
CHAPTER 10. SALES PROCEDURES

SECTION I - POLICY

- 10-1 Properties available for sale shall be publicly advertised for a period of 10 days. Bid openings must be public and shall be conducted on the first workday following expiration of the 10-day period. The advertisement shall provide for an Extended Listing Period and properties not sold will remain available until sold or relisted under different terms.

SECTION II - INTERNAL CONTROL OBJECTIVES

- 10-2 The Chief Property Officer, or designee, reviews the files on all properties sold where the selling price varies from the appraised value.
- 10-3 Sales contracts are awarded to the acceptable highest net offeror in accordance with HUD program requirements.
- 10-4 Upon Receipt, all collections of funds related to sales activity, including earnest money deposits, are promptly deposited and appropriate documentation is maintained.
- 10-5 Confidentiality is exercised by offices using facsimile machines to receive sales offers. Facsimile offers should be placed immediately into envelopes and sealed. The Chief Property Officer should designate an individual to control receipt of facsimile sales offers.
- 10-6 Segregation of Duties. Within the Field Office, separation of duties is maintained between the approval of sales contracts and the collection of earnest money deposits.

SECTION III - SALES PROGRAMS

- 10-7 Insured Sales. Properties which in their present condition meet the intent of the Minimum Property Standards (MPS) described in Handbook 4905.1, Requirements for Existing Housing, One to Four Family Living Units. "Intent" is defined as: Based upon a visual inspection, the property is structurally sound, free of roof leaks, and has operational mechanical systems. Properties meeting the intent of MPS shall be offered in their as is condition with mortgage insurance available. The following applies to all types of insured sales, including repairs with escrow.
- A. Systems Tests. While it may be preferable to test the mechanical systems beforehand, this will not always be possible within the time frame for listing properties. In such cases, inspections will be limited to a visual check with the ultimate decision based upon the general overall condition of the property.

- B. Mortgage Amount. For an owner-occupant purchaser, the mortgage amount is based on the bid price plus any allowable prepaids (e.g., taxes) and/or financing and closing costs, less the stipulated downpayment, up to the local maximum mortgage amount. For investor purchasers, the mortgage amount is limited to 75 percent of the bid price for one-unit properties, and 85 percent for two to four-unit properties, up to local maximum mortgage amounts. Prepaids, financing or closing costs may not be included in the mortgage amount for investor purchasers. Prior to acceptance of a sales contract, verify that the mortgage amount stated in Item 4 (if an insured sale) does not exceed the local maximum limit.
- C. Downpayment.
1. Owner Occupants. Downpayment requirements will normally be consistent with the Section of the National Housing Act under which the mortgage is to be

insured. If determined to be necessary to stimulate sales, the downpayment may be established at three percent of the bid amount. Where further reductions below three percent are essential to sales of properties, the downpayment may be reduced, for temporary periods, to as low as \$100 as long as the Headquarters limitation is not exceeded. (See paragraph 6-22 A. for the definition of hard-to-sell properties.)

- a. Factors to consider in reducing downpayment requirements include competition in an area from other private or governmental sales, a concentration of HUD-owned properties in an area with a turnover rate which is greater than two months above the average for the Field Office, lack of acceptable bid offers after reasonable market exposure, and other reasons determined by the Field Office to be relevant in order to market the property successfully.
- b. To qualify for a downpayment of less than three percent of the bid amount, the gross offering price must equal or exceed the listing price; the sales commission cannot exceed six percent; and the combined sales commission and the requested financing/closing costs (Line 5 of the Sales Contract) cannot exceed the limit(s) established by the Field Office. (See paragraph 6-22 C.3 for Financing and Loan Closing Expenses.)

Under no circumstances shall a Field Office define

its entire jurisdiction as "hard-to-sell", thus permitting downpayments below three percent for each of its insured properties. Further, reduced downpayments shall be for temporary periods rather than permanent use.

Field Offices must continually monitor the impact of lower downpayments on sales results.

Regional Offices must monitor the use of lower downpayments by their respective Field Offices to ensure that the insured sales offerings that are available for sale with a downpayment of less than three percent do not exceed any Headquarters' limitations.

NOTE: Property Disposition sales are exempt from the normal FHA requirements regarding downpayments and calculation of maximum mortgage amounts.

2. Investors. The amount required for one unit is 25 percent of the bid amount; for two-to-four units, 15 percent of the bid amount.
3. 203(k) Sales. Downpayments to owner-occupant purchasers, whether standard or reduced, are based on the contract sales price. No further downpayment is required on the rehabilitation costs of the mortgage. Investors that purchase properties with a 203(k) insured loan are required to have a minimum 15 percent downpayment.

10-8 Insured Sales with Repair Escrow. Properties which need less than \$5,000 worth of repairs to meet the intent of the MPS will be offered for sale with insured financing available, provided a cash escrow is established to ensure the completion of repairs.

- A. Repair Escrow. Properties requiring repairs within the guidelines listed below may be insured under Section 203(b) and a cash escrow established to assure the completion of repairs. This is intended to be the Department's primary repair tool and Field Offices are encouraged to make it available for properties which qualify. Both

owner-occupants and investors are eligible to purchase properties under this program.

- B. Cost of Repairs. The CPO shall determine the cost of the necessary repairs, based upon the appraisal, REAM inspection, on-site staff inspections (if necessary) and office analysis.

Consult with the Chief Architect and, if appropriate, the Chief Appraiser, as necessary.

- C. Maximum Repair Escrow. Properties to be made available must require less than \$5,000 worth of repairs. The actual escrow amount will be 110 percent of the estimated repair cost. For a property with a repair amount at the maximum of \$5,000, the escrow amount will be \$5,500. In order to compensate lenders for establishing and maintaining this escrow account, a fee of \$200 will be paid by HUD to the lender at the time of sales closing.
- D. List of Repairs. Provide bidders with a list of the repairs needed to make the property insurable and the estimated cost of repairs. Use the appraiser and/or the REAM to get an estimate of repairs at the time of acquisition, whenever possible. Instruct the REAM to post the lists of repairs in the properties and to leave a supply for prospective purchasers.
- E. Unrepaired Value to Calculate Thresholds. Under the Best Offer Procedure, the acceptable price thresholds as established by Headquarters must be calculated using the property's unrepaired value.
- F. Uninsured Sales. Bidders may submit offers which do not require insured mortgage financing on properties which have been advertised under the repair escrow procedure.
- G. Inspections. As part of its responsibility for administering the escrow account, the lender shall arrange and pay for the inspection of the completed repairs. The lender may use either the mortgagee certification procedure or request an inspection by the inspector under contract to inform the Field Office that the work has been completed. If a contract inspector inspection is requested, the lender must provide a copy of the CPO's list of required repairs to the inspector. Payment for the inspection shall come from the \$200 maximum allowable fee for establishing the escrow account.
- H. Completion of Repairs. Generally, all repairs are to be completed by the purchaser within 90 days of closing. Upon satisfactory completion of repairs the lender must disburse the escrow to compensate the buyer or the contractor, as appropriate. If actual repair costs are less than the amount escrowed, the balance in the escrow will be applied to reduce the outstanding principal balance of the mortgage. If the escrow is inadequate, or if additional items of repair are discovered at some subsequent date, it is the buyer's responsibility to bear the additional cost. If the buyer fails to complete the required repairs within 90 days of closing, or such additional time as is determined reasonable, or the repairs are unsatisfactory, the lender must apply the escrow amount to reduce the outstanding principal balance of the mortgage.

10-9 Section 203(k) Financing Program. The 203(k) program may be used in connection with as-is, uninsured listings. The program allows a

buyer to obtain one mortgage loan to finance acquisition and repair, provided the amount of repairs required makes financing feasible.

- A. Use of 203(k) Financing. This program allows purchasers of HUD-owned properties that are not eligible for standard insured mortgage financing to finance their purchase with an insured 203(k) mortgage. See HUD Handbook 4240.4 REV-2, 203(k)

Handbook, Rehabilitation Home Mortgage Insurance, for a description of the 203(k) program for HUD-owned properties. The following conditions must be met:

1. There are lenders in the area that will process the 203(k) application;
 2. The value of the property plus the cost of rehabilitation make 203(k) financing feasible, (i.e., properties for which the "as-is" value plus the cost of rehabilitation does not exceed 110 percent of the after-repaired market value by more than 10 percent. An example is: As-is value plus cost of rehabilitation = \$70,000, but 110 percent of the after-repaired market value = \$62,000. This makes the property infeasible, because the as-is value plus the cost of rehabilitation is 13 percent higher than 110 percent of the after-repaired market value. To make it feasible, the "as-is" value plus the cost of rehabilitation, should not exceed \$68,200. However, the purchaser must realize that the maximum mortgage amount will be limited to \$62,000 plus closing costs. The purchaser must place the difference in cost in the escrow account in cash, out-of-pocket); and
 3. Sound underwriting principles are followed.
 4. An appraisal is used to establish both the "as-is" and "as-repaired" values.
- B. Eligible Properties. All properties in HUD's inventory (except condominiums) that are not eligible for financing under Section 203(b), needing a minimum of \$5,000 in major repairs (and/or eligible improvements as listed in HUD Handbook 4240.4 REV-2, paragraph 1-7), are potentially eligible for the 203(k) program. This includes vacant land when an existing home will be moved to the site.
- C. Eligible Rehabilitation and/or Improvements. Mortgage proceeds must be used in part for rehabilitation and/or improvements to a property. There is a minimum \$5,000 requirement for the eligible improvements on the existing structure on the

property. Minor or cosmetic repairs by themselves are impracticable and unacceptable; however, they may be added to the minimum requirement (in addition to \$5,000). The mortgage must include one or more of the eligible items shown in HUD Handbook 4240.4 REV-2, paragraph 1-7, with a cumulative minimum of \$5,000. Included in the cost of rehabilitation are anticipated repair costs, discount points and origination fees.

