

"Successfully Selling HUD Homes in the 1D Area"

Presented by:

PEMCO, Ltd

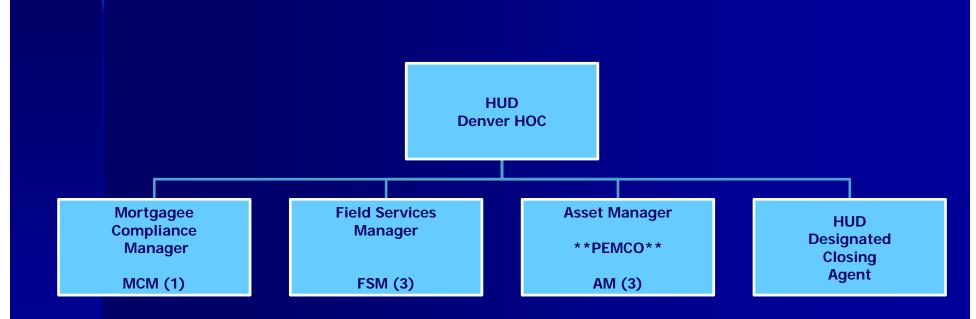
Asset Management Contractor to the US Department of HUD

Welcome to PEMCO!



- Asset Management Company contracted by HUD to manage the HUD Sales Process in 26 States and U.S. Territories.
 - Areas defined as 1A, 2A, 1D, 2D and 2S
- PEMCO, Ltd. has been performing marketing and management services for HUD for more than 10 years
- Most recent contract with HUD in 2010 to expand across the country in M&M3!

Dynamics of the HUD Sales Process for M&M3





Mortgagee Compliance Manager (MCM)

- One Nationwide Contractor
 - Michaelson, Connor & Boul (MCB)
 - Based out of Oklahoma
- Performs a variety of pre- and post conveyance services to ensure that HUD's interests are protected
 - Conveyance condition
 - Guidance to Mortgagees regarding claims and conveyance
 - Ensure marketable title



Field Services Manager (FSM)

- FSM provides property maintenance and preservation services consisting of:
 - Inspecting the property
 - Securing the property
 - Conducts initial winterization
 - Performing repairs as needed
 - Providing ongoing maintenance



Asset Manager (AM)

- AM manages & markets sales process and properties
 - Ensures accurately and competitively valued
 - Makes sure sales achieve highest net return
 - Minimize holding time
 - Handles closing and accounting of funds
 - Responsible for over all customer service and satisfaction



Asset Managers Region 1D

- Region 1D Covers: Colorado, Utah, New Mexico and North Texas
- Three AM's in Region
 - -PEMCO
 - Hometelos
 - MMREM



Property Flow Chart / QC

MCM AM **FSM** Receives Markets Mortgagee Inspect Property & & ensures Initiates Safe Secure Marketable **Ensures** FHA Claim & Marketable Condition & Condition and Marketability initial QC the FSM conveyance QC the MCM OC If Issues to HUD If Issues Reject Reject Reject **Property Property** Property



What is a HUD Home?



HUD Home for sale today



What is a HUD Home?

NOT low-end housing!

- <u>Definition</u>: a one-to-four unit singlefamily residence acquired as a result of a foreclosure on an FHA-insured mortgage
- Vary in price, location, and condition
 - HUD Homes for sale throughout the state
 - Some are move-in ready, others are not
- Offered for sale at fair market value, based on a recent appraisal
- Sold AS-IS



Understanding AS IS

- No warranties, guarantees, or representations about the property
- No repairs
 - Exception: Security, Safety and Vandalism while under contract
- Buyers allowed and encouraged to get independent home inspections



Who can buy a HUD Home?

Buyers will fall into one of three categories:

- 1. Owner-Occupants
- 2. Investors
- 3. Government Agencies & HUD approved Non-Profit Organizations



Buyer Types Continued

- Owner Occupants
 - Giving priority during certain cycles
 - Must occupy the house for 1 year
 - CANNOT participate in HUD sales for 2 years as an Owner Occupant
- Investors
 - CANNOT Bid until day 31
 - No restriction on quantity



HUD's Special Programs

- Properties which are eligible for HUD's special programs will list to a "Lottery period" Prior to being listed for sale on www.HUDHOMESTORE.com
- Two types of Lottery period eligible bidders
 - GNND
 - HUD approved Non-Profits/Govt Agencies
 - Information on becoming a HUD Approved Non-Profit Organization is at <u>www.hud.gov</u>
- GNND eligibility will be indicated on the listing



