Selling Broker Handbook

A Guide to Selling HUD Homes in CT, ME, MA, NH, NJ, NY, RI, & VT

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1.0 Introduction

This Selling Broker Handbook, presented by BLB Resources, Inc. (DBA BLB Resources), is intended to act as a general guide for selling U.S. Department of Housing and Urban Development (HUD) Homes. This document addresses the most commonly asked questions regarding what a HUD Home is, and how it is sold. It also discusses the processes and procedures that a Selling Broker/Agent is required to fulfill. This document applies to HUD Homes in the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont, and is subject to periodic review and change.

1.1 Who is BLB Resources?

BLB Resources was incorporated in 2002 and is a woman-owned business. Our corporate office is located in Irvine, California, and we maintain a branch office in Southfield, Michigan. Susie Gaston, President and sole Owner, has over 30 years of successful HUD REO sales and marketing experience, with over 1,200 personal HUD Home sales. The management team includes Rod Gaston, CEO and Broker of Record, who also has over 30 years of experience, and has personally sold over 4,400 HUD Homes.

This depth of experience and knowledge enables us to better understand your HUD selling opportunities and challenges. We care about your success, appreciate your business, and strive to simplify the HUD Home buying process. Let us know what we can do to better serve you by contacting us at CSRDept@blbresources.com.

HUD awarded BLB Resources separate contracts to provide Asset Management (AM) services for HUD Homes throughout the country, in the following areas:

- Arizona
- Alaska, Oregon, Washington
- California, Hawaii, Guam, Northern Mariana Islands and American Samoa
- Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont

1.2 What is a HUD Home?

A home that has gone into mortgage default with a loan that is insured by the Federal Housing Administration (FHA) is referred to as a HUD Home. When this occurs, the lender takes possession of the property and conveys ownership to HUD. HUD then sells the home through their AM contractor, such as BLB Resources. A HUD Home may be a single-family house, townhouse, condominium, mobile home or a multiple family attached home up to 4 units.

1.3 Who handles the property preservation and protection services?

Field Service Managers (FSMs) are companies that provide property preservation and protection services consisting of, but not limited to, inspecting and securing the property, performing cosmetic enhancements and/or repairs, and providing ongoing maintenance. Each HUD Home is assigned to one FSM, and there are multiple FSMs in each contract area. If you are looking for FSM contact information for a particular property, please locate that property at www.HUDHomestore.com, and then click on the “Agent Info” tab.
The FSMs for the contract areas that BLB Resources currently serves are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>State(s)</th>
<th>AM Contractor(s)</th>
<th>FSM Contractor(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3S</td>
<td>AZ</td>
<td>BLB Resources</td>
<td>Guardian Asset Management</td>
</tr>
<tr>
<td>5S</td>
<td>CA, HI</td>
<td>BLB Resources</td>
<td>Guardian Asset Management</td>
</tr>
<tr>
<td>6S</td>
<td>AK, OR, WA</td>
<td>BLB Resources</td>
<td>Guardian Asset Management</td>
</tr>
<tr>
<td>3P</td>
<td>CT, ME, MA, NH, NJ, NY, RI, VT</td>
<td>BLB Resources</td>
<td>Guardian Asset Management</td>
</tr>
</tbody>
</table>

1.4 Who can sell a HUD Home?

Any real estate broker registered with HUD, or real estate agent working for a registered broker, may facilitate the sale of a HUD Home. All brokers MUST be registered with HUD prior to submitting an electronic bid. Only licensed brokers/agents that are registered with HUD and have an active NAID (Name and Address Identifier) may submit these bids. For details on the registration process, please see Section 4.0 NAID Application Process in this Handbook and the NAID Application page on www.HUDHomestore.com. Please note: Brokers will be required to renew their NAID registration with HUD annually. In addition, both the NAID-registered broker and the selling agent must also be registered to bid on www.HUDHomestore.com. Please also note that an active NAID is not required to show HUD homes, but is required to submit bids.

1.5 Who can purchase a HUD Home?

HUD Homes may be purchased by any individual, company, HUD-approved non-profit organization, or government entity that can secure financing or pay cash for the property.

Please note that Local Listing Brokers (LLBs), their affiliates, owners, managers, employees, sales agents, brokers, and family members and business partners of the aforementioned are prohibited from purchasing any HUD Homes. Employees of any HUD contractor (such as the AM, FSM, or Buyer’s Selected Closing Agent affiliated with the LLB) or sub-contractor (such as the FSM’s vendors, the appraiser, or other AM vendors), and their family members, are also prohibited from purchasing a HUD Home.

Purchasers, Selling Agents, and Selling Brokers are all required to sign a Conflict of Interest Certification, identifying any potential conflicts of interest. This form also requires the Purchaser(s), Selling Agent, and Selling Broker to acknowledge the penalties for violating the conflict of interest policy. These penalties may include one or more of the following: 1) cancellation of the purchaser’s contract, 2) forfeiture of the purchaser’s earnest money deposit, 3) removal of the LLB from the LLB network, and/or 4) loss of Selling Broker’s bidding privileges.

1.6 What are the different purchaser types?

There are five purchaser types: Owner Occupant, Investor, Good Neighbor Next Door participants, Government Entities, and Nonprofit Organizations.

An owner occupant is a person who plans to live in the property as their primary residence for at least one (1) year, and has not purchased another HUD Home as an owner occupant within the past two (2) years.

An investor purchaser is someone who buys the property as a second home or as an investment, or who does not qualify as an owner occupant.
A **GNND participant** is a qualifying officer, teacher, firefighter, or emergency medical technician (EMT). Please see **Section 9.1 Good Neighbor Next Door (GNND) Sales Program** for eligibility and other program requirements.

**Government entities**, including counties, cities, and townships, foster housing opportunities by purchasing HUD Homes at a discount, making any necessary repairs, and then reselling the homes to low to moderate income families. Only government entities can purchase Dollar Homes (please see **Section 9.2 Dollar Home Program**).

HUD-approved **nonprofit organizations** may also purchase homes for rehabilitation and resale to first-time homebuyers and low to moderate income families. Nonprofits may not bid on Dollar Homes, and will only receive a discount if the property is purchased during the Lottery period. Please see **Section 9.3 Programs for Approved Nonprofits** for details.

### 1.7 How do I purchase a HUD Home?

After selecting a property, interested purchasers submit their bids via [www.HUDHomestore.com](http://www.HUDHomestore.com). A HUD-registered broker or real estate agent must submit an electronic bid on behalf of an owner occupant, investor, or Good Neighbor Next Door purchaser. Registered non-profit organizations and government entities may submit bids without the use of a real estate agent. BLB Resources reviews the bids after the bid deadline, and selects the bid in the best interest of HUD, usually the bid with the highest acceptable net to HUD. Up to three (3) back-up offers may also be selected, that will be honored until the property closes. The purchaser is required to submit a complete and accurate contract package within two (2) business days of bid acceptance, which includes a pre-qualification letter from a lender for purchasers obtaining financing or proof of funds for at least the amount of the purchase price for cash purchasers.

Please note that BLB Resources requires a valid **pre-qualification** letter from a lender for purchasers obtaining financing. However, HUD’s earnest money deposit forfeiture policy requires a **pre-approval** letter. Please see **Section 12.2 Forfeiture of Earnest Money Deposits** for more information.