- D. Required Improvements. All rehabilitation construction and/or additions financed with Section 203(k) mortgage proceeds must comply with Cost Effective Energy Conservation Standards. See standards shown in HUD Handbook 4240.4 REV-2, issued 12/06/91.
- E. Pricing. Set the listing price for properties offered under this program at their "as-is" fair market value.
 - 1. In the listing, state that the downpayment will be calculated on the basis of the actual "as-is" sales price being paid, plus HUD's estimated rehabilitation cost.
 - 2. The buyer makes the downpayment at the sales closing.
- F. Priority Processing. If a 203(k) application is processed by HUD, the Field Office development staff will provide priority processing to ensure that all reviews are accomplished in a timely manner, thereby allowing the lender to close the loan within 60 days of bid acceptance. Direct Endorsement Lenders may process these loans if properly trained and approved by HUD.

- G. Inspections.
 - 1. After the contract acceptance by HUD, the selling broker should arrange to have the utilities turned on in the purchaser(s)' name to ensure the working condition of the heating, plumbing and electrical systems. If the utilities are not turned on for inspection, a 15 percent contingency reserve will be required. If the utilities are subsequently turned off the purchaser is responsible to notify the HUD Field Office and rewinterize the dwelling, if necessary. All costs are borne by the purchaser.
 - 2. Prior to closing the loan, the buyer should walk through the dwelling to ensure that no additional damage has occurred due to vandalism, etc. Corrections to the work write-up may be necessary to ensure that there are sufficient funds to pay for the added repairs; otherwise, the buyer may be required to use their own funds to make

the repairs if the work is not considered eligible as a contingency item. (See HUD Handbook 4240.4 REV-2, paragraph 1-7).

H. Offer to Purchase. The instructions to selling brokers should state that:

1. They are to indicate on line 4 of Form HUD-9548 (Appendix 39) that the buyer intends to use 203(k) financing.
2. The buyer must take care to include those financing costs specific to the 203(k) program in the deduction figure to be entered in item 5 of the Form HUD-9548 if the buyer wants HUD to pay these costs at closing.
3. Selling brokers will be paid a sales commission on the basis of the actual sales price, not on the basis of the estimated 203(k) loan.

10-10 Uninsured Sales Properties which in their present condition fail to qualify for the foregoing types of financing are to be made available for sale without mortgage insurance.

A. Failure to Meet MPS and Environmental Requirements. Properties which meet the intent of MPS should ordinarily be offered for sale on an uninsured basis when any of the following conditions are present:

1. The property is subject to occasional flooding or is located in a Special Flood Hazard Area (SFHA) in a community which is suspended from or not participating in the National Flood Insurance Program or the property is on moderately unstable soil. (See paragraph 9-14 and 9-18 F. for advertising requirements with respect to floodplain).
2. Commercial/industrial encroachment jeopardizes the economic life of the property as a residence.
3. The property is not in keeping with surrounding structures.
4. The property is located in a downward transitional area which is already heavily blighted.
5. The property is located in an airport clear zone, as identified under 24 CFR Part 51 Subpart D, and a disclosure statement must be secured.
6. Other appropriate reasons as determined by the Field Office.

Additionally, Field Offices must ensure that the decision to deny mortgage insurance on properties which meet the intent of the MPS, does not have a disparate impact on

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those individuals covered by the Federal Civil Rights laws. Ensure that the case file is documented to reflect decisions made and action taken.

- B. Properties With Deed Restrictions. Properties with deed restrictions will be disposed of with all existing restrictions including requirements from the Environmental Compliance Record (Appendix 18) and applicable restrictions in Federal, State or local law.
- C. Procedures Unique to Uninsured Sales.
1. The case file must include the inspection report or other documentation used as the basis for the determination that the property is uninsurable.
 2. All building or code violation notices in HUD's possession at the time of sale will be given to the purchaser. Notify the local government of the sale of each property containing such violations, stating purchaser's name and address, and return all future building or code violation notices to the issuing body.
- 10-11 Repaired Sales. Although the as-is sales approach is the preferred disposition technique, Field Offices may undertake limited repairs prior to selling certain properties. The repair and sell technique should be used on an exception basis only and should not be used where such sales would adversely effect the office's performance indicators.
- A. When to do Repairs. A property may be programmed for repairs only when the necessary staff and contractor resources are available, the repairs required are of a limited nature and can be accomplished expeditiously, and one or more of the following are true:
1. Repair would clearly bring the greatest net return.
 2. The property does not qualify for the as-is, insured sales programs and conventional financing for such unrepaired property is generally unavailable.
 3. As-is listing would severely impede sale.
 4. The property needs repair to comply with actively enforced local codes or unrepaired sales are prohibited by such codes or local ordinance.
- B. Repair Limitations. Repairs shall be limited to minimum essential items to comply with HUD mortgage insurance criteria, or to otherwise comply with actively enforced local codes.

Additional repairs or upgrading may be done only after reasonable market exposure. Prices must be raised to reflect greater market value.

- C. Warranty. Insured sales may not include any warranty whatsoever. If, as a result of repair, HUD received manufacturer or contractor warranties, these should be passed on to the buyer. In the case of the latter, the buyer's recourse is not with HUD.

10-12 Razing for Lot Sale. Some properties are so dilapidated that their repair by HUD or by a purchaser is not feasible. Such properties may be razed for sale of the vacant lots if one or more of the following conditions exist:

1. The property has already been unsuccessfully offered for sale in its "as-is" condition.
2. A local ordinance or agreement prohibits "as-is" sales of such properties.
3. The property must immediately be razed by HUD to remove a serious public hazard.

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- A. Environmental Compliance. When the Environmental Compliance Record indicates a property is historic (see Historic Preservation at paragraph 6-18 B.), the Field Office must notify the State Historic Preservation Office of HUD's proposed action.
 - B. Listing Price. The listing price for a vacant lot will be the estimated market value of the lot based on comparable vacant lot prices, considering highest and best use.
 - C. Policy Alternative/Advertising. Where there is no immediate need to raze the property and where it would be inappropriate to simply sell the property "as-is", the property may be sold with a requirement that the buyer raze the property after sales closing. If this requirement is not possible, advertise the property with a statement that "The property is not habitable and should be demolished."
- 10-13 Auction Procedures. Use of the auction process is limited primarily to properties which are aged (those in inventory six or more months which have received extensive market exposure) and/or hard to sell. Headquarters provides a national auction contractor which may be utilized by Field Offices as appropriate. Written approval must be obtained from Headquarters prior to proceeding with an auction. When the services of the national auction contract are not available and authorization has been granted by Headquarters, Field Offices

may contract for auctioneer services locally. See paragraphs 10-13 R. and S. for further information. Properties are not to be held off the market for more than 30 days in preparation for an auction.

- A. Selection of Properties. Auctions may be conducted for any property whose current value is \$10,000 or less, regardless of the time it has been in HUD's inventory, or for any property that has received six-or-more months of market exposure. A SAMS Ad Hoc Report #20780 has been designed to assist in determining market exposure.
- B. Pricing. Properties to be auctioned must be priced in the same manner as standard individual property sales. The formula for pricing properties for bulk sales must not be used. If the property was previously offered by means of standard procedures, its price may not be reduced by more than five percent in the auction listing. Field Offices may, however, reduce the price of auction properties by more than five percent if the office obtains a new appraisal which justifies such a reduction. The new listing price must be supported by the appraisal, which is to be maintained in the case file.
- C. Insured Sales. Normally, auction sales will be as-is, uninsured. However, if the properties qualify, they may be auctioned with insured mortgage financing available. For insured auction sales, the following rules apply and should be published for the benefit of all prospective buyers:
 - 1. Insured offerings must be distinguished from uninsured offerings.
 - 2. The listing price must be stated.
 - 3. Downpayment requirements. Follow the procedures described in paragraph 10-7.
 - 4. Mortgage amounts. Follow the procedures described in paragraph 10-7.
- D. Who May Hold Auctions. The auction may be held either by a competitively contracted professional auctioneer or by HUD staff.
- E. Listing Price. Field Offices may either state the listing price or leave it unstated, except that for insured offerings there must be a stated listing price. The public must

be informed in all cases, however, that whether or not there is a stated listing price, HUD reserves the right to reject any

bid.