HUD's Special Programs

Good Neighbor Next Door

- Designed to enhance urban communities by offering discounts on HUD homes to Firefighters, EMT's, Police, and Teachers
 - 50% off the property list-price
 - \$100 down payment

Requirements:

- Property must be located in a <u>designated Revitalization Area</u>
- Buyer must live in the home for at least 36 months
- Buyer nor spouse may not have owned title to property in last 12 months
- Bidder nor spouse cannot have ever before participated in GNND program



Additional GNND notes

- Must bid 100% of the listing price
- Can utilize any type of financing or cash deal
 - Must qualify for entire contract amount prior to discount
- FHA Financing on GNND
 - Must qualify for entire contract amount prior to discount
 - Can finance into the mortgage all reasonable and customary closing costs, including pre-paids and real estate commissions
- HUD does not pay closing costs or commissions on these programs



Get Connected!

Resources for agents



WWW.HUDPEMCO.COM

- Listing site, calendar of events, updates, registration, forms, ect.

Other Important Sites

- www.hud.gov as a national resource for HUD information
- <u>www.hudhomestore.com</u> HUD listings

<u>Social Media Networks – (lookup Hudpemco)</u>

- networking, news, updates, featured listings, featured info.
- Facebook, Twitter, Active Rain, LinkedIn, YouTube

PEMCO Buyer Outreach Events – can be found on the Calendar of Events on www.HUDPEMCO.com



Expectations for Agents

Quality

in all work and all aspects of working with HUD and this process

Professionalism

when interacting with the buying public, other selling agents, and everyone and every aspect involved in the HUD Selling Process

Communication

with not only buyers and those involved with your transaction, but also with the PEMCO team to express concerns or suggestions or ideas that become evident to you as you work in the field and become involved in HUD selling

Motivation

to make the sales and move HUD Properties!

Teamwork

as a real estate community and with PEMCO to work toward the continued betterment of the 1D and 2D HUD sales process and ensure that the HUD process is always operating as successfully as possible

Registering with HUD

- Any licensed real estate agent can sell HUD homes
- BROKERAGES, not individual selling agents actually register with HUD
- When a brokerage registers with HUD, the brokerage will receive a NAID number, which will be used by ALL agents in that brokerage



Registering with HUD

- To become registered, your principle broker will need to complete the Broker Registration Package
 - NAID Package sent to Denver HOC
- Accuracy is extremely important
- Process takes 6-8 weeks
- Must renew annually





Create a Selling Agent Account

- Easy and free
- Will need your brokerage's active NAID number to set up this account
- You will log into this account later when you begin the bidding process
- www.hudhomestore.com
 - ➤ Register as <u>Bidder</u> in the top right corner
 - ➤ Master Broker must be set up prior



Who is the LLB?

- HUD/PEMCO contracts Local Listing Brokers to provide FULL listing services on HUD Homes
- LLB Responsibilities:
 - List on MLS
 - o Most appropriate and mainstream MLS for area
 - Place sign in yard
 - Provides inspections and BPO reports
 - Customer Service and Informational resource on HUD listings and HUD sales process
 - Provide wide market exposure of the HUD sales process and the properties

No current solicitation



Listing Periods



- •Properties will list Daily!!
- Lottery Properties
 - •5 days for special buyer types (7 days total)
- New listings
 - Insurable/Insurable with Escrow
 - •30 Day Exclusive Owner Occupant Bidding Period Comprised of:
 - •10 Days Sealed Bidding
 - •Sealed = Bids will accumulate over the entire length of the bidding period and will be reviewed the 10th day of this period
 - •20 Days Daily Bidding
 - •All bidders allowed on day 31
 - Uninsurable
 - •5 Days Sealed Exclusive Owner Occupant Bidding Period
 - •All bidders allowed on day 6



Listing Codes

Some online listings are accompanied with codes representing the **financing options** and/or **property conditions** of the property for sale.







Property Condition Codes

Code	Indicates	Description
F	Flood Zone	Property is located in an area where coverage under the National Flood Insurance Program may be required to obtain a loan
НОА	Homeowners' Association	Property is covered by a Homeowners' Association which will most likely require HOA fees and dues to be paid by the home occupant
LBP	Lead-Based Paint	Property was built before 1978 and may contain lead-based paint; LBP Addendum Form must accompany the sales contract



Financing Codes

Code	Indicates	Description
IN	Insurable	Property meets FHA 203(b) financing requirements; no obvious repairs necessary to insure an FHA loan to buyer
IE	Insurable w/ Escrow	Property eligible for a 203(b) FHA loan; necessary repairs total less than \$5,000
UI	Uninsurable	Property requires more extensive repairs after the close of escrow and is not eligible for FHA mortgage insurance in the property's "as is" condition.