### 1.8 How do I find HUD Homes available to purchase?

HUD Homes are marketed on the local Multiple Listing Service (MLS) and on HUD’s national bid site, [www.HUDHomestore.com](http://www.HUDHomestore.com). Local Listing Brokers (LLBs) also market HUD Homes through numerous methods, such as print advertisements, social media, flyers, and real estate websites. Please note that property information on [www.HUDHomestore.com](http://www.HUDHomestore.com) supersedes information in the MLS or any other advertising source.

### 1.9 When are new and relisted properties released for sale?

Please visit [www.HUDHomestore.com](http://www.HUDHomestore.com) frequently for the latest HUD inventory. BLB Resources may release new and relisted (when applicable) properties for sale on a daily basis, Monday through Friday, by 1:00 a.m.

### 1.10 How is the list price of HUD Homes established?

BLB Resources establishes the initial list price of each property assigned to us based on any combination of valuation tools. These tools allow us to evaluate the market and take into consideration many factors, including the property’s age, condition, functional utility, and subject market reaction to the various property features and amenities (including pool/spa, garage/carport, basement, etc.). These factors also influence the insurability of the property, which in turn determines the eligibility of the various purchaser types.
1.11 What is the Exclusive Listing Period for HUD homes?

When a HUD Home is first listed for sale, priority is given to owner occupants, non-profit organizations, and government entities. The duration of this Exclusive Listing Period will vary depending on the property’s FHA insurability. Please see Section 3.0 Financing Types in this Handbook for more information regarding insurability.

If the property is being sold as Insured (IN) or Insured with Escrow (IE), the Exclusive Listing Period is 15 days for owner occupant purchasers, non-profit organizations, and government entities. Bids received during the first 10 days are considered to be received simultaneously (i.e., there is no priority given to bids submitted earlier in the bid period than bids submitted later), and the initial bid review is on the 11th day of the Exclusive Listing Period. If there is no winning bid, bids continue to be reviewed on a daily basis until the 15-day period ends, at which time it enters the Extended Listing Period if there are no winning bids.

Please note: if a property listed as IN/IE has a bid accepted before reaching the end of the 15-day exclusive listing period, that listing period is paused for the duration of the escrow period. If the property falls out of escrow and is relisted, it will return to the exclusive listing period until the end of the 15 day exclusive period has been reached.

- For example: An IN property has a bid accepted on day 12 of the 15-day exclusive listing period, then 2 months later falls out of escrow. If there are no backup bidders awarded, the property will be relisted for the remaining 3 days of the 15-day exclusive listing period. At the end of the 15 days, the property then enters the Extended Listing Period.

If the property is Uninsured (UI) or Uninsured 203(k) eligible (UK), the Exclusive Listing Period is 5 days for owner occupant purchasers, non-profit organizations, and government entities. Bids received during these 5 days are considered as though they are received simultaneously (i.e., there is no priority given to bids submitted earlier in the bid period than bids submitted later), and are not opened until the 6th day of the Exclusive Listing Period, at which time it enters the Extended Listing Period if there are no winning bids.

Bids received on Fridays, Saturdays, and Sundays in the same bid period will be considered as being received simultaneously during that period and will be opened on the following Monday or the next business day if Monday is a Federal holiday.

Bids received on a Federal holiday in the same bid period will be considered as being received on the previous day and will be opened on the next business day. For example, if Wednesday is a Federal holiday, bids received on Tuesday and Wednesday will be opened and reviewed on Thursday (or on the next business day, if Thursday is also a Federal holiday).

1.12 What is the Extended Listing Period for HUD homes?

After the Exclusive Listing Period has expired, all unsold properties enter the Extended Listing Period. These properties are available for all purchasers, including investors, until an acceptable bid is submitted. Bids are reviewed the next business day following submission.

1.13 What is the Lottery Period?

Certain property eligibilities allow Good Neighbor Next Door participants, HUD registered non-profit organizations, and/or government entities to bid on the property prior to becoming available to Owner Occupant bids. These properties, which are usually located in HUD designated revitalization areas or are in areas...
determined to be uninsurable, are available in the Lottery period for 7 days. If there are no winning bids when the Lottery period ends, these properties then enter the Exclusive Listing Period for 5 or 15 days, depending on the insurability of the property.

1.14  When can investors submit bids?

Investors may submit bids on all properties during the Extended Listing Period.

1.15  Can residents of other countries (such as Canada or Mexico) purchase a HUD Home?

Yes, HUD homes may be purchased by residents of other countries (referred to as foreign nationals), provided they can secure financing or pay cash for the property. Please note that when a bid for a foreign national is submitted, a valid identification number must be entered in the Social Security Number (SSN) field. Foreign nationals who do not have a valid US government identification number may not purchase HUD Homes.

Foreign nationals intending to purchase a HUD Home as an owner occupant must submit their bid with a valid SSN. All owner occupant purchasers, even foreign nationals, must have a valid SSN and may be required to provide a copy of their Social Security card.

Foreign nationals intending to purchase a HUD Home as an investor must submit their bid with a valid SSN, business Employer Identification Number (EIN), Individual Tax Identification Number (ITIN), or other US government identification number.

BLB Resources reserves the right to request verification of the US government identification number submitted in the bid by the foreign national.

1.16  May more than one bid be submitted?

Purchasers may submit bids on as many properties as they choose, but can only submit one bid per property per bidding period. If the listing period remains the same on Friday, Saturday, and Sunday (and Monday if it’s a Federal holiday), agents/brokers may submit only one bid during that time period for each purchaser.

If the listing period changes on Friday, Saturday, or Sunday (or Monday if it’s a Federal holiday), agents/brokers will be able to submit two bids for the same purchaser during that time period: one bid during the earlier listing period and one bid during the later listing period. For example, if a property is listed as Insured (IN) and the 15-day Exclusive Listing Period ends on a Friday, the agent may submit one bid on Friday and another bid on either Saturday or Sunday.

For clarification purposes of this process, bids are submitted during the open bidding time period (Lottery, Exclusive, or Extended), and the last day of that period is the deadline. The following day is called the “bid opening” or “bid review” date, and on that day BLB Resources selects and awards the bid that is in the best interest of HUD.

Prior to the bid deadline, a bid may be modified or cancelled by the agent. After the bid opening date, the bid cannot be modified, but the agent can cancel it and then submit a new bid if the property is relisted. Please note that due to possible back up bids, not all properties will be relisted if an accepted bid/contract is cancelled.
Please note that an Owner Occupant purchaser can only be awarded one Owner Occupant bid, therefore, if one award is made, any other Owner Occupant bids by that purchaser would be disqualified. Contrary to this, Investors can be awarded multiple Investor bids, provided they can prove adequate financing or pay cash.

### 1.17 Will HUD pay for any closing costs and the selling agent’s commission?

HUD will pay up to 3% of the gross purchase price in closing costs for owner occupant purchasers that are considered to be reasonable and customary in the jurisdiction where the property is located, if submitted in the bid. Closing costs should be entered on Line 5 of the Sales Contract and must match the electronic bid. HUD will pay the lesser of either the amount requested on Line 5 or the actual closing costs. Any funds remaining after the allowable closing costs have been paid will not be credited to the purchaser at closing. Please refer to the most recent HUD Housing Notices for additional information regarding closing costs.

HUD also allows, and will pay, up to 3% of the purchase price for the selling agent’s commission, which should be entered on Line 6a of the Sales Contract. Line 6b denotes the Local Listing Broker’s commission, which is 3% of the purchase price.

Selling and Listing Brokers are eligible to receive a $1,000 commission on select HUD Homes, regardless of the list price and purchase price. These properties are notated in the MLS listing and are also identified on [www.HUDHomestore.com](http://www.HUDHomestore.com) with a symbol of a person and a dollar sign in a little bubble (like this: 🧑‍🔗‍$) in the status column of the Property Search results. Please be advised that the commission on these properties is established from the list price, not the purchase price.