- F. Absolute Auctions. Absolute auctions, where certain properties in a given auction are sold to the highest bidder regardless of price, shall be extremely limited. No more than 20 percent of the properties in a given auction may be absolute, and only if the sale on an absolute basis likely will result in a savings to the Department, based on the projected additional cost of holding such properties in inventory.
- G. Advertising. Place announcements of the auction in classified newspaper ads, in addition to the Broker's Information Package. The announcement must contain the following:
 - 1. Time, date and place of the auction.
 - 2. List of the properties (include case number and address) or a statement that a list is available at the Field Office if large numbers of properties will be auctioned.
 - 3. Earnest money requirements.
 - 4. A statement as to whether properties are being offered individually or in bulk, the terms and conditions of sale and essential rules of the auction. In lieu of placing in newspaper ads or Broker's Information Package, this information may be furnished to prospective bidders at auction. (See Appendix 27, Rules Governing HUD Auction.)
 - 5. HUD's estimate of market value for each property unless the price is not to be published. Listing prices must equal the value indicated on the Disposition Program.
 - 6. Statement that the services of a real estate broker are required to see the property and to submit an offer. (The sales commission to be paid may not exceed three percent.)
 - 7. Statement that HUD reserves the right to reject any offer.
 - 8. A statement of the sales related costs HUD will pay.
 - 9. The disclosure and statements required in Chapter 9.
- H. Acceptance of Highest Bid. Properties will be awarded to the person submitting the highest acceptable net offer. No priorities will be granted to owner/occupants over investors. The net offer must meet or exceed the acceptable thresholds provided by Headquarters.
- I. Counteroffer. The standard counteroffer procedure may not be used in an auction. However, if the high bid is not acceptable, the auctioneer may consult with relevant HUD staff, announce to the audience that the high bid is not acceptable and ask if anyone will bid an amount equal to the amount HUD determines to be acceptable.
- J. Registration. A registration log will be prepared to serve as

a permanent record. The recorder will:

1. Require all attendees to enter their names and addresses in the log before entering the auction area.

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2. Ensure that attendees desiring to bid fill out separate registration cards with their names, addresses and telephone numbers. Each potential bidder is given a large card prominently displaying bidder's identification number (numbered sequentially from one 1). The bidder's ID number is entered on the registration card. Completed registration cards are to be given to the sales clerks.
 3. Permit only those with ID cards to bid. Others attendees may qualify to bid at any time during the auction provided they obtain ID cards. Prominently display in the auction room copies of the auction rules, instructions on earnest money deposits, the listing of available properties, and sales closing requirements.
- K. Announcements. Immediately before the auction, announce the rules governing the auction, terms of sale, earnest money requirements, sales closing deadlines, and other pertinent information.
- L. Earnest Money Requirements. See paragraph 10-18.
- M. Recorder. The auctioneer should be assisted by a recorder who writes down the results for each property and by one or more runners to give the results to sales contract personnel.
- N. Sales Contracts. Sales Contracts must be prepared in advance with available information. An upper corner must have the property's sequential number as in the listing. As runners deliver their cards, the sales clerks will complete the sales contract by using the registration cards to obtain names, addresses and telephone numbers.
- O. Contract Execution. Form HUD-9548, Sales Contract, (Appendix 39) must be executed by the purchaser during or immediately after the auction. Failure to execute the sales contract immediately after the auction or submit the earnest money shall render the offer null and void.
- P. Sales Closing. Sales closings must be held within the same time frame as individual sales (30 to 60 days after execution of sales contract, as determined locally), unless extended. Field Offices shall follow-up each sale to ensure timely closing or cancellation as appropriate. The auctioneer will be

paid the commission as stated in the contract specifications at the successful completion of the sales closing.

- Q. SAMS Coding. Upon closing each property sold at auction, the office must code the auction sale in the SAMS System. (See the SAMS User Handbook for current instructions.)
- R. Contracting for Auctioneer Services. A professional auctioneer may be contracted by HUD to hold an auction of single family properties. If the auctioneer is a licensed broker in the jurisdiction of the properties to be sold, he may function in that capacity as well. If the auctioneer is not a licensed broker, he must enter into an agreement with a licensed broker, who will act in the auctioneer's behalf to show properties prior to the date of the auction and perform such other functions only a licensed broker may perform. To the extent that other selling brokers are used, it is the responsibility of the auctioneer to compensate them.
- S. Contracting. All services performed by the auctioneer must be set forth in a contract. Instructions for the contract format are included in Handbook 2210.16 REV-4, Regional Contracting Handbook. For assistance in preparation of such a contract, the Field Office must contact the appropriate Regional Contracting Division.

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- T. Bid Basis. If bid basis is percentage of sales, inform all prospective auctioneers of the approximate total value of the offering. Where competitive negotiation is permitted, the fee should not exceed eight percent of the total received. It must be clear in the solicitation whether the auctioneer must pay advertising costs out of his commission or whether HUD will provide an allowance for that and perhaps other expenses.
 - U. Role of Selling Brokers. Selling brokers will not be used to submit offers, except in a case where the auctioneer has entered into an exclusive arrangement with one broker. The sales commission will be paid under the provisions of the contract. Again, if the auctioneer permits the participation of other brokers, it is his responsibility to establish the terms for this participation and to compensate the brokers.
 - V. Advertisements. Auctioneers must arrange for, procure and/or place all forms of advertising, subject to HUD approval. The ads must have the essential information as in paragraph 10-13 G., including the information as to how the property may be shown.
 - W. Costs. All costs, including advertising and fees for auction

personnel should be included in the price ultimately arrived at in the contract. However, Field Offices may elect to extract the advertising cost, providing a separate allowance for it. A cost or price analysis will be made prior to execution of the contract along with a determination that the contract price is reasonable.

- X. Competition at Auctions. Contract must provide that the auctioneer cannot use unduly restrictive procedures or standards that tend to limit competition at the auctions.
- Y. HUD Staff Conducts Auction. Staff time permitting, Field Office staff may hold an auction to sell single family properties. The auction site may be in the Field Office, or suitable facilities may be rented.
- Z. Expenses. Account for expenses as follows:
 - 1. Execute a Purchase Order, Form HUD-2542 which must include the following statement: "An equal share of the total cost must be allocated to each property listed in the attachment." Attach to the Form HUD-2542 a list of all properties, with case numbers and invoices or contract for services being paid.
 - 2. Properly certify and send Form SAMS-1106 to the SAMS contractor for payment processing.
- AA. The Bid Process for Silent Bid Auction.
 - 1. Beginning. The auctioneer begins the auction process by announcing the property to be auctioned, i.e., its sequential number, address and price.
 - 2. Silent Bidding. Bids are called for on the property at successively higher prices. Bidders indicate the desire to purchase at the price called by silently raising their numbered cards. This process continues until one bidder is left.
 - 3. Calling Out Result. When the bidding is over, the auctioneer calls out the property's sequential number, address, sales price and bidder's ID number.
 - 4. Record Log. A record log will be kept by the recorder which contains all auction results. It must be prepared ahead of time with each property's sequential number, address and listing price; space should be provided for actual sales price and bidder ID number. When the auctioneer announces the winning bid, the recorder enters the sales price and bidder ID number.

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5. The Role of Runners. Registration cards completed in advance with identical information in paragraph 10-13 J. are to be filled in by runners. When bidding is over, the runner delivers the cards to the sales clerks.

AB. The Bid Process for Oral Bid Auction.

1. Beginning. The auctioneer starts the bidding process by calling out the property's listing price, if stated; if not, he commences bidding at some appropriate level.
2. Bids. Bidder's call out their bids and show their ID cards.
3. Other. All other aspects of the silent bid process apply.

10-14 All Cash Bulk Sales. Designed to boost sales in soft markets, the all cash, "as-is" bulk sales program features:

1. The option to publish or not publish the listing price.
 2. Selling brokers may claim up to a three percent sales commission.
 3. Requirement for purchasers to provide their own financing.
 4. The best net offer procedure is applicable to bulk sales.
- A. Property Selection. Eligible properties include uninsurable properties, vacant lots and occupied properties. Generally, properties should be marketed individually prior to being offered in bulk. In addition, a limited number of better properties may be included in a bulk package of predominantly less attractive properties, if doing so would enhance the properties' overall marketability.
- B. Terms of Sale. Properties will be made available on an all cash, as is basis, without warranty and without FHA insured mortgage financing. Sales must be closed within the time frame established by the Field Office. The time frame established must not exceed 60 days from the date of contract award.
- C. Size, Composition of Bulk Offering. There are no limitations on the total number of properties that may be offered for bulk sale or in an individual bulk package. However, for broadest market appeal, properties usually should be grouped in small packages of 10 or less.
- D. Pricing. Although there will be the option to publish or not publish the listing price, the Field Office must establish an acceptable price for each property and a total price for each package. The listing price must be the "as-is" value of the property less:

1. A three percent sales commission based on the estimated "as-is" sales price.
2. An amount the Field Office estimates is typical for closing costs, including discount points to a purchaser.
3. Savings in holding costs which are determined by multiplying the current daily holding costs, as provided by Headquarters, by the number of days anticipated that the property normally would remain in inventory. This may not exceed 40 percent of the office turnover rate or the national turnover rate, whichever is smaller.

E. Listing Period. The listing period for bulk sales is 15 days.

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F. Advertising Bulk Sales. The CPO must advertise bulk sales in a major newspaper and may prepare a release for direct mailing to potential bidders. The advertisement must include the following minimum information.

1. How and when properties can be inspected.
2. The 15-day bid period.
3. Addresses of properties or where to obtain a listing showing each property address.
4. Terms of sale and instructions for submitting bids.
5. Number of properties in package.
6. Listing price for each property and total for each package (if applicable).
7. Statement that there is no published listing price (if applicable).
8. Amount and form of deposit and forfeiture policy.
9. Specified time in which to allow HUD to award contract (30 days).
10. A prospective purchaser may bid on any and all packages but may not exclude individual properties from a package.
11. HUD reserves the right to withdraw properties from a package, for such reasons as lack of title evidence and other related items.

