



# New England, New York & New Jersey

## LENDER GUIDE TO HUD HOMES





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## **HUD POLICIES**

### **HUD'S "AS-IS" POLICY**

All HUD homes are sold strictly "AS-IS". HUD does not make repairs on any property.

There are no representations, or warranties, expressed or implied on the HUD homes. Neither Cityside nor HUD guarantees the condition of any property, regardless of its FHA insurability.

The property may or may not meet local code or zoning requirements. It is the buyer's responsibility to investigate compliance with local regulations.

Agents should encourage buyers to have a home inspection conducted by a qualified home inspector to satisfy them as to the condition of the property at the time of the sale. A copy of the Property Condition Report (PCR) should also be reviewed by the buyer. Please note that the PCR is for information purposes only, and should not be considered a warranty of any kind. It is the buyer's responsibility to verify the accuracy of its content.

### **FSM INTRODUCTION/EXPLANATION**

Field Service Management (FSM) companies provide property preservation and protection services for HUD, including inspecting, securing, and maintaining HUD homes.

In New England, New York and New Jersey, there are three FSM's maintaining this contract area: Asset Management Specialists, A-Sons Construction, and Cooper Citiwest.

To find out which FSM is assigned to a property, and to obtain their contact information, search for the property in HUD Homestore. Under the "Property Contacts" tab enter the property case number, which will locate the property and display any available property contact information.



## **ACCESS TO PROPERTY**

HUD keys may be obtained through the listing agent. Please note there are multiple door keys and multiple padlock keys.

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

### **Buyers are not to be given keys for any reason.**

Please remember to sign in at each visit. If there are any issues, please contact Cityside or the Listing Broker.

## **OCCUPANCY OR REPAIRS PRIOR TO CLOSING**

Occupancy, repairs, or improvements prior to close will be treated as trespassing and is grounds for cancellation of the contract and forfeiture of the Earnest Money Deposit (EMD).

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

Buyers may be held liable for any costs incurred in bringing the property back to its original condition. Any broker or agent who disregards this rule may be subjected to suspension of bidding privileges.



## **BUYER'S PRIVATE HOME INSPECTION**

All Buyers are allowed a 15 day inspection period upon contract ratification. If the purchaser wishes to have the utilities activated for their inspection, they must go through the FSM. All utilities are activated in the purchaser's name, at the purchaser's expense.

**No utilities are to be activated without the permission of the FSM.**

The FSM may require additional nonrefundable fees.

Please see the cancellation process and EMD forfeiture policy should the buyer be dissatisfied with the results of their home inspection.

All inspections and their associated fees are at the cost of the purchaser and will not be refunded should the purchaser be dissatisfied with their home inspection

## **COMMISSIONS/CLOSING COSTS**

HUD pays commissions and closing costs on behalf of the buyer, when asked for at the time of bid submission. This does not apply to GNND sales.

The buyer can request up to 3% of the purchase price for closing costs. This cannot be changed after the bid is submitted. Should the total amount of closing costs used be less than the amount requested, HUD will not credit the purchaser for any difference.

Commission is based off the purchase price not the list price.

List Price	Commission
\$0-\$41,666	\$1250
\$41,667+	Up to 3%

Note that commissions and closing costs reduce the net to HUD – this can adversely affect the bid. Selling agent commission and closing costs can be reduced, but the listing broker commission cannot be changed.



## **CONDOMINIUMS**

Per Mortgagee Letter 09-46 B, condo approval is no longer needed for HUD transactions. FHA mortgages can be given on condos without current project approval under the terms of this letter.

As such, occupancy rates are no longer an issue.  
For more information, please refer to Mortgagee Letter 09-46 B.

## **EARNEST MONEY DEPOSIT**

Earnest Money Deposit (EMD) checks must be in certified funds (cashier's check or money order) and be made out to **HUD**.

The amount of the EMD depends on the purchase price of the property.

Purchase Price	Earnest Money Deposit
\$0-\$50,000.00	\$500.00
\$50,000.01 +	\$1,000.00

\*For Vacant Lots, the EMD will be 50% of the **list** price.

\*For GNND the EMD is an amount equal to one percent of the list price, but no less than \$500.00 and no more than \$2,000.00

Please note HUD guidelines require the EMD to be disclosed on the HUD-1. The EMD check we receive cannot be exchanged or replaced after contract ratification.

## **GIFT FUNDS**

Gift funds are acceptable as proof of funds for any portion of a HUD purchase.