The submitted bid is the final determination of the selling agent commission amount, and may not be modified after bid acceptance under any circumstances. Note that higher closing costs and commissions will reduce the net to HUD, and may affect the competitive bidding ratio. Only the selling agent may choose to reduce his/her commission; the LLB commission may not be reduced.

HUD does not pay any closing costs or commissions on Good Neighbor Next Door (GNND) properties. Please note that even though GNND participants are required to utilize a real estate agent to submit their bids, HUD will not pay the selling agent commission; however, if FHA financing is used, the purchaser may add closing costs and commissions to their loan. Please also note that HUD does not pay closing costs or commissions on Dollar Homes or properties sold to non-profit organizations or government entities.

### 1.18 When can the purchaser get a home inspection done?

**All HUD Homes are sold “As Is.”** HUD does not make any repairs to the property, and does not guarantee or make any representations or warranties as to the condition of the property. Therefore it is important that the purchaser do a visual inspection of the property prior to submitting a bid. The purchaser is also encouraged to have a professional home inspection performed with the utilities activated, within 15 days AFTER the contract has been accepted and signed by HUD. All inspections, tests, and risk assessments are performed at the purchaser’s expense.

Please note that the purchaser must request permission to activate the utilities with the FSM assigned to the property, which may require a non-refundable deposit. The purchaser will be responsible for any damage that occurs as a result of the inspection. Please contact the assigned FSM directly with any questions regarding the utility activation process and to obtain the necessary forms. Submission of the request form does not guarantee that the FSM will grant permission for the purchaser to activate utilities. If the FSM denies the request, the purchaser may still obtain an inspection but may not activate utilities.
Please be advised that the 15-day inspection period applies to owner occupant purchasers only. Investors may inspect the property but will forfeit the entire earnest money deposit regardless of the inspection results if they cancel their transaction.

Please note that pools are not to be filled at any time. HUD REO properties do not require pools to be filled, which differs from front-end FHA transactions. Pools are also not required to be covered as long as there is a secure fence surrounding the backyard. HUD directive states that the lender is to obtain an “as is” statement from the purchaser accepting the pool in “as is” condition. If the underwriter will not accept this method, the transaction must be cancelled. In this situation, please submit a “Cancellation Request” form, along with a lender denial letter as supporting documentation. Please be advised that if BLB Resources discovers that the pool has been filled, it is grounds for cancellation of the transaction.

1.19 Who may advertise HUD Homes? What guidelines must they follow?

Any licensed real estate broker or agent may advertise HUD homes, as long as they have an active NAID. All advertising of HUD Homes must comply with all applicable Federal and state laws, rules and regulations, including but not limited to: the advertising guidelines specified in HUD Handbook 4310.5 Rev. 2, Section 9-18 Broker Advertising; Truth & Lending and Z regulations; Equal Housing guidelines, including utilization of the Equal Housing Opportunity logo; and Federal Criminal Statute 18 U.S.C. § 709, “False advertising or misuse of names to indicate Federal agency,” which prohibits the use of the words “HUD” or “FHA” in the URL, company name, or logo. Use of other names are also prohibited, please refer to aforementioned statute for full list.

HUD homes may not be advertised by the LLB or any other real estate agent or broker until the property is listed for sale. “Coming soon” or other similar signs or advertising is prohibited. Only the LLB assigned to a property may place signage on the property. Please do not destroy, damage or remove the advertising or signage of another HUD-registered selling or listing agent.

In addition, advertising may not imply that the agent or broker is the exclusive listing agent (unless it is the LLB advertising their own listings). Please advertise HUD Homes in a professional, ethical, and positive manner, ensuring that you note any flood plain zones or other disclosures as it appears on the property’s HUDHomestore.com listing. Please refrain from referring to properties as “distressed,” “repo,” “foreclosed,” “repossessed,” “must sell” or any other adjectives with notable negative connotation. It is acceptable to refer to properties as “HUD Homes,” “HUD-owned,” or “HUD-acquired.”
2.0 Important Information about HUD Homes

2.1 HUD’s “As Is” Policy

HUD Homes are sold in “As Is” condition, and without warranty. BLB Resources and HUD make no representation or warranties, expressed or implied, concerning the condition of the property, and will not make repairs to the property. Please note that in states where state/local laws require smoke and/or carbon monoxide detectors to be installed, seller (HUD) is exempt from this requirement as a Federal Entity.

Since the new owner will be responsible for making any needed repairs (including any smoke/carbon monoxide detector inspections and/or repairs), BLB Resources and HUD strongly urges every potential homebuyer to get a professional inspection. As stated in paragraph 1.18 of this Handbook, purchasers have 15 days from the date the contract is accepted by HUD to conduct an inspection. All inspections, tests, and risk assessments are performed at the purchaser’s expense.

2.2 Listings and Bidding

Real estate agents and the general public can view the inventory of available properties for sale at www.HUDHomestore.com. Real estate agents will also find them in their local MLS. BLB Resources lists new, re-listed, and price reduced properties daily (Monday – Friday) on this site. The site provides information regarding special programs, NAID registration, contact information for each property’s assigned contractors (including the LLB), how to find a HUD registered broker, and HUD News.

Bid submissions must be completed electronically by a HUD registered broker or agent. Selling agents have the ability to update their bids on behalf of their clients until the bid deadline, including changing the bid amount, adding or removing purchasers, and changing financing and occupancy types as applicable. Bid cancellation prior to bid review must be done through www.HUDHomestore.com.

We encourage purchasers to submit their bid based on what they believe to be the appropriate market value for the property. However, please be aware that the purchase price for all financed transactions must be supported by the FHA as-is appraised value of the property. Please note that this differs from standard real estate sales, in which the purchaser may renegotiate the purchase price based on the appraised value. If the purchaser wishes to renegotiate the purchase price of a HUD Home, the contract must be cancelled and the property may then be offered to back up bidders or placed back on the market, available for all bidders in accordance with the listing period to which the property returns.

HUD will not provide a copy of the appraisal, which is obtained for marketing purposes only. If a purchaser is securing financing, their lender will take appropriate steps to determine if they must obtain an appraisal, including reviewing the most recent Mortgagee Letters and HUD Handbooks. All appraisals obtained by the lender are at the purchaser’s expense, and the purchaser must pay in cash the difference between the bid amount and the appraised value.

2.3 Access to the Property

Electronic lock boxes may be used to gain access to the HUD Homes. Selling brokers and agents should contact the LLB for all access codes. Please note that the LLB is not allowed to sell or give out keys to the HUD Homes, and selling brokers or agents may not remove or make copies of the keys from the lockbox.
The selling broker or agent must accompany all third parties, including but not limited to purchasers, inspectors, contractors, and lenders, when viewing any HUD Home listed for sale. Please remember to sign in at each visit. Please note that the selling broker or agent must have a valid real estate license to show the property. A valid NAID is required to place bids on the property, but is not required for showings.

Prior to the closing, purchasers are not allowed to enter the home for any amount of time without their real estate agent present. If there are difficulties gaining access to a property, please contact the LLB. Contact information for the LLBs may be found on the property details screen for the specific property on the www.HUDHomestore.com website.