12. Statement as to whether property is occupied. In case of occupancy, the advertisement shall state that the property is rented month-to-month, sold subject to occupancy, and that delinquent rent accounts are HUD property and not included in the sale.
13. Identify properties built prior to 1978 that may contain lead-based paint hazards.
14. Identify properties that require a HUD 24 CFR Subpart 51D notification, flood insurance requirements, historic preservation deed restrictions, and any known violations of local codes and HUD minimum property standards.
15. Statement that the offering is all cash.
16. Fair Housing/Equal Opportunity Advertising Guidelines. Incorporate requirements of paragraph 9-8.
17. HUD will pay up to three percent sales commission to licensed brokers.
18. A statement that the seller has inspected all properties constructed prior to 1978 for defective paint surfaces. If defective paint surfaces were found, seller has removed or will remove such defective surfaces in a manner prescribed by HUD prior to closing.
19. Statement that the buyer pays all closing costs.
20. A statement on whether direct offers (Field Office makes this determination) are acceptable. If so, the Field Office must have procedures for handling earnest money deposits.

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G. Earnest Money Requirements and Forfeiture.

1. Earnest money (money order, certified or cashier's check) shall be 10 percent of the total package bid, submitted with the bid. Upon acceptance of the highest net acceptable offer, the earnest money is to be deposited by the local office. Earnest money deposits of the unsuccessful bidders are to be returned promptly.
2. High bidder's deposit shall be forfeited if unwilling or unable to close, regardless of the reason.
3. State the following forfeiture policy in the advertisement:

"Earnest money deposits submitted by successful bidders who fail or refuse to perform under the terms of the contract of sale shall be retained as liquidated damages. Such failure or refusal to perform shall include the purchaser's inability to obtain financing."

H. Submitting Offers.

1. A prospective purchaser may submit bids on any or all packages during a 15-day listing period.
2. The overall bid for the total package must also be broken down into bids for each property in the package.
3. Offers will be submitted by normal sealed bid procedures using Form HUD-9544, Bulk Sale Contract (All Cash) (Appendix 24) as follows:
 - a. Separate forms will be used for each individual package or group of properties on which any one person bids.
 - b. In the upper right hand corner on the Form HUD-9544, bidders will enter the group number or package number identifying the bulk sale package.
4. Net offers which equal or exceed the acceptable thresholds as provided by Headquarters may be accepted for processing, but the award should not be made until the CPO has made a formal analysis. A net offer shall be determined by the difference between the total purchase price minus a sales commission (if applicable.)

I. Title Transfer. Those legal instruments normally used to convey title in acquired property sales shall also be used for the all cash bulk sale.

J. Closing Costs/Discount Points. HUD will not pay these costs since they have been deducted in determining the sales price.

K. Extensions to Closing Date. If scheduled closing dates cannot be met, purchasers may request extensions of the closing time. (See paragraph 11-12 for instructions.)

SECTION IV - SALES PROCEDURES (LISTING TO CLOSE)

10-15 Listing. Unless specified in another HUD program, following receipt of the appraisal, preparation of the disposition program, and

providing necessary lead time to meet publication deadlines, new acquisitions shall be advertised in the next weekly listing (or BIR, if so approved) unless a small sales volume warrants less frequent advertising. Unless under rehabilitation, each property shall be advertised no later than 30 days from acquisition; if under rehabilitation, within 60 days from acquisition. No later than the advertised date, each case is to be moved in SAMS to DM step 6 (Listed for Sale). See SAMS User Manual, Case Management Subsystem, for details.

If new listings are published in newspapers, extended listings should be limited to the BIR, as provided by in the marketing plan.

NOTE: As used herein New Listing means: any property advertised for the first time; any property which is relisted because of a cancellation of a sales contract; and, any property which is reanalyzed and listed for sale under a different price or terms.

NOTE: A property is considered to have been acquired when it is entered into SAMS. Properties held off the market via the disposition program or those that fail to interface with the Insurance in Force or Claims Systems are excluded from the advertising timeframe, but must be advertised as soon as they become available for the sales market.

10-16 Listing Information.

- A. Sales listing information shall include as a minimum the following:
1. FHA Case Number
 2. Address of Property
 3. Listing Price
 4. Date, Time, and Place of Bid Opening
 5. Type of Sale
 6. Any zoning and code violations as well as major defects or structural problems which the Field Office has knowledge of which could affect the purchaser's health or safety.
- B. Simultaneous Offering Period. Unless a different procedure is specifically authorized by Headquarters, properties which do not fall within the guidelines for the Full Offer Procedure, as described in paragraph 10-16 D., shall be initially listed for a 10-day period with all offers received during the 10 days considered to have been received simultaneously. Offers received prior to listing shall be returned unopened. If a signed contract is eventually canceled, and in the absence of a back-up offer, the property must be readvertised for a new 10-day bid period rather than being placed in an extended listing period.
- C. Bid Openings. Bid openings are public and shall be conducted on the first workday following expiration of the 10-day period, at the published time and place. Where location constraints and/or large numbers of offers preclude openings on the first workday, they should be scheduled at an appropriate place and time, not to exceed the second workday. Bid openings shall be

held weekly unless a small sales volume warrants less frequent openings.

D. Full Offer Procedure. This procedure permits the opening and acceptance of qualifying bids prior to the end of the 10-day listing period.

1. The "Full Offer" procedure applies only to new listings and only to

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owner-occupant purchasers.

2. To qualify, the net offering price, Item 7 of form HUD-9548, Sales Contract (Appendix 39) must equal or exceed 89 percent of HUD's listing price. The requested sales commission must not exceed six percent and the combined sales commission and requested closing/financing costs, as shown on Line 5 of the form HUD-9548, Sales Contract, (Appendix 39) must not exceed 11 percent. If a Field Office elects to increase the maximum allowable cost for financing/closing expenses, it may pay up to six percent (see Purchaser's Financing and Loan Closing Costs at paragraph 6-22 C.3.a); the net amount must then equal or exceed 88 percent of the listing price.
3. The envelope containing the offer, in addition to other requirements, must be marked "Full Offer." Upon opening such an envelope, if it is noted that the enclosed offer does not qualify as a Full Offer, the envelope shall be so noted, resealed and subsequently reopened at the regular bid opening. Details of the offer shall not be disclosed prior to its opening at the regular bid opening.
4. It is suggested that the public bid opening be conducted on a daily basis, at an established time. However, a Field Office may determine that it is more appropriate to hold the bid opening for full offer bids on a less frequent basis, e.g., every other workday.
5. Prior to use of this procedure, brokers must be fully advised of its details. Newspaper ads or the BIR must also clearly state how bids will be accepted.
6. If the property has not been sold prior to the expiration of the 10 day bid period, all bids marked "Less than Full Offer" and those which were unmarked or improperly marked, are opened in the same manner as normal bid openings. Properties remaining unsold then become available under the extended listing.

- E. Offers received after the 10-day period may not be considered at the bid opening. Such offers shall be considered during the extended listing period.
 - F. Extended Listing Period. The advertisement shall provide for an Extended Listing Period. Properties not sold will remain available until sold or until they are relisted under different terms. The advertisement must also state the time and place for opening of bids received under the Extended Listing Period.
 - 1. There shall be daily opening of bids received under extended listing.
 - 2. All offers received on the first day following expiration of the 10-day period will be considered as being received simultaneously.
 - 3. The highest acceptable net bid shall be accepted on this same date.
 - 4. If no offers are received on the first day following expiration of the 10-day period, the same procedure shall be followed on each subsequent day until an acceptable offer is received or the property is relisted under different terms.
- 10-17 Purchase Offer Requirements. All offers submitted must consist of a fully completed form HUD-9548, Sales Contract (Appendix 39) signed by both the submitting broker and prospective purchaser and accompanied by the Lead-Based Paint Addendum (Appendix 58) where appropriate. The full required earnest money deposit must be remitted by the purchaser at the time he/she signs the contract. The deposit shall be forwarded to HUD with the contract or deposited in the broker's escrow account, at the Field Office's option.

Further details on earnest money requirements are in paragraph 10-18. The Field Office may also require that all supporting exhibits for mortgage credit analysis accompany the initial submission of the offer.

- A. Form HUD-9548, Sales Contract (Appendix 39) provides for offers to be submitted with certain deductions from the offering price, resulting in a net offer to HUD. Priority in acceptance of sales offers will be given to those producing the greatest net return to HUD.
 - 1. Item 5 of the Sales Contract (Appendix 39) must include a dollar amount for the financing/closing costs the buyer

expects HUD to pay, not to exceed five (5) percent of the sales price (Item 3 of the Sales Contract (Appendix 39) or such other Headquarters approved limit.

- a. The fees for HUD's contract closing agent and the wire transfer of sales proceeds are not to be included in Item 5 or considered in the best net calculation.
 - b. Pre-paid items, such as real estate taxes, insurance and interest, are not considered to be financing and/or closing costs and cannot be paid by HUD out of the Item 5 allowance. The closing agent's responsibility, as well as that of the Chief Property Officer, is to ensure that the Item 5 allowance is not exceeded at settlement and that only actual costs are paid.
2. Brokers may be advised that offers to purchase may be enhanced by claiming less than the maximum authorized for both or either financing/closing expenses and the sales commission.
 3. Item 6 on the Sales Contract (Appendix 39) must include a dollar amount, including any HUD-authorized bonus, the broker is claiming for a sales commission.
 4. Deduct the total of Items 4, 5 and 6 of the Sales Contract (Appendix 39) from the offering price (Item 3) to arrive at the net return to HUD.
- B. Offers must be received in sealed envelopes marked with the case number, property address, and return address of the broker. Consider any offer which does not indicate occupancy as an investor offer.
- C. Offers May Be Received Via The Facsimile (FAX) Machine. The real estate industry should be notified of the availability of this method of submitting bids through industry meetings, newspaper advertising or the BIR.

