

# U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT

## Addendum A (REV 10/12/04)

### \*\*\*\*\*FORFEITURE AND EXTENSION POLICY\*\*\*\*\*

All HUD Property Disposition sales of HUD-acquired properties are to close within 45 days of acceptance of a HUD-9548 (1/99) Sales Contract offer to purchase.

#### **Forfeiture of Earnest Money Deposits**

The failure by a Purchaser to close on the sale of property within the allowable time period, including any extensions granted by HUD, will result in the forfeiture of the earnest money deposit, except where the purchaser presents documentation to HUD that one of the special circumstances described in paragraphs (a) and (b) below of this section has occurred.

##### **a. Investor Purchasers**

1. The failure by an investor Purchaser to close on an uninsured sale will result in forfeiture of the entire earnest money deposit.
2. Fifty percent of the earnest money deposit on an insured sale will be returned to an Investor Purchaser where HUD (or a Direct Endorsement Lender using HUD guidelines) determines that the Purchaser is not an acceptable borrower.

##### **b. Owner Occupant Purchasers**

1. On insured loans, the entire earnest money deposit will be returned to an owner-occupant Purchaser who fails to close after sales contract was signed, if:
  - i. There has been a death in the immediate family (contract holder, spouse, or children living in the same household)
  - ii. 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.
  - iii. There has been a loss of job by one of the primary breadwinners, or substantial loss of income through no fault of the Purchaser
  - iv. In the case of an insured sale, HUD (or a Direct Endorsement lender using HUD guidelines) determines that the Purchaser is not an acceptable borrower
  - v. For other good cause, to be determined by the field office.
  - vi. 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.

On either type of sale, forfeit 100 percent of the deposit on 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 the documentation is not provided within a reasonable time following contract cancellation (e.g. 30 days).

## Extensions

The MCB office will grant extensions of time upon written request from the purchaser. Extensions of time to close the sale are entirely within the Seller's discretion. An extension, if granted, will be under the following conditions:

- a) A written request for an extension must be received by MCB prior to the expiration of the sales contract.
- b) The documentation submitted with the request must establish the cause of delay and that mortgage approval is imminent during the extension period.
- c) An extension will be for a period of fifteen calendar days. Fees are based on the Contract Sales Price of the property; \$10 per day is charged if the sales price is \$25,000 or less; \$15 per day if the sales price is more than \$25,001; and \$25 per day if the sales price is over \$50,000. Extension requests must be submitted through the Closing Agent and all fees must accompany the request at the time of submission.
- d) Extension fees shall be retained by Seller if a closing doesn't occur.
- e) At the closing, unused extension fees will be prorated to the Purchaser and refunded by escrow.
- f) The granting of one extension shall not obligate the Seller to grant additional extensions, and the Seller shall declare a Default for the Purchasers' failure to close the sale upon the expiration of the original closing period or upon expiration of the extension.

## Allowable Closing Costs-Line 5 of Sales Contract (HUD 9548-1/99)

*HUD will pay up to a maximum of 5% of the purchase price, (Line 3 of sales contract), towards allowable purchaser closing costs, not to exceed actual costs incurred. Any monies remaining after the allowable closing costs have been paid **will not** be credited to the purchaser(s) at sales closing. The following is a complete list of those HUD allowable closing costs that may be credited towards Line 5 of the Sales Contract.*

- Appraisal Fee: For an FHA 203(k) loan that is necessary to determine the "after rehab" value; For a new appraisal where the appraisal expired prior to Sales Contract execution.
- Credit Report: Up to \$20
- Flood Certification: If property is offered with FHA insurance and is on a Flood Plain
- Home Inspection: Includes testing for lead based paint, radon, mold, etc
- Loan Discount Points: Up to 3% to buy down the rate, with certification from lender
- Loan Origination Fees: Up to 1% will be paid on Conventional/FHA loans; up to 1.5% will be paid on FHA 203(k) loans
- Recording fees and Transfer Charges for Mortgage: If sufficient funds are on Line 5, fees will be paid; otherwise, these are the purchaser's costs.
- Survey: If required by Lender
- Title Insurance Coverage for Lender: If sufficient funds are on Line 5
- Title Insurance Coverage for Owner: If sufficient funds are on Line 5
- Homeowner's Warranty: \$200 - \$400 depending on State; Check HUD Notice H 2001-13
- Prepaid and escrow items For owner occupant purchasers only

### Closing costs automatically paid by HUD:

- Proration of property taxes and any special assessments such as HOA fees, utility bills. Paid by HUD automatically.
- Settlement or Closing Fee: HUD will pay HUD's closing agent; if another Agent is used; this is the purchaser's cost.
- Transfer Charges and Recording Fees: For the deed only, paid by HUD automatically
- Condominium or HOA Transfer Fee: If applicable
- Repair Escrow Fee: Where applicable

HUD Case No. \_\_\_\_\_

Property Address:

\_\_\_\_\_

City:

\_\_\_\_\_

**Seller Disclosure**

**Seller makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, dry basement, foundation, structural, or compliance with code, zoning or building requirements and will make no repairs to the property after execution of this contract. Purchaser understands that regardless of whether the property is free of visible or hidden structural defects, termite damage, lead-based paint, or any other condition that may render the property uninhabitable or otherwise unusable. Purchaser acknowledges responsibility for taking such action as it believes necessary to satisfy itself that the property is in a condition acceptable to it, of laws, regulations and ordinances affecting the property, and agrees to accept the property in the condition existing on the date of this contract. Seller disclosure concerning HOA dues, assessments, or any tax concerning HUD homes is based on available information but not deemed complete or accurate. It is the responsibility of the Buyer to obtain all information concerning these issues.**

**Walk-Thru Inspection**

**All purchasers are strongly encouraged to perform a walk through inspection PRIOR to the close of escrow. If a purchaser discovers a property condition that did not exist at the time of sale they must immediately notify HUD’s property manager, Michaelson, Connor & Boul, of the damage. The buyer assumes full responsibility for the property and its condition on the date of close of escrow. The Department assumes no responsibility, and will make no settlement, for damages reported to HUD after the close of escrow. Brokers must sign out keys with the property manager to perform the inspection (See item #13.E of HUD Sales Contract).**

**Buyer Certification**

**I/we certify that I/we have been interviewed, completed a loan application, verification of employment’s and obtained a full credit report from the lender that has provided the attached Letter of Commitment. I/we understand the I/we will forfeit our earnest money deposit if we enter into this contract without completing this qualification process.**

**Signatures**

\_\_\_\_\_  
(Purchaser) (Purchaser) (Date)

\_\_\_\_\_  
(Purchaser) (Purchaser) (Date)