Please note that the purchaser may not occupy, rekey, or make repairs/improvements to the property until close of escrow has been confirmed (deed has been recorded and wire transfer is complete). Purchaser is responsible for rekeying the property AFTER close of escrow for their own safety. Neither the LLB nor the selling broker or agent may give out the keys, copies of the keys, or lockbox codes to purchasers, inspectors, appraisers, contractors, lenders, or any other parties at any time. Selling agents and LLBs will facilitate access to the property for purchasers to complete inspections and/or perform their rekey. Please note that the LLB will return to the property after close of escrow has been confirmed to retrieve their lockbox and signage.

2.4 Occupancy, Repairs, or Improvements Prior to Closing

The following activities are strictly prohibited and will be grounds for cancellation of an accepted bid/contract, including forfeiture of the earnest deposit in favor of the Seller:

1. Any work performed on the property prior to close of escrow except for those repairs to be performed by Seller, as expressly provided for in the applicable Purchase Agreement, and only if approved in writing in advance by BLB Resources. At a minimum, this includes all repairs, improvements, lock changes, and landscape modifications, including such activity as planting and/or removing trees or plants.

2. Depositing personal property in the home, yard, garage, or anywhere on the property prior to close of escrow.

3. Parking vehicles in the driveway, garage, or anywhere on the property prior to close of escrow.

Under no circumstances may purchasers occupy the property prior to closing of escrow.

Please note that the purchaser may not occupy, rekey, or make repairs/improvements to the property until close of escrow has been confirmed (deed has been recorded and wire transfer is complete). The purchaser is responsible for rekeying the property AFTER the close of escrow for their own safety. Neither the LLB nor the selling broker or agent may give out the keys, copies of the keys, or lockbox codes to purchasers, inspectors, appraisers, contractors, lenders, or any other parties at any time. Selling agents and LLBs will facilitate access to the property for purchasers to complete inspections and/or perform their rekey. Please note that the LLB will return to the property after close of escrow has been confirmed to retrieve their lockbox(es) and signage. On behalf of the LLB, we respectfully request that these items are not discarded. If escrow has closed and the LLB has not picked up these items, please contact the LLB for immediate pickup.

Please also be advised that the FSM and its contractors may perform maintenance and/or repairs on the HUD Homes, in compliance with their contract with HUD. Agents, purchasers and their contractors may not interfere
with or influence the work being performed. For example, if the FSM is replacing a broken window, the purchaser may not instruct the FSM to use a specific type of window.

Inspections are routinely performed by the FSM, its contractors, and the LLBs to ensure compliance with this policy. Any violation of any part of this policy may cause cancellation of the sale, forfeiture of the earnest money deposit, and suspension of the selling broker’s NAID and bidding privileges.
3.0 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, although other factors may be considered. When the disposition of the property has been established, the property is listed at fair market value and will reflect the appropriate financing acronym. It is vital that real estate agents have a clear understanding of the FHA financing types, and the corresponding acronyms.

3.1 (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 Requirements (MPR) repairs.

3.2 (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 financing. This disposition represents properties that have MPR repairs which must be addressed post closing. The MPR repairs cannot total more than $11,000 ($10,000 repair limit + 10% overage allowance). The necessary repairs are itemized in the disclosures found on the “Addendums” tab of the Property Details on www.HUDHomestore.com.

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.

The repair escrow amount is the financial responsibility of the purchaser. The repair escrow is never a credit to the purchaser. 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 the repairs are completed. FHA allows up to 90 days after closing for MPR repairs to be completed, however some lenders may have different MPR repair deadlines.

When the repairs to the property have been completed, the lender will inspect the contractor’s work and disburse the funds to the appropriate parties. Please note that if the cost of the repairs is less than the escrow repair amount, the lender will apply the unused funds to the purchaser's principal balance, never cash back to the purchaser.

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. If the purchaser is using non-FHA financing (e.g. conventional, USDA, VA, etc.) or paying cash, the repair escrow is not applicable.

3.3 (UI) Uninsurable

Properties listed as Uninsurable (UI) do not qualify for FHA 203(b) financing. Typically, these properties have MPR repairs exceeding $10,000 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.
3.4 (UK) Uninsurable – 203(k) Eligible

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

3.5 Gift Funds

There are many options for financing the purchase of a HUD Home, including gift funds. If a purchaser is utilizing gift funds as any portion of the down payment, certain guidelines must be met for the funds to be considered acceptable. Gift funds may be provided by the purchaser’s family, employer, friend, or charitable organization, but there must be no expected or implied repayment of the funds. Also, the gift cannot be received from a person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, lender or any other associated person or entity.

Additional information on the gift fund requirements may be found in HUD Handbook 4000.1. Please also contact the purchaser’s lender for any other requirements, as the lender is responsible for verifying that the closing agent received the funds and that the funds were from an acceptable source.

When the purchaser is utilizing gift funds, a Gift Letter must accompany the sales contract package submitted to BLB Resources, as part of the purchaser’s proof of funds. The “Gift Letter” template found on the Agent Resources page of the BLB Resources website includes the following 10 items as required by HUD:

1. The dollar amount of the gift
2. Name of the donor
3. The donor’s signature
4. Address of the donor
5. Telephone number of the donor
6. Donor’s relationship to the recipient/purchaser
7. Name of the purchaser
8. The purchaser’s signature
9. A statement that no repayment is required
10. A statement asserting that the funds were not provided by any person or entity with an interest in the sale of the property.

Please ensure that the Gift Letter also references the FHA Case Number and Property Address. In addition to the Gift Letter, the purchaser must also include a copy of the gift check or bank statement from the donor reflecting the gift withdrawal, as well as a copy of the deposit receipt or purchaser’s bank statement evidencing receipt of funds.
4.0 NAID Application Process

In order for a real estate broker or agent to place bids on HUD Homes, the broker of the office must first register for a NAID (Name and Address Identifier) from HUD. The basic application for a NAID does not provide the broker with a NAID number; the broker must apply and be approved. Failure to fill out the NAID application completely and correctly will delay the broker from being issued a NAID, which will prevent the broker and any agents in the broker’s office(s) from being able to submit bids on HUD Homes for their clients.

When the NAID has been issued to the broker, all the agents in the office will use the same NAID as the broker. Please note that HUD does allow more than one broker per office to have a NAID number. If there are multiple brokers in an office that each have a valid NAID, the broker whose NAID was used to submit a particular bid must sign that contract. If a brokerage has several offices, each with a different broker, each office may apply for a separate NAID. HUD no longer allows authorization letters, except in case-specific emergency situations.

Please note that the NAID must be recertified annually. The application and recertification process may take up to several weeks to process. Please be advised that NAID applications, recertifications, and updates are all submitted and processed online via the HUDHomestore NAID Application Portal. In addition to the step-by-step instructions in the portal, please also view the User Guides available on the HUDHomestore Help page.
5.0 Registration to bid on [www.HUDHomestore.com](http://www.HUDHomestore.com)

HUD requires each selling broker and agent (as well as nonprofits and government agencies) to register as a bidder prior to submitting any bids. The principal broker of the office must first have a valid NAID and have completed the bidder registration process on the HUDHomestore site in order for associate brokers and selling agents to register.

Please note that the broker cannot register with more than one NAID per state license. If there are many agents in several different locations that want to register, they must all register under a single NAID, unless each location has a separate broker with a separate NAID.

To begin the Bidder Registration process, go to [www.HUDHomestore.com](http://www.HUDHomestore.com) and click on the “Bidder” link under the “Register” heading on the upper right hand corner of the page.