The Electronic Message Routing Form (EMRF) together with an electronically transmitted copy of the first page of form HUD-9548, Sales Contract (Appendix 39), and an electronically transmitted copy of the Lead-Based Paint Addendum (Appendix 58) constitutes a competitive bid to buy a HUD property. When received, the first page of the Sales Contract (Appendix 39) and Lead-Based Paint Addendum should be placed in an envelope, sealed and the EMRF affixed to the envelope. The sealed bid should then be processed with other bids received through the mail system and hand deliveries. In those instances where a facsimile offer represents the highest net bid, the selling broker shall be required to submit the original sales contract, containing the signatures of the purchaser and broker, to the Field Office within a reasonable time (e.g., 24 hours) for award.

HUD assumes no liability for errors in the EMRF and/or Sales Contract (Appendix 39) and continues to reserve the right to reject any and all bids and to waive any informality or irregularity in any bid. Properties are subject to withdrawal or change without notice. This statement should appear in local advertising.

- D. Simultaneous Offers. Brokers may submit unlimited numbers of offers on an individual property provided each offer is from a different prospective purchaser. If multiple offers are submitted by one purchaser on one property, only the offer producing the highest net return to HUD will be accepted. If a prospective owner-occupant submits a bid on more than one property, the offer which yields the highest net return percentage to HUD will be accepted, with all other offers on any other properties eliminated from consideration. The exception to this is that if the bidder's offer is the only acceptable one on a property, then that offer must be accepted and all other offers on any other properties eliminated from consideration.
- E. Back-up Offers. Back-up offers may be held when bidders so indicate. See Item 10 of the Sales Contract (Appendix 39).
- F. Offers may be received and considered in other than whole dollar amounts.
- G. Priority in the acceptance of sales offers must be given to offers producing the greatest net return to HUD. The greatest net return is calculated by subtracting from the bid price those dollar amounts for sales commission and any other financing and closing costs that the buyer expects HUD to pay. These figures must appear on the form HUD-9548, Sales Contract (Appendix 39).

Example:

Bid Price	(item 3)	\$60,000
Repair Escrow	(item 4)	0
Cost to HUD	(item 5)	2,000
Commission	(item 6)	3,600
Net		<u>\$54,400</u>

Unless specifically authorized by Headquarters, sales commissions on individual improved properties shall not exceed six (6) percent with a minimum of \$500; on vacant lots, 10 percent with a minimum of \$200.

- H. Noncomplying offers are to be returned to the sales broker with an explanation for the noncompliance decision and information as to whether the property is still available.
- I. Field Offices should review Sales Contracts (Appendix 39) thoroughly prior to their execution. Should a minor error be detected that could result in a higher acceptable offer, Field Offices should take the appropriate steps to have this contract corrected for the purpose of award. Errors could be minor mathematical calculations, the absence of an addendum, etc. When a determination has been made to permit the correction of a Sales Contract (Appendix 39), Field Offices should stress the importance of the immediate return of the contract (usually within 24 hours of the time notified) and should the contract not be returned within the time period, the next highest contract should be considered for acceptance.

Field Offices are cautioned against arbitrarily making changes to the Sales Contract (Appendix 39) without the approval of all parties. Should it be necessary to have changes made to the Sales Contract (Appendix 39), all parties involved in the sales

transaction must initial the changes to avoid any contractual disputes.

NOTE: Each newspaper listing and BIR must state that HUD reserves the right to reject any offer or waive any informality.

10-18 Earnest Money Deposit Requirements. It is preferable that the earnest money be held by the selling brokers in their escrow accounts until closing. However, if the earnest money is submitted to HUD, it must be deposited upon execution by HUD of the Sales Contract. Forms SAMS-1116 and SAMS-1116A, Selling Broker Information and Certification, must be obtained from each selling broker. In addition to data needed for SAMS, this form sets forth the broker requirements for earnest money deposits and non-discrimination. The signed form must be kept on file and updated by the Field Office on an as-needed basis. If a selling broker submits a sales contract but does not have a form on file, the Field Office must not accept the sales contract until a fully executed form has been received.

- A. Earnest money deposits must be in the form of a cashier's check, certified check or money order with no termination date or cancellation provision, payable to HUD or the broker, if he or she is to hold the deposit.
- B. The minimum earnest money deposit must be \$500 and the maximum such deposit will be \$2,000. Within these minimum and maximum

limits, the earnest money deposit shall be:

1. Properties with a sales price of \$50,000 or less, the earnest money deposit shall be \$500.
 2. Properties with a sales price above \$50,000; establish a dollar amount between \$500 and \$2,000 that is felt to be adequate for the Field Office jurisdiction.
- C. Vacant Lot Sales. The amount of the required earnest money deposit for vacant lots is 50 percent of the listing price.
- D. The amount of the earnest money deposit is to be the same for owner-occupant and investor purchasers.
- E. Forfeiture of Earnest Money Deposits. Applicable in all instances except those where HUD is unable or unwilling to close the sale, in which case return 100 percent of the deposit.
1. Investor Purchasers.
 - a. Uninsured Sales. Forfeit 100 percent of the deposit for failure to close, regardless of the reason.
 - b. Insured Sales. Forfeit 50 percent of the deposit for failure to close if purchaser is determined by HUD or DE underwriter to be an unacceptable buyer. Forfeit 100 percent if sale fails to close for any other reason.
 2. Owner-occupant Purchasers. Applicable regardless of sale type unless otherwise stated.
 - a. Return 100 percent of the deposit where:
 - (1) There has been a death in the immediate family (contract holder, spouse, or children living in the same household);
 - (2) 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;

- (3) There has been a loss of job by one of the

primary breadwinners, or substantial loss of income through no fault of the purchaser;

- (4) On an insured sale, HUD (or a DE underwriter) determines that the purchaser is not an acceptable borrower;
 - (5) On an uninsured sale, 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;
 - (6) Other equally good cause, as determined by the Field Office.
- b. On an uninsured sale, forfeit 50 percent of the deposit 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.
 - c. On either type of sale, forfeit 100 percent of the deposit in those instances where no documentation is submitted, where the documentation fails to provide an acceptable cause for the buyer's failure to close, or where documentation is not provided within a reasonable time following contract cancellation (e.g., 90 days).
- F. Vacant Lot Sales. The purchaser will be considered as an investor and the instructions pertaining to forfeiture by investors will apply.
- G. Failure to Abide by HUD's Earnest Money Policy Agreement. To participate in HUD's sales program, real estate brokers must sign the Agreement to Abide in which they certify that they will comply with HUD's instructions on the disposition of earnest money deposits. If the broker on a sale which fails to close is holding the earnest money deposit, in either an escrow or client's trust account, written instructions must be provided to that broker as to the disposition of such funds. If the broker fails to comply with those written instructions, within 15 calendar days, the following action(s) should be taken:
1. Within 15 calendar days of the date of the initial notification, forward a second notice to the broker, demanding the prompt disposition of the earnest money deposit and advising that failure to comply within 10 calendar days of the date of the second notice may result in a Limited Denial of Participation (LDP) action for a period of one year.

2. If the broker has not complied within 10 calendar days of the date of the second notice:
 - a. Notify the State Real Estate Commission (or proper regulatory body) as to the broker's failure to comply with his/her certification,
 - b. Follow the procedure set forth in 24 CFR, Part 24, for issuing a LDP against the broker, and

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- c. Ensure that offers to purchase are not accepted from that broker.

10-19 Sales Procedure.

- A. All sealed bids must remain sealed and safeguarded until the specified public opening date.
- B. Owner-occupant Priority to Purchase.
 1. In those areas designated as revitalization areas, properties which will be marketed on an insurable basis shall be first advertised as available for the first 20 days to owner-occupant buyers only.
 2. In all areas outside the revitalization areas, all properties shall be offered for an initial 20 day period as available to owner-occupant buyers.
 3. The normal 10-day sealed bidding period shall apply with the balance of the 20 day priority period being on an extended listing basis.
 4. Should an offer to purchase be accepted during the initial 20 day period and later be withdrawn, and in the absence of a back-up offer, and a portion of the 20 day period remains, the property shall be made available to nonprofits and government agencies, where applicable, or offered to the general public for sale.
- C. In any competitive bidding process, offers will continue to be accepted on the basis of the highest net return. In the event of identical tie net bids, award of the contract shall be determined by a drawing of lots, except, offers from owner-occupant bidders, provided they are otherwise acceptable, shall receive priority.
- D. Accept offers that are within the Headquarters established listing price thresholds. At no time, indicate to the public

that HUD will accept offers which are within a specified range below the listing price. The thresholds are:

1. All Competitive Sales (Including Bulk and Auction Sales).
 - a. See memorandum at beginning of handbook.
 - b. See memorandum at beginning of handbook.
 - c. If a property is located in a revitalization area and the winning bidder is a nonprofit organization or government agency, without any discount being considered, a discount of 30 percent off contract sales price is given. In non-revitalization areas, the discount to nonprofit organizations and government agencies is 10 percent off contract sales price. Should five or more properties be purchased simultaneously and the sales close simultaneously, the discount would then be 15 percent.
 2. Direct (Non-Competitive) Sales to Governmental Entities and Private Nonprofit Organizations. See paragraph 10-20 for instructions.
- E. Announce all offers when the bids are opened and tentatively accept the highest net offer. Advise attendees at the bid opening that this tentative acceptance does not constitute formal acceptance of the offer which will occur when HUD executes the form HUD-9548, Sales Contract (Appendix 39). The earnest money deposit must have been received as part

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of the bid package or as an option, the broker must have deposited the earnest money in his/her escrow account.