LBP Stabilization

- Stipulations for HUD to complete a LBP assessment:
 - built before 1978
 - owner-occupant
 - FHA financing

Must meet all of the above conditions

- Requests made to FSM for inspections through AM via P260 at contract execution
- HUD will fund up to \$4,000
- For stabilization exceeding \$4,000 HUD will (at their sole discretion):
 - a) cancel the sales contract and buyer receives 100% EM back
 - b) allow to change financing to 203(k), conventional, or 203(k) streamline (only if less than \$5,000)

More About IE

- "Repair Escrow" only applies to FHA 203(b) financing
- NOT a gift from HUD
- Added to mortgage
 - sales price remains the same
- On the listing you will see:
 - Itemized list of required repairs
 - Total cost of these repairs
 - The 110% total that will be added to the mortgage
- Lender responsible for:
 - Repairs
 - Licensed contractor
- NO repairs prior to closing!



Showing and Advertising HUD Homes

- All Registered Selling Agents can show and advertise any available HUD Property
- Must adhere to advertising/showing guidelines
 - Non-compliance could result in your brokerage's NAID number being suspended!
- Report Ad Non-compliance by downloading and completing the form on our website
 - Email: adnoncompden@pemco-limited.com



Advertising Regulations

Advertise HUD homes in a professional and ethical manner

- Do not destroy, damage, or remove the advertising, including signage, of another HUD-registered selling or listing agent for any HUD Property
- Do not state or imply the price of the property differs from the list price shown on the PEMCO's Property Listing Site

Do not imply exclusivity

The HUD Home Sales Process is an OPEN Selling Process



Advertising Regulations

- Be positive and proactive in your HUD Home advertising – Get creative!
- Refer to HUD Homes as "HUD-owned" "HUD-acquired" or simply, "FOR SALE"
 - Do not refer to or advertise properties as "distressed", "foreclosed," "government," "must sell" or "repossessed" or any other adjectives with notable negative connotation
- Do not place signage in a HUD property's yard. Only the LLB can do so.
 - Agents can use directionals but do not abuse this right!
 - limit directionals to an appropriate number
 - Excessive use of directionals will be handled on a per case basis, at the discretion of PEMCO, Ltd.



Advertising Regulations

- Always include the Equal Housing Opportunity Logo
- Always include a HUD-Home Disclosure and link to the HUD listing site <u>www.hudhomestore.com</u> & <u>www.hudpemco.com</u> for more information.
- Note any flood plain zones, or other warning information as it appears on the property's Internet listing, if applicable
- Adhere to all federal, state, county, city and real estate commission advertising regulations as well as compliance with the Truth-in-Lending Act when advertising HUD Properties
 - Including but not limited to: Blind Advertising, regulations regarding directionals, etc.

Showing HUD Homes: Lock Boxes

- HUD requires a Lock Box be placed on every HUD home.
 - Lock Boxes placed on by LLB
 - Report Missing Keys to LLB
 - MLS will have information about Lock Box
- I don't have a Lock Box Key, can I still access?
 - YES! Provide following info to LLB to coordinate access
 - Real estate license
 - Driver's license or identification card
 - Your NAID #



Showing Guidelines

- You must sign the sign-in sheet
- No open houses
 - EXCEPTION: Listing Brokers may hold an open house on their listing ONLY
- Always secure the property when leaving and return key to the lockbox



Complete the Sales Contract Package with your buyer before you bid

- Find the auto fill contract package on www.hudpemco.com /forms
 - YouTube Contract Video! (Click to Open Hyperlink)
- Buyer's signature is your permission to place a bid on their behalf
- If offer is accepted, you only have two (2) business days to submit the <u>entire</u> contract package to PEMCO
 - Earnest Money, Pre-Qual, etc.

Accepted Offer Contracts

Send to:

PEMCO, LTD.