![HUDHomestore Website](https://example.com/hudhomestore.png)

Follow the instructions as the site guides you through registration. Please view the [HUDHomestore Help page](http://www.HUDHomestore.com/help) for videos and guides on how to register and use HUDHomestore.
6.0 Search for and Bid on Available Properties

To bid on HUD Homes, you must first find the property for which you wish to bid on HUDHomestore.com, using one of several methods. From the map on the right side of the page, you may click on your state, and all available properties will populate. You may search by entering specific information, such as City, Price Range, or Number of Bedrooms, in the “Search Properties” section in the middle of the page. Finally, you may search for all available Special Program properties in the bottom portion of the blue box on the left hand side of the page.

When you have completed your search, the “Property Search Results” will appear. Click on the “Property Case” number to view the Property Details. You may also save your search results by clicking the “Save Search” link, to view at a later time by selecting the “Saved Searches” link.
7.0 Modifying, Withdrawing or Cancelling a Bid

BLB Resources recommends that all agents log in to their HUDHomestore profile prior to submitting a bid. This will help ensure agents are registered and able to log in again at a later time to check the status of their bid. However, please note that logging in prior to bidding is not required, and agents will still be able to view the status of their bid. Please be advised that in order to link a submitted bid to an agent’s profile so they can view the status of the bid, the license number entered during bid submission must exactly match the license number in the agent’s profile. An incorrect license number submitted in either the profile or the bid may prevent the bids from appearing in the agent’s “Review Bids” screen on HUDHomestore.

Please ensure you have carefully proofed your bid prior to submitting it. You may modify your bid prior to bid acceptance if you realize you input incorrect information or your purchaser wishes to change any of the terms. However, certain information may not be changed after the bid is accepted (such as the purchase price, commissions, and purchaser type).

7.1 Modifying a Bid Prior to Bid Acceptance

To modify a bid that you have already submitted, first verify that the bid deadline has not already passed. If the bid deadline has not passed, you may log in to your profile on www.HUDHomestore.com and click on the Bidder Functions link on the upper right hand corner of the page.

This will bring up the Review Your Bids filter, where you can locate your bid by entering any of the search filter criteria such as confirmation number, purchaser last name, or bid status. Any bids matching the search criteria will appear below the search filter fields. Click on the Confirmation Number link to view the details of the bid.

The Bid Details screen will appear where you will be able to view information about the property, bid, and purchaser. Additional information about the selling agent or related addenda will be featured on secondary tabs. If the bid has not reached the bid deadline, you will have the option to modify or withdraw the bid.
If you select the Modify Bid button, the Bid Submission screen will appear, offering you the opportunity to edit any of the terms or other information submitted in the original bid. Simply type the new information into the field where it needs to be changed, and then click the Continue button at the bottom of the form when finished.

A message will display, asking you to confirm the changes and resubmit the modified bid. Read the terms and conditions, check (✓) the box to accept, then click the “Confirm This Bid” button, as you did when you submitted the original bid. Print or save the new confirmation number (that supersedes the original confirmation number) by clicking the link to Print Bid Acknowledgement.

### 7.2 Withdrawing a Bid Prior to Bid Acceptance

To withdraw a bid is to cancel it prior to acceptance. From the Bid Details screen you will click the Withdraw Bid button. A Bid Summary screen will appear with a warning that the bid has not yet been withdrawn.

In order to withdraw the bid, you will need to scroll to the bottom of that form. Read the terms and conditions, check (✓) the box to accept, and then click the “Withdraw This Bid” button.
7.3 Cancellation after Bid Acceptance and Prior to Contract Ratification

In the event a purchaser wishes to cancel after the purchaser’s offer has been accepted, but the contract has not yet been ratified, please email a signed Cancellation Request Form to 3Pcancellations@blbresources.com or fax to 248-301-6647. BLB Resources will process the request within two (2) business days of receipt. Please note that due to possible back up bids, not all properties will be relisted if an accepted bid is cancelled.

7.4 Cancellation after Contract Ratification

In the event a purchaser wishes to cancel a contract after ratification, they will submit a signed BLB Resources Cancellation Request form to the appropriate BLB Resources office for processing. In addition to this form, the purchaser must submit additional documentation describing the reason for cancellation. After reviewing the additional documentation, the closing department will determine whether the case qualifies for a refund of the EMD. If no documentation is submitted with the Cancellation Request form, the EMD will be automatically forfeited. Please see Section 12.2 Forfeiture of Earnest Money Deposits for more information.

To cancel a bid after contract ratification, please email the form and supporting documentation to 3Pcancellations@blbresources.com or fax to 248-301-6647. BLB Resources will process the request within two (2) business days of receipt. Please note that due to possible back up bids, not all properties will be relisted if a ratified contract is cancelled.
8.0 Other Changes after Contract Ratification

Please note that the purchase price, closing costs, and commissions may not be modified after the bid is accepted. However, after the contract has been ratified, the purchaser may make other changes such as adding or removing purchasers, or changing the financing type or escrow repair amount. Purchasers may also request authorization from the FSM to activate the utilities for the home inspection. If the purchaser is obtaining FHA financing, the purchaser, selling agent or lender may request a copy of the termite report, if a termite inspection was completed. Download the appropriate form from our website, www.blbresources.com, then complete and submit the form and any necessary documentation to the appropriate BLB Resources office for review.

8.1 Adding or Removing Purchasers

Up to four (4) purchasers may be entered during the bid submission process. If there are additional purchasers that are known at the time the bid is submitted, they may be added to the contract by completing the “Request to Add Purchaser” form and submitting it along with the original contract.

Other purchasers may also be added after the contract has been ratified. There is no limit to the number of purchasers that may be added to a contract. However, please note that if the purchasers are obtaining financing, the lender will usually require that all purchasers added to the contract are also added to the loan.

To add or remove purchasers after contract ratification, please complete the appropriate form from the BLB Resources’ website, then email the form and supporting documentation to 3Paddenda@blbresources.com or fax to 248-301-6647. Please note that a revised proof of funds or pre-qualification letter is usually required as part of the supporting documentation when adding or removing purchasers.

Please note that the original purchaser, under whose Social Security Number the offer was submitted, may not be removed from the contract. If the original purchaser needs to be removed from the contract, submit a cancellation request.

8.2 Requesting Authorization to Activate Utilities for the Purchaser’s Home Inspection

Purchasers may request activation of utilities to facilitate ordering a home inspection. The purchaser has a 15 day period after contract ratification to activate utilities and complete the home inspection. All inspections, tests, and risk assessments are performed at the purchaser’s expense.

Please note that the purchaser must request permission to activate the utilities with the FSM assigned to the property, which may require a non-refundable deposit.

8.3 Requesting to Change Financing Type

Purchasers may change financing after ratification, as long as the requested financing type is still consistent with the listed insurability of the property. To change financing, please complete the form, and fax it with supporting documentation to 248-301-6647 or email to 3Paddenda@blbresources.com.

Please note that if the contract is ratified with FHA financing, there may be a termite inspection completed, as well as possible termite treatment. In addition, if the home was built prior to 1978, there may be Lead Based Paint (LBP) testing and stabilization. If the purchaser changes from FHA insured financing to cash or other non-
FHA financing after these inspections, treatment, and/or stabilization, the purchaser will be responsible for the cost of the termite inspection, any subsequent termite treatment, the LBP inspection, and any LBP stabilization. Please also note that if the property is listed as Uninsurable (UI or UK), the purchaser may not change financing to FHA insured.