If using funds that are gifted a gift letter must be provided containing the following information:

- Name of person gifting the funds
- Name of person receiving the funds
- The dollar amount of the gift
- Signatures of both parties
- Letter must be notarized.

In addition to the letter, we require proof of funds as supporting documentation to the gift.



## **PREAPPROVAL / PREQUALIFICATION LETTERS**

Preapproval/prequalification letters must be on lender letterhead and contain the buyer's name, the amount of the preapproval/prequalification, specify the loan type and be dated within the past 60 days.

## **MANUFACTURED HOMES/DATA PLATES**

If the property is a manufactured home and is missing one or more of the HUD data plates and/or certificates, it is not eligible for FHA financing.

There are third party companies that can research the data plates and certificates, and can sometimes locate this information. If the underwriters will accept a letter of label verification, the buyer may then be able to use FHA financing to purchase the home.

Any costs incurred for this service would be paid for by the buyer.





## **HUD BIDDERS**

### **OWNER-OCCUPANT**

Owner Occupant purchasers will live in the property as their primary residence for at least 12 months and cannot have purchased another HUD property as an owner occupant during the previous 24 months.

Misrepresenting a purchaser as an owner occupant is a serious offense that may constitute fraud and may result in an investigation by the Office of Inspector General of the U.S. Department of Housing and Urban Development. Such investigations focus not only on the buyer, but also on the broker or agent representing the buyer. Falsifying information regarding purchaser type is a felony. It is punishable by a fine not to exceed \$250,000.00 and/or prison sentence of not more than two years.

### **INVESTOR**

Investors are purchasers that do not fall under the owner-occupant category – buyers who are purchasing a property as a second/vacation home as well as buyers purchasing the property for reasons other than occupancy fall under this category.

### **GOOD NEIGHBOR NEXT DOOR (GNND) SALES PROGRAM**

In certain areas, known as revitalization areas, HUD homes are offered to eligible Good Neighbor Next Door (GNND) candidates for 7 days at a 50% discount. HUD requires that you sign a second mortgage and note for the discount amount. No interest payments are required on this “silent second” provided that you fulfill the three year occupancy requirement. GNND candidates must live at the property for three years as their sole residence, and must agree to certify their eligibility every year. Neither GNND candidates nor their spouses can have owned any real property in the previous calendar year.

GNND candidates must be a Teacher, Police Officer, Firefighter or EMT. The requirements are as follows:

Teachers: You may participate in the Good Neighbor Next Door program as a Teacher if you are employed as a full-time teacher by a state-accredited public school or provide school that provides direct services to students in grades pre-kindergarten through 12. In addition, the public or private school where you are employed as a teacher must serve students from the area where the home you are purchasing is located in the normal course of business.

Law Enforcement: You may participate in the Good Neighbor Next Door program as a Law Enforcement Officer if you are 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.

Firefighter/Emergency Medical Technician: You may participate in the Good Neighbor Next Door program as a Firefighter/Emergency Medical Technician if you are 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 service the area where the home is located.

No closing costs or commissions are paid on GNND sales. If the purchaser is using FHA financing they may add the closing costs and commissions into their loan, but this will not be reflected on the sales contract.

Note: not all properties in the lottery period are GNND eligible. The “eligible bidders” must state GNND

Additional documentation and employment verification is required for all GNND sales



## **FINANCING TYPES**

FHA insurability codes are derived from the amount of repairs needed to meet Minimum Property Requirements (MPR). MPR categories include: structure, roof and mechanical systems, such as plumbing, electric and heating.

Cosmetic Repairs are not considered.

### **(IN) INSURABLE**

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

### **(IE) INSURABLE WITH REPAIR ESCROW**

Properties listed IE are eligible for FHA financing with repairs to be completed by the purchaser after close of transaction. These MPR repairs must total less than \$5,000. A list of actual repairs and estimated cost appears with the property information.

The repair escrow is not paid by HUD. The buyer must finance the repair escrow amount in their FHA mortgage. Until the repairs are completed, the lender holds the “repair escrow” funds. The lender is then responsible for inspecting the repairs and authorizing release of funds. If the actual cost of repairs is less than the escrowed amount, the additional money must be applied to the balance of the borrower’s loan, not given as cash back to the borrower.

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

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

### **(UI) UNINSURABLE**

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

Please note, not all UI properties automatically qualify for FHA financing.