4500 Cherry Creek Drive South
Suite 410

Glendale, CO 80246

Attention: Contracts

Recommend Delivery Confirmation/Tracking



The HUD Sales Contract Package

- Electronic HUD-9548 Sales Contract / Condition of Sale
 - Note that the Sales Contract for a HUD Sale is a unique contract, different from the standard Contract
- Electronic filing of HUD-9548 contract addendum
- Owner-Occupant Certification (if applicable)
- "For Your Protection: Get a Home Inspection"
- Radon Gas and Mold Notice
- Lender Letter of Commitment / Pre-Qualification Letter
- Forfeiture & Extension Policy (Addendum A, Rev. 6/15/2009)
- Lead-Based Paint Addendum (if applicable) (print off of www.hudhomestore.com)
- Flood Zone Addendum (if applicable)
- Notice to Purchaser Addendum (if applicable)
- Earnest Money Check

All documents must be signed in blue ink.



FHA Amendatory Clause

- Will not be executed on HUD Sales
- Addendum not required; HUD Homes are exempt from the clause



The FHA Amendatory Clause is intended to ensure that prospective home buyers with FHA-backed loans receive important information in a timely manner about the house to be purchased. In particular, the Amendatory Clause stipulates that if buyers have not received information about the appraised value of the home they intend to buy, the buyers are not obligated to purchase the home.



Earnest Money

Deposit Amounts (certified funds only)

- \$500 for sales price under \$50,000
- \$1000 for sales price \$50,001 and up
- EM is made payable to HUD or "HUD or Jane Doe" and remitted with Sales Contract to PEMCO
- PEMCO will send EM to HUD Designated Closing Agent to be held and managed
- May be entirely or partially forfeited or refunded if contract fails to close
 - Specifics outlined in Forfeiture and Extension Policy
- DO NOT LET CONTRACT EXPIRE!!! Buyer automatically losses Earnest Money.

The HUD Home Bidding Process

- HUD Homes are sold via an online electronic bidding process
 - Only way to buy a HUD Home
- In promotion of homeownership, buyers who are bidding as an owner-occupant receive priority for a given amount of time.
- Agents must submit bids on a buyers behalf



Additional Notes about Bidding

- Bids can be submitted 24/7 but are not reviewed Holidays or weekends
- Daily Bid Deadline is 11:59:59 p.m. MST.
- No time preference in bidding.
- If PEMCO receives two acceptable bids which are the exact same amount, we will select the winner by randomized electronic drawing.
- If you place a bid you wish to withdraw, you must cancel this bid prior to the day's bid deadline.



Submitting a Bid – Bidding over the "as is" value

- The "as is" value = the appraised value
- You can NOT get a 2nd appraisal when using FHA
- PEMCO will require signed addendum acknowledging over-bid
- Notice to Purchaser Addendum completed and submitted with Contract Package
- Buyer must bring cash to closing
 - Can NOT finance
 - A "Subject to Value" will not support the overbid amount



Submitting a Bid

- Bids will be submitted online
- The information entered on the bid submission page will become the first page of the sales contract
- Bid Lines
 - Line 3: Offer Price
 - Line 4: Type of Financing
 - Line 5: Closing Costs
 - Line 6: Agent Commission
 - Line 7: Net to HUD
 - Line 8: Buyer Type



Submitting a Bid

Closing Cost – Line 5

- HUD will allow up to 3% the purchase price of the property to go toward closing costs
- Enter this numeric figure (not percentage) on Line 5

Commission – Line 6a

- HUD will allow UP to 3% the purchase price of the property to go toward agent commission
- Line 6b will populate 3% for Listing Broker Commission

REMEMBER: Lines 5 and 6a affect the net to HUD.



Hard to Sell Properties

Commission – Line 6a

- HUD will allow UP to \$1250.00 to go toward agent commission
- Line 6b will populate \$1250.00 for Listing Broker Commission

Reasons

- Vacant Lot
- Low value to surrounding area
- Remote areas not serviced
- Unusual features with negative impact

Submitting a Bid

- Review your bid and confirm to submit
- Bid Confirmation Number will be provided.
 - Write on the right-hand corner of the sales contract.
 - A populated contract package will be available for you to print from the final Offer Submission page and from your HUD Home Store account.



Avoid Common Errors!

