved HUD tenant. If any due amounts have not been paid, you shall ensure such payment is made at time of closing.

SPECIAL PROGRAMS: HUD has a number of special programs, including the Good Neighbor Next Door (GNND) Sales program, in which the buyer receives a discount off the purchase price, as indicated on the executed sales contract. Such discounts are to be reflected of Line 507 of Form HUD-1, Settlement Statement or Section L, Other Credits of the Closing Disclosure.

Further, some sales such as those under GNND require a second Note and Deed of Trust/ Mortgage and/or a Land Use Restriction Addendum. If applicable to this sale, special instructions for the completion of those documents are attached or will be supplied by the Asset Manager.

For properties covered by an Asset Control Area (ACA) Agreement, the Asset Manager, will provide additional closing instructions.

CLOSING COSTS: HUD will pay up to the amount on Line 5 of the executed sales contract, or up to 3% of the sales price, whichever is less, towards reasonable and customary closing costs and the amount shall be annotated on the HUD 1/Closing Disclosure in accordance with RESPA. Any unused portion will be credited to HUD's proceeds. (Customary Loan Origination Fee is up to 1% of the mortgage; 1.5% on a 203(k) loan)

Buyer Select Closing Fee: The purchaser is primarily responsible for any and all closing fees up to the maximum allowed per State Law and Regulatory requirements. The buyer may apply amounts listed on Line 5 of the sales contract for payment of closing fees.

Recording fees for the Special Warranty/Grant Deeds transferring ownership from HUD to the buyer as stated on the executed sales contract, for the second Note/ Deed of Trust, if required for special HUD programs, and for special addendums, if required, such as Land Use Restriction Addendum, are the expense of the buyer. This expense may be covered from funds on Line 5 of the executed sales contract. If the buyer did not request funds on line 5, the amount to cover the cost of recording shall be collected from the buyer at closing.

HUD-1/CLOSING DISCLOSURE PREPARATION: You must accurately prepare the Preliminary HUD-1 or Settlement Statement/Closing Disclosure and provide it to Asset Manager at least 5 business days in advance of the scheduled closing date for their review, approval, and return prior to closing. This can be accomplished electronically.

DEED PREPARATION: You must prepare a Special Warranty or Grant Deed (where applicable) and provide it to the Asset Manager at least five (5) business days prior to the scheduled closing. The Deed can be sent to Asset Manager electronically. Asset Manager will execute, notarize, and return the original Deed via overnight delivery. Include a return address which is accessible by their overnight mail carrier.

EXTENSIONS: If an extension is required, the purchaser's real estate broker will submit the required closing extension request form, along with the extension fee, to the Asset Manager prior to expiration of the sales contract. The Asset Manager will provide you with an electronic notification of the approval and copy of the executed extension agreement which will provide you with the new contract expiration date. The Asset Manager will also provide the amount of the extension fee that was collected. **In no case shall a closing take place on an expired contract.**

WIRE PROCEEDS: You must wire proceeds to the US Treasury via FEDWIRE the day of but not later than the next available banking day after closing, ensuring the amount matches that of the executed HUD-1/Closing Disclosure. The Asset manager will provide specific wiring instructions, including the form to be used.

DEED RECORDING: You must ensure the deed is delivered for recording to the appropriate county recorder's office no later than one (1) business day after closing.

NOTIFICATION OF CLOSING: You must notify the Asset Manager at 3SRecordings@blbresources.com via email on the day the closing has or has not occurred.

CLOSING PACKAGE: You must deliver a complete closing package to Asset Manager not more than three (3) business days after the closing is completed. The post closing package shall include:

- Final HUD-1/Closing Disclosure and the Certification;
- Copy of the wire of proceeds transfer confirmation;
- Evidence that the deed was delivered for recording;
- Copy of any invoice HUD paid at closing;
- Copy of disbursement log, accounting for all incoming and outgoing funds related to this transaction; and,
- For special program sales: Original Note and copy of GNND or ACA Deed of Trust or Mortgage, with evidence it was delivered for recording.

Submit closing package to:

BLB Resources, Inc.
16845 Von Karman Avenue, Suite 100
Irvine, CA 92606
3SRecordings@blbresources.com

CANCELED SALE: If the sale is canceled and is not immediately rescheduled, the deed must be returned to Asset Manager within two (2) business days of the original scheduled closing date. If the sale does not close on the scheduled date, notify Asset Manager immediately via email (3SRecordings@blbresources.com) as to the date the closing is rescheduled or if it has been canceled. If the sale has not been rescheduled or is canceled, the Closing Company shall scan the original of the signed deed, marked VOID in large letters across the front, and electronically deliver it to Asset Manager no later than the second business day after a closing is cancelled. The original document will then be mailed to the Asset Manager that same day, along with the earnest money deposit and extension fees that are in your possession.