## **OVER-BIDDING WITH FHA FINANCING**

Buyers using FHA financing should be aware – if their bid is accepted on a property and is ABOVE the HUD appraised value, the purchaser will be required to pay the difference between the appraised value and purchase price in CASH. FHA will only fund a loan up to the appraised value.

If the HUD appraisal is under 120 days old on the date the sales contract is ratified, the lender is required to use said appraisal, and CANNOT order a new appraisal to support a higher purchase price. If the appraisal is over 120 days old, it will be the purchaser's responsibility to order and pay for a new appraisal.

If a new appraisal does not support the buyer's purchase price, no negotiations will be done. The buyer will have to proceed at the current price or they may cancel the sale.

This only applies to FHA financing. If the buyer is using another type of financing, the lender will require a new appraisal to be ordered at the buyer's expense regardless of bid amount.



## **ADDING/REMOVING PURCHASER**

The original purchaser cannot be removed from the sales contract for any reason.

Secondary purchasers can be removed from the sales contract by filling out the Addendum to Remove Purchaser.

Purchasers to be added to the contract will be reviewed on a case-by-case basis. Any Addendum to Add Purchaser should be submitted with supporting documentation.

Under no circumstance can purchasers be added/removed without the signature of all parties.

Both addendums can be found on Cityside's [website](#).

Any addendums should be sent to [clsoling3P@citysidecorp.com](mailto:clsoling3P@citysidecorp.com) for review and authorization.



## **CHANGE OF FINANCING TYPE**

Financing can be changed based on the FHA insurability type. Any financing changes must be approved by Cityside Management prior to closing.

Should the buyer change from FHA to cash or conventional, they may owe HUD the cost of any lead based paint stabilization or termite inspection (hazard work). The purchaser will be charged at closing for the inspection, stabilization and/or treatment costs, Closing will not move forward until HUD is reimbursed.

Should the buyer change from cash or conventional to FHA, and the property was built prior to 1978, a lead based paint inspection will have to be ordered, and may cause a delay in closing.

Any change via the Addendum to Change Financing type must be supported by documentation (either a new pre-approval letter or bank statement).

The addendum to change financing type may also be used to increase or decrease the repair escrow for FHA 203b w/repair escrow loans. Repair bids from a licensed contractor and a letter from the lender must accompany all requests to change the repair escrow amount.

Repair must be estimated at \$5,000 or below, however up to \$5,500 (110%) may be escrowed to allow for overages. If repairs of over \$5,000 are required for the property, the purchaser must switch to FHA 203k or other financing.

Any addendums should be sent to [closing3P@citysidecorp.com](mailto:closing3P@citysidecorp.com) for review and authorization.



## **INSPECTIONS**

### **PROPERTY CONDITION REPORT (PCR):**

The property condition report (PCR) is available under the addendums tab on HUDhomestore.com for all properties.

Lenders may also request a copy of the PCR when they request the appraisal.

### **LENDER REQUESTS FOR TERMITE INSPECTIONS:**

Termite Inspection reports are available by lender request when the purchaser is financing with FHA and the property is located in a TPZ zone. The lender must submit request on lender letterhead to Cityside Management.

Lenders should submit their request for a termite inspection on lender letterhead to [closing3P@citysidecorp.com](mailto:closing3P@citysidecorp.com).

If the test shows active infestations – Cityside Management will order clearance for the property. The property will not be allowed to close until the clearance is passed.

If the buyer switches to non-FHA financing after WDO clearance has been finished, the purchaser will be required to reimburse HUD for clearance costs ONLY, not for the cost of the inspection.

### **TITLE V INSPECTION:**

Title V Inspections are completed in the State of Massachusetts when the property is located on private septic. The inspection will be made available on the bidding site if available during time of listing. If property is sold prior to receipt of the inspection the inspection will be sent the broker. HUD does not address any issues discovered during the Title V Inspection.



## **LEAD BASED PAINT INSPECTIONS**

Lead Based Paint inspections are only ordered by HUD if the property is built prior to 1978, and the purchaser is using FHA financing.

Purchasers using other financing types will not be provided with a lead-based paint inspection, unless it has been completed for a previous bidder and is available on the list site. In these instances, no further stabilizations/credits will be given unless the purchaser is using an FHA mortgage.

Once the contract is ratified, a LBP inspection will be ordered through the FSM.