- F. Record the results of each bid opening on a separate sheet for each property. The minimum required information:
1. Date of Bid Opening
 2. Date of Listing
 3. Listing Price
 4. FHA case number
 5. Property address
 6. Purchaser
 7. Selling broker
 8. Bid amount
 9. Net bid amount
 10. Name and title of individual conducting bid opening
 11. Name and title of individual recording bid opening

- G. Maintain the original bid sheet in a folder with all other bid sheets. This folder shall serve as the office's official record of bid openings. Complete each sheet whether or not any bids are received. Place a copy of each bid sheet in the individual property case files. Bids may also be entered into SAMS through the CM DS BR screen, Bids Received Log, and a log will be created for use as the official bid opening log. See SAMS User Manual, Case Management Subsystem, for details.
- H. Within two working days of the bid opening, notify the broker using Appendix 52 to formally accept the offer and provide instructions to take whatever actions are necessary to conclude the sale. The dates of HUD's acceptance of the contract and notification to the broker should be identical. When a sales contract has been executed and mailed by HUD, it is considered to be a legal and binding document and must be followed to the conclusion of the sale. HUD does not have the ability to cancel the contract without the written consent of the purchaser(s).
- I. Return all offers not accepted to the selling broker(s) within two working days of the bid opening. The earnest money deposit must also be returned either by the Field Office or the broker, whichever is applicable. In those instances where earnest money accompanies the sales contract, Field Offices shall return the unaccepted offers via certified mail to ensure that the money is received by the broker.
- J. Fixed conditions of sale are on the reverse side of form HUD-9548, Sales Contract (Appendix 39), Items A through O, and are self-explanatory.
- K. Before rejecting an offer which is slightly below the acceptable threshold and incurring the added time and expense of waiting for an acceptable offer, Field Offices should consider the cost of such a wait. The Department estimates the delay in the receipt of an acceptable offer will average 15 days. Thus, Field Offices should multiply 15 times the current daily holding cost. If the result, when added to the offered amount, is within the threshold, the offer may be accepted.

10-20 Direct (Non-Competitive) Sales to Governmental Entities and Private Nonprofit Organizations.

- A. Eligible Participants.
 - 1. Government agencies, including Public and Indian Housing Authorities; and,

B. Private Nonprofit Organizations as described in 24 CFR 291.405 (also see Terms), summarized as: An organization in which no part of net earnings inure to the benefit of any member, founder, contributor, or individual, which practice nondiscrimination in the provision of assistance, and which have:

- a. A voluntary board;
- b. A functioning accounting system operated in accordance with generally accepted accounting principles;
- c. Nonprofit status as demonstrated by approval under Section 501(c)(3) of the Internal Revenue Code.

1. Nonprofit organizations previously qualified to participate in other HUD programs such as HOPE 3, the Single Family Property Disposition Demonstration, the Homeless Initiative, or McKinney Act homeless programs are automatically eligible to participate. Agencies qualified as Community Housing Development Organizations (CHDOs) under the HOME Program, or those routinely designated as CDBG subrecipients, also qualify.

A nonprofit which has not been qualified to participate in HUD programs must be pre-qualified by Community Planning and Development.

2. Participating nonprofit organizations must also be able to demonstrate prior experience as a lower income housing provider within the past two years. Minimum prior experience is defined as the acquisition, rehabilitation, and resale of five single family properties during the past two year period. Organizations lacking this experience will be restricted to buying 10 properties, and have to complete rehabilitation and resale of five, prior to purchasing additional HUD-owned properties.
3. Where Field Office staff is not cognizant of a nonprofit's capacity to meet the above standard, HUD should require evidence be submitted to the Chief Property Officer that the required standards have been met prior to selling more than 10 properties at the 30 percent discount. Satisfactory evidence could include: the agency's annual report, an audited financial statement, copies of contracts on properties resold to lower income buyers, evidence documenting adequate financing to carry out the program, and other documents demonstrating the outcome of prior acquisitions to provide affordable housing.

C. Eligible Properties.

1. All new acquisitions in revitalization areas that are programmed for sale as uninsurable and are not being offered for sale to owner-occupant purchasers under the

20-day priority period.

2. All properties in revitalization areas that were listed for sale as insurable which were offered for 20 days to owner-occupant purchasers but did not sell. For those properties which were offered for sale as insured with repair escrow, the listing price will be the uninsured sales price.
3. All properties in non-revitalization areas that did not sell to owner-occupant buyers

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during the 20-day priority period.

D. Discount on Sales Price

1. In revitalization areas, the discount to nonprofits and government agencies shall be 30 percent off list price.
2. In non-revitalization areas, the discount to nonprofits and government agencies shall be 10 percent off list price. An additional five percent discount shall be added if five or more properties are purchased simultaneously and the sales of those properties close simultaneously within the normal Field Office closing time frame.
3. See paragraph 10-20 F.9.a. and b. for instructions on accounting for the discount at settlement.

E. Resale Restrictions

1. Properties purchased using the 30 percent discount incentive are primarily intended to be resold to persons who are at or below 115 percent of median income for their area, when adjusted for family size, or used to shelter the homeless.
2. Properties may not be resold to an investor owner within one year of HUD's closing. Individual exceptions may be granted in unusual circumstances. A request for such an exception must be submitted in writing to the Field Office with reasons given for this type of resale.
3. Without a specific written exception being granted by the Field Office, on an individual property basis, properties may not be occupied by or resold to the spouse, child, stepchild, parent, stepparent, or business associate of any of the participating agency's officers, directors, elected or appointed officials, or employees.

F. Sales Procedures Applicable to Governmental Entities and

Private Nonprofit Organizations.

1. Expression of Interest

- a. Nonprofits and government agencies have five calendar days following receipt of the listing of available properties in which to express preliminary interest. Notification to nonprofit organizations and government agencies of available properties, except uninsured properties in revitalization areas, shall be provided at the time they are listed for sale to owner-occupants. Notification may be by direct mail (BIR) or by relying upon the newspaper listing. Nonprofit organizations and government agencies should provide their indication of preliminary interest within the 20-day owner-occupant priority period. A listing of uninsurable properties in revitalization areas should be provided to the nonprofit organizations and government agencies at the time the disposition programs are approved. For these properties a written indication of preliminary interest must be received within 10 calendar days. Absent either of the above described notifications of preliminary interest, the properties shall be placed in the general public listing. Participating agencies should be encouraged to provide this indication of firm interest in the form of a signed sales contract. In any event, sales contracts (form HUD-9548) should be received by the Field Office within five calendar days of the notice of firm interest. Absent receipt of a signed sales contract within this time frame, the property will be listed for sale to the general public.

NOTE: It is not expected that Field Offices will provide listings of available properties to nonprofit organizations and government agencies except for those located in specific areas of interest, as designated by these buyers.

- b. Whenever possible, participants should be encouraged to communicate with the Field Office by FAX in order to expedite the entire process.
- c. If more than one agency expresses an interest in the same property, the first to offer a properly executed and otherwise acceptable sales contract shall be the buyer. Agencies interested in the same geographic areas should be encouraged to coordinate their

activities for maximum benefit to lower income persons.

2. Closings are expected to occur within the normal Field Office closing time frame. In the event a scheduled closing cannot be held, extension periods may be granted in 15 day increments only. The buyer must submit a written request to the CPO for an extension of the closing date, accompanied by a non-refundable fee per property that is consistent with the extension fee in effect for the Field Office. The participating agency will be credited for any unused portion of the extension period at closing.
3. If HUD experiences repeated delays in scheduled closings with a program participant, the CPO should require an earnest money deposit of \$500 per property on future transactions. The deposit shall be subject to forfeiture on the same basis as other sales which fail to close within the contract time frame, including approved extensions.
4. No real estate broker will be used, and no sales commission or closing/financing costs will be paid. Sales closings shall be conducted by HUD's contract closing agents.
5. Property taxes will be prorated to the date of closing between HUD and the participating agency. HUD will not transfer a property for which it is not reimbursed at closing for prepaid property taxes.
6. All sales are on an as-is basis and are for cash only. Payment is due at closing.
7. HUD's standard special warranty deed shall be used.
8. All properties must be inspected for defective paint surfaces before offering them for sale. If defective paint surfaces are found, treatment as required by 24 CFR 35.24(b)(2)(ii) and specified in HUD Handbook 4310.5 shall be completed by HUD before closing the sale of a property. Thereafter, where applicable, purchasers must sign and date the special "Notice to Purchasers and Renters of Housing Constructed Before 1978" prior to executing form HUD-9548, Sales Contract.
9. Discounts on sales to nonprofit and government agency buyers shall be handled on the Sales Contract and HUD-1 as follows:
 - a. Direct (Non-Competitive) Sales. Since the purchase price on these sales is the full list price less the discount (10 percent in non-revitalization areas; 30 percent in revitalization areas), the discounted price shall be the amount shown on Line 3 of the Sales Contract. This same sales price figure will be

reflected on Line 101 of the HUD-1. Should the buyer qualify for an additional discount of five percent for purchasing five or more properties simultaneously and closing those sales simultaneously within the 60 day time

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frame (non-revitalization area only), the additional amount shall be reflected and identified by the closing agent on Lines 207 and 507 of the HUD-1.

- b. Competitive Sales. Since competitive buyers are not obligated to bid the full listing price, and nonprofits and government agencies must be the highest net bidder (without the discount being considered) to be awarded the contract, the discount (same percentages as above) is not reflected on the sales Contract, but is shown on Lines 207 and 507 of the HUD-1. If the buyer is eligible for an additional five percent discount as indicated above, Lines 207 and 507 shall reflect the full 15 percent discount and the closing agent shall explain this item on the HUD-1.