FORFEITED EARNEST MONEY: Comply with the earnest money forfeiture policy that was signed by the buyer(s) and is part of the executed sales contract package. Earnest money forfeitures are to be sent to the Asset Manager, payable to HUD, within 4 business days of the earnest money disposition issued by the Asset Manager or expiration of the contract whichever shall occur first.

Standards for Acceptable Closing Companies.

Buyer Selected Closing Companies (BSCC) must certify that they meet the following standards:

1. A BSCC must be an attorney, title company, or escrow company. In addition, any BSCC must meet all requirements of state and local laws (e.g., if the property is in a state that bans attorneys from conducting a closing, an attorney may not be used as a BSCC).
 - a) **Use of attorneys** - An attorney or law firm may act as a BSCC, provided that they are duly licensed to practice law in the state where the property is located and state law allows an attorney to facilitate Real Estate closings.
 - b) **Use of title companies** - A title company may act as a BSCC, provided that they are duly licensed to do business in the state where the property is located, and are regulated by the State Insurance Commission, or similar regulatory agency recognized by the State.
 - c) **Use of Escrow Company** - An escrow company may act as a BSCC, provided that they are duly licensed to do business in the State where the property is located and meet all state legal and regulatory requirements as a recognized and registered escrow company.

2. **Insurance and Closing Protection Letter requirement** - Any BSCC must be covered by Errors and Omissions Insurance of at least \$1,000,000. Title companies shall provide a Closing Protection Letter (CPL) to insure against any improper handling of HUD's proceeds or deed.
3. A BSCC must **complete a one-time registration** to receive a HUD issued Settlement Agent Identifier number.
4. **Conflict of Interest** - A BSCC who has, or whose spouse, children or business associates have, a financial interest in the property shall not be involved in the closing process. Financial interest includes having an equity, creditor, lender, or debtor interest in any corporation, trust, or partnership with a financial interest in the property.
5. **Debarment or suspension** - No attorney, Title Company, Escrow Company, or BSCC, currently debarred, suspended, or otherwise excluded by Administrative Action from participating in Federal programs, may participate in any aspect of the closing or title clearance process.
6. **Non-Discrimination** - No BSCC, employee, or person or entity otherwise authorized to act for a BSCC agent may act in violation of Title VIII of the Civil Rights Act of 1968 (the "Fair Housing Act" Title VIII or Public Law 90-284) or Executive Order 11063. BSCC's, their employees, and any person or entity otherwise authorized to act on behalf of a BSCC shall (1) refrain from discrimination on the basis of race, color, creed, religion, sex, national origin, age or handicap; (2) instruct their staffs in the policies of nondiscrimination and all applicable local, State, and Federal fair housing and non-discrimination laws.
7. **Failure to Abide by HUD's Closing Instruction** - HUD reserves the right to sanction or remove any BSCC that does not abide by HUD's Closing Instruction.

Warning: Falsifying information on this or any other form of the Department of Housing and Urban Development is felony. It is punishable by a fine not to exceed \$250,000 and/or a prison sentence of not more than two years. (18 U.S.C. 1010, 3559; 3571)

You must certify below that you meet the above standards; you understand and will comply with these general instructions and requirements. Subsequent instructions may be provided in writing on a case by case basis by HUD through its Asset Manager.



Acknowledged _____ Date _____

Printed Name _____ Telephone # _____

Principal Title _____ Email _____

State License # _____ HUD Identification # _____

ATTENTION ESCROW / Additional Escrow Instructions

We, the undersigned, hand you a copy of the U. S. Department of Housing and Urban Development Sales Contract (Property Disposition Program) and Offer of Contract Acceptance and Addendums dated _____, and Buyer and Seller agree to be bound by the terms and conditions contained therein.

All pages of Ratified contract included will supersede escrow instruction directions.