If it is revealed that there is deteriorated LBP present in the home that needs to be stabilized, the procedure depends on the financing type:

### **Purchaser financing with FHA 203B or FHA 203B Repair Escrow:**

- If the estimated cost to stabilize and clear the property does not exceed \$4,000.00 the Lead Based Paint will be stabilized and cleared. Please note this can be a lengthy process and we encourage brokers and buyers to stay out of the property to avoid stirring up dust and causing the property to possibly fail the Lead Based Paint Clearance.
- If the estimated cost to stabilize and clear the property exceeds \$4,000.00 the purchaser can no longer financing with a FHA 203B loan. The purchaser has the following options:
  - Switch financing type to 203K/Conventional/Cash
  - Cancel the contract and receive 100% of their Earnest Money Deposit back

### **Purchaser financing with FHA 203K:**

- If the estimated cost to stabilize and clear the property is less than \$4,000.00 the purchaser will be receive a credit at closing equal to the estimated amount found on the Lead Based Paint Inspection
- If the estimated cost to stabilize and clear the property is more than \$4,000.00 the purchaser will receive a credit at closing of \$4,000.00. HUD will not grant a credit exceeding \$4,000.00 regardless of the results of the Lead Based Paint Inspection.

***If the purchaser changes financing to cash or conventional, after stabilization is completed, they will be required to reimburse HUD for the costs of the stabilization prior to closing.***





## **REQUESTING AUTHORIZATION TO ACTIVATE UTILITIES**

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

This process must also be followed to have the utilities activated for a new appraisal.



## **APPRAISALS**

### **APPRAISAL OVERVIEW**

Cityside Management orders an FHA appraisal on all HUD properties prior to listing them for sale. This appraisal is available to lenders, by request, once the contract on a property has been ratified.

Our appraisal will not be transferred into the lender's name, as this is not required under FHA standards.

### **ORDERING A NEW APPRAISAL**

Buyers using an FHA mortgage on a property are required to use the HUD appraisal, unless it is an FHA 203k sale. A second appraisal cannot be ordered to support a higher purchase price. Conventional mortgages are not held to these restrictions.

HUD will not participate in any price negotiations if the buyer's appraisal comes in lower than the purchase price.

### **EXTENDING APPRAISAL VALIDITY PERIOD**

Under Cityside contract, appraisals are valid for 180 days. Per Mortgagee Letter 09-46 B, appraisals are only valid for lenders for 120 days. If the contract is ratified during the 120 day validity period, the lender can extend the validity period for 30 days. If the sale cannot be closed during this time, a new appraisal must be ordered at the buyer's expense.

### **REQUESTING COPY OF HUD APPRAISAL**

If the HUD appraisal is still valid (less than 120 days old at the time the sales contract is ratified), the lender is required to use said appraisal if the buyer is using FHA financing.

To obtain a copy of the HUD appraisal, the lender will be required to fill out the Appraisal Report Request form, found on Cityside's [website](#). The appraisal request form may also be used to obtain a copy of the PCR and escrow repair list (if applicable).

Email any appraisal requests to [appraisalrequest3P@citysidecorp.com](mailto:appraisalrequest3P@citysidecorp.com).



## **MPR REPAIRS**

### **DIFFERENCE OF MPR REPAIRS VS COSMETIC REPAIRS**

Only repairs meeting the criteria of “minimum property repairs” are listed on the HUD appraisal as necessary. MPR items are specified as repairs that are necessary to secure the safety, security and soundness of a property.

Cosmetic items may also be listed on the appraisal, but do not affect the insurability of a property.



## **CASE NUMBERS**

### **NEW CASE NUMBERS**

Lenders may receive a new case number for their FHA loans by logging onto FHA Connect at <https://entp.hud.gov/clas/index.cfm>.

### **NINE DIGIT CASE NUMBERS**

Nine digit case numbers are used for privacy purposes. If the lender is having trouble obtaining a new case number without the last digit, please try the numbers 1-9, or the letter x. If these options do not bring up a valid case number, contact FHA Connect for help troubleshooting.

### **FHA CONNECT ISSUES**

Cityside Management does not control, nor have knowledge of FHA Connection. If you are experiencing difficulty, we recommend utilizing their [FAQ](#), as it will answer many questions. If you need further guidance, the FAQ also lists many contact numbers and email addresses to direct your questions. If after completing research you are still having difficulty please contact Cityside Management, so we can escalate your issues if need be.



## **CLOSING INFORMATION**

### **HUD CLOSING AGENT CONTACT INFORMATION**

Below is contact information for HUD's designated closing agents. Please note, the closing agent is assigned to you at the time of contract ratification, and cannot be switched.