The “Request to Change Financing Type” form may also be used to change the escrow repair amount by selecting the “FHA 203(b) repair escrow” box under the Current Financing Type section and filling in the current escrow repair amount. Then select the “FHA 203(b) repair escrow” box in the Requested Financing Type section and enter the new escrow repair amount. Ensure that a repair bid or inspector’s estimate is attached as supporting documentation. Please note that the escrow repair amount may not be increased above the limit of $11,000 ($10,000 repair limit + 10% overage allowance). If repairs are above this limit, 203(b) repair escrow financing may not be utilized.
9.0 Information on Special Programs

9.1 Good Neighbor Next Door (GNND) Sales Program

About the GNND Sales Program

The program is designed to encourage renewal of revitalization areas in order to help communities and promote homeownership. HUD offers a substantial incentive in the form of a discount of 50% from the list price of the home. In return, the purchaser must commit to live in the property for 36 months as their sole residence. HUD views the occupancy obligation seriously, and vigorously pursues violators to the fullest extent of the law. Please refer to the Good Neighbor Next Door page on HUD's website for more information regarding the GNND program.

Who is Eligible?

- Law Enforcement
  - Must be employed full-time by a law enforcement agency of the federal government, a state, a unit of general local government, or an Indian tribal government; and, in carrying out such full-time employment, you are sworn to uphold, and make arrests for violations of, federal, state, tribal, county, township, or municipal laws.

- Teachers
  - Must be employed as a full-time teacher by a state-accredited public school or private school that provides direct services to students in grades pre-kindergarten through 12. Teachers are eligible to purchase HUD Homes under the GNND program in the same school system where they teach – or in the case of a private school, within the radius where the school draws the students.

- Firefighter/Emergency Medical Technicians
  - Must be employed full-time as a firefighter or emergency medical technician by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government serving the area where the home is located.

What is the bidding process?

GNND properties are listed and sold exclusively through www.HUDHomestore.com. Bids must be submitted electronically, in the amount of the list price. HUD does not pay closing costs or commissions for these sales; however, if FHA financing is used, the purchaser may add closing costs and commissions to their loan.

How to Participate?

Purchaser must meet the requirements for verifying purchaser is a law enforcement officer, teacher, firefighter, or emergency medical technician, and comply with HUD's regulations for the program. HUD requires that purchaser sign a second mortgage and note for the discount amount. No interest or payments are required on this "silent second," provided that purchaser fulfills the three-year occupancy requirement. Additional addenda are required for these sales and may be found in the Good Neighbor Next Door Program (GNND) section of the Agent Resources page for your state of the BLB Resources website.
Stipulations

Neither the purchaser nor his/her spouse may have owned any residential property during the year prior to the date of submitting a bid on the home intended to purchase. For example, if the purchaser submits an offer to purchase a home on August 1, 2010, they may not have owned a home during the period from July 31, 2009 to the date the bid is submitted.

In addition, neither the purchaser nor his/her spouse may have ever purchased another home under the GNND sales program.

9.2 Dollar Home Program

About Dollar Home Program

The Dollar Home Program initiative helps local governments foster housing opportunities for low to moderate income families, and addresses specific community needs by offering the opportunity to purchase qualified HUD-owned homes for $1 each.

Properties are made available in this program when they have been listed and unsold for 6 months. They will be available exclusively for eligible units of local government for 10 days. If a valid offer is not submitted within those 10 days, the property will then be moved back to the general Extended listing period for all purchasers to bid. Please note that the property will still be available for the Dollar Home Program for eligible units of local government after it goes back to the extended listings.

Please also note that if a property sells under the Dollar Home Program, or to a Dollar Home participant, the LLB will not receive a commission. Generally, the participant submits a bid directly, without utilizing the services of a selling agent, so there is also no selling agent commission paid.

Who is eligible?

HUD registered Units of Local Government including:

- Counties
- Cities
- Townships

Sales Contract Requirements

The Sales Contract Package must include the intended use of the property, and in the case where there are proceeds, must include the specific community development programs for which they will be used.

9.3 Programs for Approved Nonprofits

FHA offers community and faith-based nonprofit organizations the opportunity to purchase HUD homes at discounts up to 30 percent under the direct sales program. With this discount, local nonprofit organizations invest in their communities through property rehabilitation, and resell to first-time homebuyers and low to moderate income families.
How do nonprofit organizations bid on HUD Homes?

Nonprofit organizations must be approved by the local Homeownership Center (HOC), as well as HUD-registered with an active NAID. Please visit the HUD-Approved Nonprofit Organizations and Government Entities page of HUD’s website for additional information on approval information. Also, please review Section 4.0 NAID Application Process in this handbook for details on obtaining a NAID.

After obtaining FHA Approval and a valid NAID, nonprofit organizations may bid on HUD Homes available on www.HUDHomestore.com. Please note the following:

1. During the **Lottery** period, nonprofit organizations may bid on their own (do not need a real estate agent to submit a bid). Bids must be full-price offers, but if the bid is awarded to the nonprofit, it **will** receive the discount.
2. During the Competitive listing period, bids are awarded to the highest bidder.
   a. During the **Exclusive** Listing Period, nonprofits may bid on their own (do not need a real estate agent to submit a bid). The bid may be submitted in any amount desired. However, the nonprofit organization **will NOT** receive a discount if the bid is awarded to it.
   b. During the **Extended** Listing Period, nonprofits can submit bids on their own or utilize a real estate agent to submit the bid on their behalf. Nonprofits bidding during this time will be considered investors. Bids may be submitted in any amount desired. However, the nonprofit organization **will NOT** receive a discount if the bid is awarded to it.
10.0 Buyer Select Closing Agent Programs

HUD has implemented a “Buyer Select” closing agent program. All buyers will be required to select their own escrow company/closing agent. The selling agent will be required to provide information regarding the selected escrow company during the bid submission.

Please note, all closing fees will now be a buyer expense. HUD will only pay a portion of the closing fees if the buyer includes closing costs on line 5 at the time of bid submission, and there are sufficient funds remaining to allow for this fee to be paid. If there are no closing costs included in the bid, the buyer will be required to pay all escrow and closing fees.

The purchaser must select any state licensed escrow company during bid submission. When entering the selected company in the bid form, type slowly to allow potential matches to populate. If the title/escrow company already has a Title ID, please ensure that company is selected, otherwise duplicate ID numbers could be created for the same company (potentially slowing the contract ratification process).

If the selected escrow company does not appear in the list as you begin to enter the company name, that company likely does not already have an assigned Title ID #. Continue entering all of the required information, and contact the title/escrow company to obtain a copy of their license and E&O insurance. These documents will need to be provided to BLB Resources upon bid acceptance in order for the Sales team to notify the Santa Ana Home Ownership Center (HOC) so HUD can assign the Title ID #. HUD anticipates a 24 hour turnaround time for this task, but it could potentially take longer in some cases. Please note that BLB Resources is not able to ratify the contract until this number is obtained; therefore it is extremely important to provide any requested information in a timely manner. When the Title ID # is obtained and all other components of the contract package are correct, the contract package will be ratified and closing proceeds as normal. Training materials and instructions will be provided to new escrow companies to guide them through the process.

Please be advised that when the buyer has selected an escrow company, they must remain with that company until the transaction closes. The only way for a buyer to switch escrow companies is to cancel the contract. However, please note that EMD will NOT be refunded if the sole cancellation reason is to switch escrow companies. Also, there may be backup bidders that may be awarded. If there are no backup bids, property will get relisted and buyer would need to re-bid and there may be a chance the buyer would not get awarded the property again.