- 1. Social Security Numbers
- 2. The buyer's name must match exactly on lines 1, 2 and 13
- 3. After the contract/bid submission prints out:
 - 1. All signatures must be in blue ink
 - 2. Initials on line 12 acknowledging the Earnest Money Policy



Check Bid Results

- On the bid deadline day, all offers are reviewed and then accepted, rejected, or counteroffered.
- Bids are usually posted at Noon MST the day after the close of bidding (start 2-day deadline)
- PEMCO will notify you via email if your bid is accepted and the information will be posted on HUD Home Store along with any back-up offers that may be acceptable. (Viewed through Bidding Functions)



Submitting the Contract for a Winning Bid

- Optional contract review performed by LLB
- Ensure the entire package is received at PEMCO's office within two days of the notification
- Hand Deliver or Overnight Mail the package
- PEMCO will sign off on the contract and forward it via email to you and the closing attorney
 - The day you receive the ratified contract is the contract's official "Acceptance Date" Start of inspection period



Contract Corrections

- 2 business days to return corrected contract
- May require a new contract package
- Contract will be canceled or awarded to next highest bidder if the contract is returned still containing errors



Contract Revisions

- If you need to change items on the contract:
 - contact PEMCO immediately
 - PEMCO must approve
 - Execute Addendum from www.hudpemco.com / forms

Note: Changes to the indicated method of financing will always require a new original contract



The Closing Timeline

Normal Closing Cash Closing 203k Closing closes 45 days from contract acceptance closes 45 days from contract acceptance closes 60 days from contract acceptance





Home Inspections

- 15 day inspection Period
 - Borrower will be allowed to get a home inspection any time during the process
- MUST Have FSM Authorize your Home Inspection
 - Form can be found at <u>www.hudpemco.com</u> / forms
 - Cannot begin process until contract is ratified
 - 48 hours to complete home inspection after last utility is turned on.
 - Must turn off utilities after inspection
- Can coordinate with LLB to facilitate



Home Inspections

AMS	2021 Hartel Street Levittown, PA 19057	214.377.1784
Sigma Construction	2600 South Parker Rd Aurora, Co 80014	720.744.6002



Under Contract Vandalism

Download form at <u>www.hudpemco.com</u> /forms

- Send to <u>vandalismden@pemco-limited.com</u>
- Options for moving forward toward closing
- Postponing closing and extension fees



REMEMBERI

Buyers cannot move in or start repairs prior to closing!!

Selling agents <u>must</u> accompany buyers, inspectors, etc. to HUD Properties at all times prior to closing.



Termite Letters

- Stipulations for HUD to provide a Termites and WDO Letter:
 - State or Zone Mandated
 - FHA financing

Must meet either of the above conditions

- HUD will treat for active infestations
- If the property does not meet above conditions:
 - Buyer can have inspection performed at any time at their own cost if their contract is accepted
 - Buyer will be responsible for treatment and repairs



Extensions

Property Sales Cost	Per Day Fee	<u>Time Frame</u>	Total Extension Fee to Buyer
\$0 - \$25,000	\$10	15-day increments	\$150.00
\$25,001- \$50,000	\$15	15-day increments	\$225.00
\$50,001 +	\$25	15-day increments	\$375.00

- Extensions are purchased and granted in 15-day 'increments'
- If the contract closes prior to the use of all 15 days, the remaining 'per-day fee' will be pro-rated to the buyer and refunded by escrow
- Must be submitted in the form of certified funds
- Fee and Request Form must be submitted to closing agent 5 days prior to expiration
- Waived fees available, however funds must be submitted and then refunded in these cases.



Canceling the Contract

- If you are made aware that a purchaser is not going to close, please contact PEMCO ASAP
 - Do not let the contract just cancel on its own
- Use the "Contract Release" form found at <u>www.hudpemco.com</u> / forms with the necessary documentation to request a refund
- Email to: <u>cancelden@pemco-limited.com</u>
 - * Important to submit these forms <u>prior</u> to the expiration of sales contract



Pre-Closing Walk Through

- Recommend that you complete the day prior to or the day of closing
- If lockbox removed coordinate with LLB to retrieve key for buyer
- If there are issues, vandalism, etc., contact PEMCO ASAP
- Closing will be postponed to attend to issues
 - Extension fee waived



Closing Protocol

- Closing documents need to be into closing agent from the lender 5 days prior to closing
- Closing agent submits to PEMCO
- PEMCO signs documents and property is released to buyer



After Closing

- The buyer can now have utilities activated for permanent use and occupy the premises
- Coordinate with LLB to provide buyer access
- At their own expense, the buyer will need to have the home's locks changed or re-keyed







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Please complete the Training Survey: http://www.surveymonkey.com/s/337FX8Z

Thank you for attending!