- G. Reporting. A SAMS report has been developed to measure the results of sales to nonprofits and government agencies on a monthly basis. It will show the number of sales accepted and closed, and whether HUD's acceptance occurred during the priority period for these buyers or whether they occurred during the competitive period. It will distinguish between sales in revitalization areas and those outside revitalization areas. Accurate data depends upon proper programming of the property as a direct sale, if applicable, and proper recordation of sales information on the CM DS OA.

10-21 Sales to General Public. Properties which remain unsold after progressing through each of the required steps are then offered to the general public under a competitive bidding process. General public is defined as nonprofit organizations, government agencies, owner-occupants and investor purchasers.

- A. Unless conditions have changed which affect the previously established price or terms, properties shall be offered at the same listing price. If conditions dictate, a new listing price may be established, using current pricing procedures. If a new listing price is established, the property remains in the general public category under the normal ten (10) day competitive bidding period.
- B. After properties have been exposed to the market in the

"General Public" category for 30 days, homeless providers may request the property on a lease basis.

10-22 Counter Offering. The counter offer procedure may be used at the discretion of the Chief Property Officer in situations where the only bids received on a property are below the range HUD would normally accept. Negotiations are to follow the 10-day simultaneous offering period. Negotiations should not preclude properties from going directly to an extended listing period. All bidders who bid unsuccessfully during the 10-day bid period as well as any who submitted a bid during the extended listing period must be included in the negotiations.

A. Follow these steps after the 10-day bid period has expired:

1. Establish a net acceptable price that is not lower than the minimum thresholds established by Headquarters. Document this acceptable price in the property case file using the Record of Negotiations, form HUD-9429, (Appendix 53). Field Offices must be satisfied that any negotiated counter offer amount does in fact represent HUD's estimate of current fair market value.
2. Reject all offers received during the 10-day period and return the earnest money deposit.
3. Immediately contact by telephone all individual bidders and/or their brokers and advise that:
 - a. Their offer has been rejected as unacceptable.

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- b. HUD would be willing to accept an offer equalling the predetermined net acceptable price.
- c. The bidder must submit an acceptable form HUD-9548, Sales Contract (Appendix 39), and earnest money deposit within a designated period of time to be determined by the Field Office.
- d. A counter offer bid opening date and time must be established to coincide with the extended listing bid opening. All counter offers and extended listing bids received on the same day shall be considered to have been received simultaneously and should be opened at the same time to determine the acceptable offer.
- e. If an acceptable offer is received from another party, prior to the receipt of a counterofferor's

signed contract and earnest money, the earlier offer will be accepted, thus terminating negotiations.

- f. If an offer is not received within the specified period of time, the property will be reprogrammed and readvertised, thus terminating negotiations.
- g. HUD will accept the highest net offer it receives which meets or exceeds the acceptable price, including offers presented during the extended listing period.

- 4. Negotiations must be recorded and filed in the case binder. See Appendix 53 for information required.

B. Offers During Extended Listing. An offer which is received during the extended listing period, while negotiations are underway, shall be handled as follows:

- 1. If the offer is the highest net received both during the bid period and the extended listing period and is equal to or above the amount specified in HUD's counter offer to the prior bidder(s), it will be accepted without negotiations. Negotiations with the remaining bidders shall be terminated and they shall be advised that an acceptable offer was received.
- 2. If the offer is less than the amount HUD will accept, that bidder shall be given the opportunity to be included in the negotiations.

C. Other Considerations.

- 1. All bidders must be included in the negotiations. It is not permissible to negotiate with only the high bidder or the top two or three bidders.
- 2. Any counter offer proposed or ultimately accepted by HUD must be greater than any previously rejected offer.
- 3. If tie net bids are received at the same time, award must be determined by the drawing of lots.
- 4. SAMS must be updated to reflect any accepted offer by completion of the CM DS OA, Sales Offer Accepted screen. See SAMS User Manual, Case Management Subsystem, for details.
- 5. Office Managers or their designees at or above the level of CPO must periodically review the negotiation process to ensure its proper operation. Such reviews shall be documented in writing.

6. Offices are cautioned about negotiating with multiple bidders. Multiple bids significantly below the listing price probably reflects an error in the pricing. If initial price is a problem, the property should be reanalyzed and readvertised.

10-23 Underwriting activities may be handled by the Underwriting Staff in Housing Development or by a Direct Endorsement (DE) lender. Where a case is rejected by HUD mortgage credit processing, and the CPO disagrees, the matter can be taken to the Office Manager for resolution. The Field Office Manager must make the decision whether to use Direct Endorsement processing for Single Family Property Disposition properties eligible for FHA insurance. While it is not mandatory, the use of Direct Endorsement (DE) is encouraged since it will save HUD staff time in financially qualifying the prospective purchaser. If a decision is made in favor of using a DE lender, the Field Office must inform the local lenders that this procedure is available.

The form HUD-9548, Sales Contract, (Appendix 39), when signed by HUD, is the conditional commitment for the property and the agreed purchase price on the property (Item 3) is treated as the estimate of value. The DE underwriter is not responsible for any valuation review of these properties. A DE case is to be processed as follows:

- A. Issue a Notice of Contract Acceptance - HUD Property Disposition Sale (Appendix 52) and send it to the broker along with the purchaser's copy of the accepted Sales Contract. Prepare this Notice on Field Office letterhead.
- B. The broker must provide a copy of the acceptance notice and signed contract to the DE lender, who must review the acceptance notice to make sure that the property is eligible for an FHA-insured mortgage. In addition, the DE lender will qualify the prospective purchaser with regard to financial ability to make the payments required under the mortgage.
- C. Instruct the DE lender as to where the completed and approved loan package is to be forwarded for closing. Upon receipt of the closed loan package from HUD's closing agent, the DE lender will review and certify the loan package and submit it to HUD for endorsement.

10-24 Sales with an Insured 203(k) Mortgage.

- A. Successful bidders will be given 60 days to close the 203(k) insured loan. Sales contracts involving this type of sale require the inclusion of the following clause:

"The purchaser agrees to make all additional improvements required by HUD or the lender, provided the improvements are intended to bring the property into compliance with the

Requirements for Existing Housing in HUD Handbook 4905.1. The purchaser must submit the architectural exhibits to HUD or the Direct Endorsement Lender within 15 days of contract acceptance or be subject to forfeiture of the earnest money deposit if the property transaction does not close."

- B. After the contract acceptance by HUD, the selling broker should arrange to have the utilities turned on in the purchaser(s)' name to ensure the working condition of the heating, plumbing and electrical systems. If the utilities are not turned on for inspection, a 15 percent contingency reserve will be required. If the utilities are subsequently turned off, the purchaser is responsible to notify the HUD Field Office and rewinterize the dwelling, if necessary. All costs are borne by the purchaser.
- C. To eliminate the need for double closings, an extension to the sales contract may occur beyond the 60 day time frame; however, non-refundable fees will be required by the HUD

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Field Office as a condition for granting an extension unless the failure to timely close is the fault of HUD or a Direct Endorsement (DE) lender.

- D. If HUD determines at a later date that the property is not eligible for 203(k) insured financing for reasons beyond the control of the purchaser, the purchaser will have the option to have HUD refund the entire earnest money deposit and any extension fees or continue the sale without the benefit of any FHA insured financing.
- 10-25 Repairs that Delay Closings (applicable to any type of sale). In those instances where a sales closing is delayed due to the requirement by the lending institution that minor repairs be completed prior to settlement, HUD will perform such repairs, however, the purchaser must assume responsibility for the cost of the repairs at the time of the sales closing. Minor repairs are defined as those which do not exceed \$500.
- 10-26 Damage After Contract Acceptance.

- A. Field Offices may perform repairs necessitated by vandalism, theft or other damage that occurs after acceptance of a sales contract, but prior to sales closing as follows:

- 1. Insured Sales

- a. Damage resulting in property no longer meeting the intent of the Minimum Property Standards (MPS):

At the option of the Field Office and if it is determined that repairs would be in HUD's best interest, repairs may be performed to return a property to a condition which would meet the intent of the MPS. Repairs may include both MPS and non-MPS items. If the Field Office chooses not to repair the property, the sale should be canceled and the full amount of the earnest money deposit returned.

- b. Property damaged but still meets the intent of the MPS:

The purchaser may accept the property as-is with a purchase price adjustment, as determined by the Field Office, or cancel the sale with a full refund of the earnest money deposit.

- 2. Uninsured Sales. Properties damaged after execution of a sales contract but prior to closing generally will not be repaired. However, at HUD's sole option, Field Offices may reduce the sales price as a result of the damage. The purchaser may accept the property as-is with a purchase price adjustment, as determined by the Field Office, or cancel the sale with a full refund of the earnest money deposit.

- B. Repairs are limited to properties being sold with FHA insurance and both MPS and non-MPS related items may be included.
- C. Adjustments to sales prices on insured sales relate only to non-MPS items; on uninsured sales, to any damaged item.
- D. The exact condition of a property on the date of contract acceptance, particularly on uninsured sales, is extremely difficult to know. To lessen the possibility of conflicts, brokers and the public should be advised that the absence of a documented walk-through inspection just prior to closing will preclude any consideration for repairs or price adjustments, according to this policy. Under no circumstances should this authority be construed as warranting properties.

10-27 Occupancy Before Closing. Occupancy of a property by the purchaser before sales closing is prohibited, except where authorized on a case-by-case basis under the following circumstances:

- A. When the sales closing is delayed at for a lengthy period of time.