Also note that even though HUD does not require a title insurance policy to close, many lenders do. The cost of title insurance is the buyer’s responsibility. HUD will pay this cost ONLY IF the buyer requests closing costs on Line 5 of the contract at bid submission and there are sufficient funds to cover this cost. The buyer may opt to obtain title insurance from a different company than their selected escrow company, but this must be communicated to the escrow company. Neither BLB Resources nor HUD is involved in the selection of the escrow or title insurance company.
11.0 Sales Package Requirements

Effective 5-1-17, HUD is utilizing an Electronic Signature (E-Signature) process through DocuSign for the sales contract package. Please visit the HUDHomestore Help page for details regarding bid information and to view videos and guides of this process.

If your bid has been accepted, and your question is not answered by the HUDHomestore help materials, please contact our Customer Service Department by calling (248) 356-4711 or emailing 3PSalesContract@blbresources.com.

11.1 E-Signature Additional Instructions

Selling agents are now required to utilize E-Signatures on all HUD Sales Contract Packages. The E-Signature process will take part through online technology from DocuSign and all parties privy to this contract will receive direct emails at designated times in the workflow requiring verification and E-signatures of the sales contract document.

The E-Signature Contract Package must include the EMD and Proof of Funds/Pre-Qualification Letter listed below. If any other items listed applies to your case, then please upload it. Only upload the items applicable to your case. To upload these documents, please access the checklist through the Accepted Bids tab in your www.HUDHomestore.com bidder account. Upload the respective documents to the respective section of the checklist.

These additional documents include:

- Earnest Money Deposit – a COPY must be attached in the Earnest Money Deposit upload link via the Checklist link in the Accepted Bids tab of your HUDHomestore profile, and the ORIGINAL EMD delivered to the LLB within two business days of bid acceptance
- Proof of Funds
  - Pre-Qualification Letter for any financed sales
    - Must be dated within the last 30 days, and printed on lender’s letterhead
    - Must include purchaser’s name, type of financing, and lender’s contact information including loan officer’s email address
    - Please note that the Forfeiture and Extension policy requires a valid pre-approval letter for earnest money refunds in the event a ratified contract is cancelled. This policy is strictly enforced
  - Cash Sale
    - Bank statement (within last 30 days)
• If gift funds are being used, gift letter signed by donor and recipient must be included
  ▪ Must also include a copy of the gift check or bank statement from the donor reflecting
    the gift withdrawal, as well as a copy of the deposit receipt or purchaser’s bank
    statement evidencing receipt of funds

• Broker Authorization Letter (as needed)
  o If the designated broker for the NAID is unavailable to sign the contract, an alternative broker
    may be authorized to sign instead by including the completed and signed case-specific Broker
    Authorization Letter

• Buyer Select Closing Agent License and E&O Insurance (required ONLY IF PROMPTED)
  o If prompted in the Buyer Select Closing Agent section of the checklist, please upload the closing
    agent’s active professional license and their current E&O Insurance. The file will not be able to
    move forward if these documents are needed.
  o If you are not promoted, then the system already has their current information on file and it
    does not need to be uploaded until it expires.

• Investor documentation (as needed)
  o If purchaser is an LLC, please include articles of incorporation
  o If purchasing under a trust, please include trust documentation
  o Please note that HUD will NOT pay a sales commission to the Selling Agent/Broker if the Investor
    Purchaser(s) is also the Selling Agent/Broker and/or affiliated with the Selling Agent/Broker.
    Purchaser is considered affiliated if their brokerage or company shares the same EIN and/or
    ownership as the Selling Agent/Broker, or if purchaser is an immediate family member of the
    Selling Agent/Broker.

• Agency Disclosure Form (optional)
  o This is your state/local Buyer Representation or Agent Disclosure Agreement, not a BLB
    Resources or HUD form
12.0 Information on Earnest Money Deposits

12.1 Earnest Money Deposit (EMD) Requirements

The earnest money deposit must be in the form of cashier’s check or U.S. Postal Money Order with no termination date or cancellation provision.

The EMD check must be made payable to “(insert buyer’s selected escrow company) or (insert buyer’s name).” For example, if purchaser is named John Smith, who selected ABC Escrow Company, the check must be made payable to “ABC Escrow Company or John Smith.” It is also acceptable to make the check payable to just the buyer’s selected escrow company.

A copy of the EMD check must be uploaded in the Earnest Money Deposit upload link via the “Checklist” link corresponding to the bid, found within the “Accepted Bids” tab of your HUDHomestore profile. Please note that at this time, this is the only link where selling agents will be allowed to upload documents, so any other required documents (please see previous section) must be combined into one PDF file with the copy of the EMD check and uploaded as one document. Please remember to click the “Save All Changes” button on the Checklist screen once all information has been verified and the EMD check has been uploaded.

**ORIGINAL EMD checks must be delivered to the Local Listing Broker (LLB) assigned to the property within two (2) business days of bid acceptance.** We recommend that a copy of the buyer select addendum be provided to the LLB so the LLB may verify the EMD is correct. A COPY of the EMD must be included with the original contract package submitted to BLB Resources. Upon contract execution by BLB Resources, the LLB will be instructed to deliver the EMD to the closing agent selected by the buyer.

EMD rules and regulations apply to all owner occupant and investor purchases.

The amount of EMD required is determined by the sales price (except for vacant lots and GNND properties) as follows:

For properties with **bids accepted prior to 9-28-18**, the amount of EMD required will be:

- $500 for properties with a sales price of $50,000 or less
- $1,000 for properties with a sales price greater than $50,000
- For vacant lots, EMD is based on disposition list price:
  - For vacant lots with a list price less than $1,000, EMD is 50% of list price
  - For vacant lots with a list price of $1,000 or more, EMD is $500
  - For vacant lots with a list price of $50,000 or more, EMD is $1,000
- For GNND properties, the EMD is 1% of the list price (not less than $500 and not to exceed $2,000)
For properties with bids accepted on/after 9-28-18, the amount of EMD required will be:

- $500 for properties with a sales price of $50,000 or less
- $1,000 for properties with a sales price greater than $50,000 but less than $250,000
- $2,000 for properties with a sales price equal to or greater than $250,000
- For vacant lots, EMD is based on disposition list price:
  - For vacant lots with a list price less than $1,000, EMD is 50% of list price
  - For vacant lots with a list price of $1,000 or more, EMD is $500
  - For vacant lots with a list price of $50,000 or more, EMD is $1,000
- For GNND properties, the EMD is 1% of the list price (not less than $500 and not to exceed $2,000)
  *These amounts are not negotiable*

### 12.2 Forfeiture of Earnest Money Deposits

Closing timeframes are as follows:

- 30 days for investor purchasers regardless of financing, and all Cash/Hard Money purchasers
- 45 days for 203(b), 203(b) repair, or conventional financing
- 45 days for Non-profit purchasers
- 60 days for 203(k) financing

The failure by a Purchaser to close on the sale of property within the allowable period may result in the forfeiture of the ENTIRE earnest money deposit, except where special circumstances exist. These situations will need to be documented and granted by HUD.

- **Investor Purchasers**
  - Please note the 15-day inspection period applies to owner occupant purchasers only. Investors may inspect the property but will forfeit the entire earnest money deposit regardless of the inspection results.
  - **Uninsured Sales** – The purchaser will forfeit the entire EMD for failure to close within the allotted time, regardless of the reason
  - **Insured Sales** – The purchaser will forfeit fifty percent (50%) of the EMD for failure to close if the purchaser is determined by HUD or a Direct Endorsement underwriter to be an unacceptable purchaser. The purchaser will forfeit the entire EMD if the sale fails to close for any other reason.

- **Owner Occupant Purchasers** – The forfeit of EMD is applicable regardless of sale type unless otherwise stated.
  - The purchaser will receive a refund of the entire EMD under the following circumstances:
    - There has been a death in the immediate family (contract holder, spouse, or children living in the same household).
- There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely affecting the purchaser’s financial ability to close the sale.