Please be aware that **HUD is exempt from providing the following: the buyer is responsible to perform their own research and inspections, as they deem necessary and satisfy themselves as to such**

HUD will not pay for the following items: (Buyer's fees)

1. Inspections and or clearance: Wood destroying Organisms, Lead Based Paint (LBP) on conventional, cash, VA, Rural Development (RD), and USDA files
2. Natural Hazard Report (NHR)
3. Notary
4. Escrow Pad
5. County Tax Stamp
6. Home Warranty/Protection Plan
7. Owner's Title Insurance Policy
8. Lender's Title Insurance Policy
9. Documentary Transfer Tax
10. Escrow Fee – Both Buyer's and Seller's

AS A MATTER OF RECORD

As a matter of record only, with which Escrow Holder is not to be concerned in any manner whatsoever, it is understood by and between the undersigned Buyer and Seller as follows:

These instructions are not intended to amend, supersede or modify that certain Purchase Agreement referenced above, executed by Buyer and Seller, as to any matter not specifically set forth in these supplemental escrow instructions. As stated in the purchase agreement, Buyer is aware that Seller acquired the subject property through foreclosure proceedings, and that the property is being sold in its "as is" and "where is" condition, with no warranties, express or implied.

SELLER REPRESENTATIONS:

Seller is duly organized and validly existing, and has all requisite power and authority to enter into and perform under the terms of these Escrow Instructions. Each person executing these instructions on behalf of Seller warrants that he/she has all requisite authority to do so. You are hereby authorized and instructed to comply with closing instructions deposited herein by Seller's asset manager on Seller's behalf, if any.

REPAIR ESCROWS ONLY: CERTIFICATION

- THIS REPAIR ONLY APPLIES IF THE BUYER IS OBTAINING FHA FINANCING.
- Pursuant to Line 4 of the HUD Sales Contract, the mortgage being obtained through this escrow involves a repair escrow amounting to \$ _____.
- THE REPAIR ESCROW AMOUNT IS TO BE FINANCED IN THE FHA LOAN AND WILL NOT BE TAKEN FROM HUD PROCEEDS AT CLOSING.

- Provided that the fee due to lender (up to \$200.00) for the processing of the repair escrow is reflected on the Lender's Instructions, escrow holder is authorized and instructed, at the close of escrow, to debit Seller's account with said amount up to \$200.00, if applicable.
- All costs will be paid in full compliance with the guidelines provided in HUD Notice H 2003-02.
- BLB Resources will only list Minimum Property Requirements (MPR) items as identified in HUD's appraisal on the addendum for the repair escrow. Cosmetic repairs or other items to bring the property to average condition will not be included. However, please note, any repairs listed are an estimate. Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, lead-based paint, or any other condition that may render the property uninhabitable or otherwise unusable. A final list of repairs, if applicable, will be determined by the lender and buyer's appraisal.

SELLER PAID CLOSING COSTS (if line 5 is applicable):

If line 5 is not applicable, the buyer will be solely responsible for all fees and charges.

The Seller will pay up to \$_____, (Line 5 of the Sales Contract) towards allowable **purchaser closing costs**, not to exceed the actual cost incurred. The following is a list of those HUD Allowable Closing Costs that may be credited towards Line 5 of the Sales Contract:

If the closing costs are less than 3%, or amount requested on Line 5 of ratified contract, HUD will only pay the actual costs charged, and will not credit the purchaser any difference in cash or a reduced purchase price.

ALL ITEMS MUST BE REASONABLE AND CUSTOMARY CHARGES IN THE JURISDICTION TO WHERE THE PROPERTY IS LOCATED AND WILL NEED TO BE APPROVED BY HUD'S ASSET MANAGER TO DETERMINE IF THEY ARE "REASONABLE AND CUSTOMARY CHARGES."

- Appraisal Fee
- Credit Report (up to \$20.00)
- Flood Certification (property must be offered with FHA insurable and located on a Flood Plain)
- Home Inspection (includes testing for lead based paint, radon, mold etc.)
- Home Warranty (up to \$300.00)
- Loan Discount Points (up to 1% of the loan amount to buy down the rate, **with certification from the lender**). MUST SUBMIT A LETTER TO HUD ON COMPANY LETTERHEAD WITH DETAILED INFORMATION OF THE BUYDOWN TO BE APPROVED
- Loan Origination Fee (up to 1% will be paid on Conventional/FHA loan; up to 1.5% will be paid on FHA 203(k) loans)
 - NOTE: Loan Discount and Loan Origination is an either/or, both cannot be used
- Prepaid and Escrow Items for Owner Occupant Purchasers Only
- Loan Fees which are reasonable and customary
- Owners Title Insurance Policy
- Lenders Title Insurance Policy
- State, City or County Transfer Taxes on Grant Deed, i.e., amounts charged as a Percentage of value

- If, under state or local law, the recording fees and/or transfer charges or taxes are imposed on the Seller (i.e. HUD), then HUD is immune from paying these charges and will not pay them.
- If, however, the charges are imposed on the purchaser, HUD may pay these charges on behalf of the purchaser if funds remain in Line 5.
- NOTE: Seller will not pay fees for recording any Mortgage/Riders, Interspousal Deeds, or Surveys