- B. When failure to permit occupancy would create an extreme hardship on the purchaser;
- C. Where permission to occupy is necessary to meet competition; or
- D. Where occupancy would protect the property against vandalism and theft.

In all cases, the property must be habitable.

If occupancy before closing is permitted because occupancy by the purchaser would protect the property against vandalism and theft, occupancy will be rent free or at a nominal rate in exchange for caretaker services which the buyer agrees to perform. In this case, the following is to be entered after paragraph one of the standard lease, (Appendix 29):

"(h) to safeguard the property against vandalism and theft."

Also, add a new paragraph 14 to the lease, as follows:

"Tenant agrees to close the sale in accordance with the terms of the Sales Contract, which he/she executed, at the date and time established by the Seller. Failure to do so will constitute a breach of that contract. Tenant further agrees that if he/she does not close the sale on the date and time established by the Seller, he/she shall then commence the payment of rent of \$ _____ per month until the sale is closed or will vacate the premises at the request of the Seller. No repairs are required to be made by Seller. Tenant agrees to assume the risk of loss if the property is damaged before sales closing."

If occupancy is solely to meet needs of the purchaser, fair market rent must be paid and the purchaser must assume the risk of loss in the event there is damage to the property before sales closing. In either of these two cases, use the standard lease (Appendix 29). See paragraph 10-25 for repairs that delay closing.

10-28 Direct Offers from Purchasers. Encourage prospective purchasers to use brokers; however, Field Offices may, at their discretion, allow direct offers from purchasers without the use of brokers provided the following requirements are met:

- A. Purchasers must complete the Direct offer Certification (Appendix 50) and submit it with the form HUD-9548, Sales Contract (Appendix 39).
- B. Do not accept direct offers from purchasers who cannot or will not complete the Direct Offer Certification.
- C. Field Offices must use extreme caution in providing lock box keys to non-brokers if such a practice is allowed.
- D. If REAMs are used to show properties to direct offer purchasers, Field Offices must amend the REAM contract to provide a reasonable fee so that HUD will not be liable for a

full sales commission to the REAM.

10-29 Special Categories of Purchasers.

- A. Displaced Persons (defined as any household (family or individual)) that moves

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permanently as a direct result of: (1) acquisition, rehabilitation, demolition or code enforcement for a government (Federal, state or local) project or government-assisted project, (2) a determination that the income of the household exceeds the limitations for the government-assisted housing that the household occupies, or (3) a major disaster. For details on renting to disaster victims, see Chapter 7. This definition applies even though the displaced person has found a temporary residence.

1. At the discretion of the Field Office Manager, properties which are eligible for insured financing may be offered for sale at a discount of ten (10) percent off the listing price to displaced persons for 10 days prior to public listing.
2. Offer only those properties in the general area in which displacement is occurring.
3. Accept purchase offers only from displacees who will be owner-occupants and who include with their offer acceptable certification that they are or will become displaced as defined above.
4. Purchase offers submitted by displacees must be at the property's listing price, with no more than the customary charges for financing and closing costs.
5. Procedure.
 - a. Notify appropriate government agency that the property will be available for 10 days prior to open listing, provide a copy of the upcoming listing, and state that offers will be considered on a first-come, first-serve basis.
 - b. Displacees accompanied by a broker or representative of the displacing agency may inspect the property during the 10 days.
 - c. If the displacing agency simultaneously submits more than one purchase offer, any priority system will be

determined and administered by that agency.

- d. Backup offers may be retained with the consent of the submitting persons.
- e. Credit reports and verification are required as for other purchasers and must be submitted directly for HUD's mortgage credit approval. Costs for the credit report will be reimbursed only to the successful purchaser at closing.
- f. Sales commission will be paid to the selling broker at closing: no commission is paid on sales made directly through the displacing agency.

B. Sales to Tenants/Right of First Refusal:

- 1. Upon execution of the standard lease (Appendix 29), HUD's tenants in occupancy, except former mortgagors and tenants of governmental agencies or private nonprofit organizations leasing from HUD, must be provided with written information affording them the Right of First Refusal to purchase the property non-competitively prior to its being listed for sale. Field Offices should distribute the Letter to Tenant - Right of First Refusal (Appendix 69) to all tenants upon execution of the lease. Tenants in occupancy will be offered the right of first refusal to purchase, provided:
 - a. There is a recognized ability to acquire financing:
 - b. A good rent paying history exists; and,

- c. A request has been made to HUD to be offered the right of first refusal; or
 - d. State or local law requires that tenants be offered the right of first refusal. (See paragraph 2-14 A. for prohibited evictions.)
- 2. An inspection must be made to determine the appropriate market approach and current fair market value. The tenant would then be given the opportunity to submit a sales contract to the Field Office under a non-competitive bidding period at the current fair market value. The tenant is eligible to have the financing and/or closing costs paid by HUD on the same basis as for other purchasers. A selling broker is not involved, therefore, no sales commission will be indicated on the sales

contract.

3. Should the tenant elect not to purchase the property, the Field Office may require that the property be vacated prior to offering it for sale under the normal competitive bidding procedures.
 4. Former owner-occupant mortgagors shall not be given the right of first refusal to purchase their former property. However, they may submit an offer under the simultaneous competitive bidding period. Former non-occupant purchasers are ineligible to repurchase the same property.
- C. Salaried Employees of HUD. Sales to such employees must have prior written approval of the Director, Office of Insured Single Family Housing, Headquarters. Because of the obvious sensitive nature of such sales, the procedures which follow are intended to be highly restrictive so that no questions may be raised with regard to the integrity of the transaction. Any request for approval, which is to be submitted by the Office Manager, must include verification that these conditions have been met.
1. The property must be listed on the open market for 15 consecutive days (10 day listing period plus five days under the extended listing period) before employees may submit offers. Pre-approval to submit offers is not possible. Do not accept offers to purchase from employees unless the 15 day requirement has been met. It is intended that employees or relatives of employees not be in competition with the general public during this period. In the event other offers are received under the extended listing period on the same date (but after the fifth day of extended listing) as the employee's offer, the property will be awarded to the individual(s) submitting the offer providing the greatest net return to HUD in accordance with HUD's best offer procedure.
 2. The offering price must meet or exceed the current listing price and be submitted through a real estate broker if this is the usual practice of the Field Office. The best offer sales procedure will be used. The costs specified in the offer must be in line with such financing costs paid on other sales and only actual costs will be paid.
 3. A determination that the employee has a need for such housing and suitable housing at a similar price and terms is not available from other sources.
 4. The employee must provide a statement that the property will be maintained as the primary residence and is not being purchased for financial speculation.
 5. The employee's credit risk pattern must be satisfactory where HUD insured financing is involved.
 6. The employee must not have been involved in any way with

the preparation of

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reports, findings, or recommendations regarding the sale on which he/she has submitted an offer.

- D. Relatives of Salaried HUD Employees. Relatives are defined as persons related by blood, marriage, or law. To the extent that an employee learns or has knowledge that a relative is attempting to purchase a HUD-owned property, and such property is located in the Field Office jurisdiction where the employee works, all provisions of paragraph 10-19 C. apply. Additionally:
1. The employee must notify the Office Manager in writing that a sales offer has been submitted by a relative, identifying the property and the relative.
 2. The employee must not have been involved in any way with the preparation of reports, findings or recommendations regarding the sale on which a relative has submitted an offer. If the related employee has already prepared materials regarding the sale, the Office Manager shall order new reports to be prepared.
 3. The Manager must take all necessary precautions to ensure that sales to such relatives will not involve or appear to involve preferential treatment.
- E. Offers Made by HUD Contractors who prepared reports used as the basis for the listing price and/or the recommendation of acceptance, will not be considered. In accordance with the REAM contracts, the REAM contractor is prohibited from purchasing any HUD properties managed under their contract. This prohibition extends to members of the contractor's immediate family or household or by any entity in which they have any direct, indirect or financial interest.
- 10-30 Sanctions Against Fraudulent Purchase. The following applies when a condition of sale was that the purchaser be an owner-occupant.
- A. When a person has purchased, within a short time, at least two HUD-owned properties before taking occupancy, he/she must be requested to explain these transactions in person or in writing to the Field Office.
 - B. He/she shall be notified that all future offers submitted will be processed as offers from an investor if:
 1. There is no response to the Field Office request in

paragraph 10-30 A, above;

2. The explanation in response to paragraph 10-30 A does not evidence good faith in the stated intent to occupy the property.
- C. Each case must be fully documented. Decisions to process each future offer as an investor offer must be in a permanent record for HUD staff who classify offers.
- D. False certification by a purchaser concerning occupancy of single family properties financed by an insured mortgage is a violation of 18 U.S.C. 1001, which may result in the required prepayment of the mortgage in the amount of the difference between the downpayment made and the downpayment required if the loan had been processed as an investor purchaser loan, or in criminal prosecution.
- E. When the Field Office suspects misrepresentation, it shall notify the Office of the Inspector General, pursuant to Handbook 2000.3 REV-3, Office of Inspector General Activities. Persons subsequently debarred or suspended under 24 CFR Part 24 will not be eligible for an insured mortgage and HUD will not pay for or credit closing costs in connection with sales to those individuals. If the individual is a selling broker in any future sale of an acquired home property, HUD will not pay a commission.

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SECTION V - PROCESSING REQUIREMENTS FOR SAMS

10-31 General. See SAMS User Manual for specific procedures relative to listing properties for sale, logging-in bids received, opening bids, and acceptance of the sales offer.

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