- There has been a job loss by one of the primary sources of income, or substantial loss of income through no fault of the purchaser.

- For Insured sales, HUD (or a Direct Endorsement underwriter using HUD guidelines) determines that the purchaser is not an acceptable borrower.

- For Uninsured sales, 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.

- For other good cause, as determined by HUD.
  
  o On an uninsured sale, the purchaser will forfeit fifty percent (50%) of the EMD 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.

  o On either type of sale, the purchaser will forfeit the entire EMD 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.

12.3 Vacant Lot Sales

For vacant lot sales, the purchaser will be considered as an investor and the instructions pertaining to forfeiture of EMD by investors will apply.
13.0 Lead Based Paint (LBP) Inspections

If the property was built prior to 1978, and FHA insured financing [203(b), 203(b) repair escrow, or 203(k)] is being used, BLB Resources will issue a work order to the FSM at contract ratification to complete an LBP inspection. If the purchaser is paying cash or obtaining non-FHA insured financing (conventional, VA, Rural Development, etc.) an LBP inspection will not be provided.

If the inspection reveals LBP that needs to be stabilized, HUD will pay for the stabilization and clearance, not to exceed $4,000. If the stabilization costs exceed $4,000, the purchaser has the following options:

1. Cancel the transaction and receive a full EMD refund, or

2. Proceed with 203(k) financing and include the stabilization costs in the rehab costs. If the purchaser is using 203(b) or 203(b) repair escrow financing, the purchaser will need to submit a Request to Change Financing Type, changing to 203(k) financing.
   a. Please note that if purchaser is using 203(k) financing and stabilization costs exceed $4,000, HUD will credit up to $4,000 to the purchaser at closing.
   b. Please also note that both the purchaser(s) and the lender will be required to sign Form HUD-9548-G: 203(k) Rehabilitation Financing Lead Agreement, which incorporates the LBP stabilization plan into the 203(k) repair.

3. Proceed with cash or non-FHA financing.

Purchasers may change financing after ratification, as long as the requested financing type is still consistent with the listed insurability of the property. If the purchaser changes from FHA insured financing to cash or other non-FHA financing after the termite inspection, termite treatment, LBP inspection, and/or LBP stabilization, the purchaser will be responsible for the cost of the termite inspection, any subsequent termite treatment, the LBP inspection, and any LBP stabilization.
14.0 Termite Inspections

14.1 Criteria for Ordering Termite Inspections

BLB Resources will disclose the presence of termites or other WDO as indicated on the appraisal obtained for HUD’s marketing purposes. The FSM is responsible for ordering a termite inspection. However, please note that a termite inspection will ONLY be ordered if the property meets one of the following criteria:

1. Termite or Wood Destroying Organism (WDO) inspections are mandated by state or local jurisdiction


Please note that if a termite inspection is required, it must be completed prior to close of escrow. The inspection cannot be included in the escrow holdback (if applicable). However, any unresolved items after active infestation has been cleared may be included in the escrow holdback.

If inspections are not mandated by state or local jurisdiction and the purchaser is paying cash or obtaining non-FHA insured financing (conventional, VA, Rural Development, etc.), a termite inspection will not be provided and the purchaser has the right to order an inspection and treatment at their own expense. Please note that in this situation, the purchaser’s inspection may be conducted prior to close of escrow, however any necessary WDO treatment must be completed after the close of escrow.

14.2 Termite Clearance

If the FSM obtains a WDO inspection, and the inspection report indicates active WDO infestation, BLB Resources will issue a Work Order Notification to the FSM for treatment of the active infestation. However, please note that the FSM will only clear the active infestation, not all Section 1 items will be included. If the lender requires additional Section 1 repairs completed that were not part of the active infestation, they can be included in the repair escrow. Note: repair escrow cannot total more than $11,000 ($10,000 repair limit + 10% overage allowance).

14.3 Requesting Termite Report Copies

The purchaser may request a copy of the Termite Report by completing the Termite Report Request Form found on the Agent Resources page for your state on our website (www.blbresources.com) and submitting it via email to 3Paddenda@blbresources.com or fax to 949-301-6647.
15.0 Well, Septic, and other Point of Sale Inspections

Depending on the location of the HUD home, the process to close escrow and transfer title on a home with a well or septic system may vary. It is the responsibility of the FSM to be aware and up to date on these requirements.

HUD will pay for these inspections ONLY if a state law or local ordinance specifically stipulates that it IS a seller-required inspection that must be completed in order to transfer title. HUD will NOT pay for inspections or repairs that are lender-required if they are not also a state or local requirement.

In other areas, state law or local ordinances may require a certificate of occupancy or other point of sale inspection in order to transfer title. In this case it is the seller’s responsibility to pay for any required inspections in order to close and transfer title. Any repairs required by the municipality will be the purchaser’s responsibility to complete after transfer of title.

The FSM is usually responsible for ordering the inspection(s). The selling agent’s responsibilities are to follow up on inspections and repairs with the FSM, and communicate the need for these requirements to BLB Resources. We can then assist the selling agent by also following up with the FSM to ensure the inspections are completed prior to close of escrow.
16.0 Information on Sales Contract Extensions

Closing timeframes are as follows:

- 30 days for all Cash/Hard Money purchasers
- 45 days for 203(b), 203(b) repair, or conventional financing
- 45 days for Non-profit purchasers
- 60 days for 203(k) financing

If the scheduled closing date cannot be met, purchasers may request an extension of the closing date. BLB Resources may grant extensions, in intervals of 15 days, upon written request from the purchaser. Extensions of time to close the sale are entirely within Seller’s discretion.

If granted, the following conditions apply:

- A written request for extensions must be received by BLB Resources no later than 5 days before the expiration of the sales contract.

- Documentation submitted with the extension request must establish the cause of delay and must demonstrate evidence that a closing is imminent. Contracts that exceed the expiration date are subject to cancellation.

- Extension fees are non-refundable if the closing does not occur.

- At the closing, unused extension fees will be prorated to the Purchaser, and refunded by escrow.

- The granting of one extension shall not obligate the Seller to approve additional extensions, and the Seller shall declare a Default for the Purchasers’ failure to close the sale upon the expiration of the original closing period or upon the expiration of the extension.

- Extensions will be for a period of fifteen (15) calendar days. Fees will be based on the Contract Sales Price of the property:
  - $10 per day for properties with sale prices $25,000 or less
  - $15 per day for properties with sale prices from $25,001 to $50,000
  - $25 per day for properties with sale prices greater than $50,000

- The applicable fee must be submitted with the request in the form of a certified or cashier’s check or a money order.

- Extension requests must be submitted to 3Paddenda@blbresources.com.

- **All extension fee checks are to be made payable to “U.S. Department of HUD.” Mail checks to:**

  BLB Resources, Inc.
  Attention: Closing Team
  400 Galleria Officentre, Suite 420
  Southfield, MI 48034
17.0 Conclusion

Congratulations! You are now ready to begin the exciting process of selling HUD Homes. This handbook has provided answers to the most commonly asked questions regarding HUD Homes and the selling process. If you have any additional questions, please contact our office. We are available to assist you Monday through Friday 8:00 a.m. – 5:00 p.m. EST (closed on Federal Holidays):

BLB Resources, Inc.
400 Galleria Officentre, Suite 420
Southfield, MI 48034
Phone: (248) 356-4711
www.blbresources.com

We appreciate your business. Best of success with your bidding.