The following items are automatically paid for by the Seller (HUD):

- Broker's Sale Commission as stated on Line 6a, and selling bonus (if offered)
- Proration of property taxes and any assessments such as HOA fees, utility bills
- Recording fees: HUD will automatically pay recording fees and charges for the deed (i.e., nominal amount charged per page for recordation)
- Broker's Sale Commission for Broad Listing Broker as stated on Line 6b of Sales Contract
- Condominium or HOA Transfer Fee and Document fee

CITY INSPECTION REPORT TO BE OBTAINED OUTSIDE OF ESCROW:

In the event city ordinances require a Residential Inspection Report, Buyer shall, outside of this escrow, obtain same, pay any and all costs associated with same, and also take full responsibility for repairs and/or costs associated with city compliance issues. Escrow Holder is not to be concerned therewith in any manner whatsoever, and Buyer hereby indemnifies, defends and holds Escrow and its officers and/or employees harmless from any loss which Buyer may sustain as a result of this specific instruction regarding such city report, including attorneys' fees and/or costs which may be incurred to uphold this indemnity.

DEED PREPARATION:

The following language is required to be inserted into all deeds of sale for HUD REO properties: "The Secretary of Housing and Urban Development (Seller) agrees to sell the property at the price and terms set forth herein, and to prepare a deed containing a covenant which warrants against the acts of the Seller and all claiming by, through or under him."

CANCELLATIONS:

Upon receipt of unilateral instructions from HUD to Escrow Holder to cancel this escrow and to disburse funds, Escrow is authorized and instructed to comply with said instructions, cancel this escrow, and disburse funds without further approval or instructions from Buyers herein. Buyer's signature on these escrow instructions shall be deemed their acknowledgement of Paragraph 12 of Sales Contract with HUD and awareness that the earnest money deposit in escrow shall not be refunded to Buyer if escrow is cancelled. Seller may, at Seller's sole option and without further instructions from Buyer, cancel this escrow. Seller may also, at Seller's sole option and without further instruction from Buyer, retain all or a portion of the deposit as "Liquidated Damages". Seller reserves the right to apply the earnest money or any portion thereof, to any sums which may be owned by the purchaser to the Seller as rent.

Buyer(s) hereby accept the contract's provision allowing for unilateral cancellation by the Seller, and hereby release Escrow and its officers and/or employees of any and all liability and/or responsibility for acting upon the unilateral instructions of the Seller (HUD) in the event of a cancellation, and disbursement of funds as may be demanded by Seller.

NO Cancellation Fees via Escrow Company will apply if a HUD transaction cancels.

Initial Here: **Purchaser(s)** _____  **Closing Agent** _____ 

WRITTEN vs. ORAL INSTRUCTIONS:

NO NOTICE, DEMAND, OR CHANGE OF INSTRUCTIONS SHALL BE OF ANY EFFECT IN THIS ESCROW UNLESS GIVEN IN WRITING BY ALL PARTIES AFFECTED THEREBY. NO changes to the original contract will be made without written consent by authorized HUD asset manager. Must be submitted for approval or denial.

ESCROW:

The Line 5 Distribution Sheet must be included with the final HUD-1/Closing Disclosure and cannot exceed the seller’s allowable closing costs. The Disbursement sheet must also be included with the final HUD-1/Closing Disclosure. The Sales Commission must be made payable only to the brokerage as identified on the sales contract. Commissions cannot be disbursed directly to selling or listing agents in escrow.

NO changes are allowed to be made on the final HUD-1/Closing Disclosure after the preliminary HUD-1/Closing Disclosure is approved, with the exception of proration of utility, taxes, and HOA which will have to be adjusted accordingly to actual closing date.

WIRING INSTRUCTIONS:

A copy of the completed Form SAMS-1103 Request to Wire Transfer Funds (Rev. 5/2014, items #6-10) must be included with the Preliminary Seller’s Deed Package, in order to confirm that correct wiring instructions are provided to the bank. It is Escrow’s responsibility to ensure the data is transmitted in the prescribed format. Please ensure the correct FHA Case Number is included in the correct location on the form (line #7) as this is the most common error and delays the sale in reconciling with HUD systems. The wire confirmation must be included in the Final Closing Package.

Required Signatures:

_____		_____
(Escrow Officer)		(Date)
_____		_____
(Purchaser)		(Date)
_____		_____
(Purchaser)		(Date)
_____		_____
(Selling Agent)		(Date)