#### **Connecticut & Rhode Island:**

Hobson & Coutu  
222 Jefferson Blvd.  
Warwick, RI 02888  
P: 401-739-1115  
F: 401-739-1171

#### **Massachusetts & New Hampshire:**

Brecher, Wyner, Simons, Fox & Bolan  
100 Wells Avenue  
Newton, MA 02459  
P: 617-614-1500  
F: 617-614-1515

#### **Maine & Vermont:**

Shapiro & Morley  
707 Sable Oaks Drive  
Suite #250  
South Portland, ME 04106  
P: 207-775-6223  
F: 207-775-6995

#### **New Jersey:**

Collegiate Title Corporation  
110 Marter Avenue  
Suite #107  
Moorestown, NJ 08057  
P: 856-231-0990  
F: 856-778-8110

#### **New York:**

The Garas Law Firm, LLP  
438 Main Street  
Suite #201  
Buffalo, NY 14202  
P: 716-842-6200  
F: 716-332-3575

Deval LLC  
60-82 Myrtle Avenue  
2 Floor/ Right Side  
Ridgewood, NY 11385  
P: 347-689-4400  
F: 347-689-4403



## **SCHEDULING/TIME FRAMES**

Closings must be completed by the expiration date found on the cover letter of the contract package.

- Investors must close within 30 days of contract ratification
- Owner Occupants financing with 203K must close within 60 days.
- Owner Occupants not using 203K financing must close within 45 days.

All Closings must be scheduled 5 days **PRIOR** to the expiration of the contract. If contract expiration is less than 5 days away, a contract extension must be filed. This extension must be approved before closing may be scheduled.



## **SALES CONTRACT EXTENSIONS**

If the closing does not occur on or before the specified date on line 9 of the HUD Sales Contract 9548, the HUD Broker should contact HUD's Closing Agent no later than **FIVE days prior** to the contract expiration date and request an extension. Cityside Corporation, as HUD's Representative, may grant an extension of closing time and, if approved, each extension will be for a period of fifteen (15) days as follows:

- The initial 15-day extension will be provided for owner occupant purchasers, at no cost, only if documentation is provided indicating that property and timely loan application was made, that the delayed closing is not the fault of the purchaser and that mortgage approval is imminent.
- Investor purchasers are not eligible for a no cost extension; fees will not be waived due to investor delay.
- Documentation submitted with the extension request must establish that a closing can reasonably be expected to occur within the extension period.
- Extension fee's that do not qualify for waiver will be charged as follows for a period of fifteen (15) day increments:

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

- Extension fee checks are to be either Money Order or Bank Certified. Personal checks and Cash are not acceptable. Funds are to be made payable to HUD and delivered to HUD's Designated Closing agent along with the attached closing extension request and all necessary backup as described above.
- Extension fees are non-refundable however, if closing occurs in less than the approved extension time, the buyer will be credited at closing for the per day unused portion of time.

The approval of an extension does not obligate Cityside Management Corporation, as HUD's Representative, to grant future extensions.



## **CLOSING COSTS/TITLE INSURANCE**

The purchaser is responsible for providing their owner's policy/insurance within the transaction. Title insurance is an allowable cost for the purchaser to use any requested seller's concessions (line 5 of the sales contract).

HUD will pay for the following items: proration of taxes/special assessments/utility bills; settlement fee for HUD's closing agent (not any fees charged by the buyer's title company); recording fees and deed charges

If the buyer requests more in closing costs than they are able to use, the remaining amount is NOT credited back to the buyer.

## **TAX PRORATIONS**

Taxes will be prorated to the day of close onwards.

Any assessments applied to the property shall also be prorated to the day of close.

## **ASSESSMENTS**

If the assessment is assumable by the buyer, the assessment will be prorated to the day of close.

Please see the "Conditions of Sale" part A of the sales contract for more information on HUD's policy for assessments.

## **CREDITS**

Should a credit to the purchaser be applicable, it shall be reflected on the HUD-1 Settlement Statement at closing as a credit to the purchaser.

A credit is at no time a reduction to the purchase price.

If the credit should exceed the maximum allowable closing costs for the purchaser, then the purchaser may not be able to utilize the full credit granted.





## **CONCLUSION**

Selling HUD owned homes can be both exciting and lucrative. We at Cityside Management are anxious to help you in any way possible should the need arise. Feel free to contact us at any time, Monday through Friday, 8:00 am – 5:00 pm EST.

Phone: (603) 423-0313 x4