

U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT
Addendum A (REV 10/12/06)

*******FORFEITURE AND EXTENSION POLICY*******

HUD Case No. _____

Property Address:

City:

All HUD Property Disposition sales of HUD-acquired properties are to close within 45 days (60 days in Michigan and Ohio only) 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 granted extensions, will result in the forfeiture of the entire earnest money deposit, except where the purchaser presents documentation to HUD that one of the special circumstances described in paragraph (B) below this section has occurred.

A. Investor Purchasers:

1. The failure by an investor to close on an uninsured (not involving FHA) sale will result in forfeiture of the entire earnest money deposit.
2. Fifty percent of the earnest money deposit on an FHA-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. The entire earnest money deposit will be returned to an Owner-Occupant Purchaser who fails to close after the sales contract was signed due to:
 - There has been a death in the immediate family (contract holder, spouse, or children living in the same household).
 - There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely affecting the purchaser's financial ability to close the sale.
 - There has been a loss of employment by one of the primary breadwinners, or substantial loss of income through no fault of the purchaser.
 - In the case of an FHA-insured sale HUD (or a direct endorsement lender using HUD guidelines) determines that the purchaser is not an acceptable borrower.
 - For other good cause, to be determined by MCB.
2. In the case of an uninsured (not involving FHA) loan where, despite good faith efforts by the purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender, 50 percent of the earnest money deposit will be returned.

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 purchaser's failure to close, or where the documentation is not provided within a reasonable time frame following contract cancellation. (e.g., 90 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 before 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)

Upon closing of a HUD-owned single-family property, the Department will allow to be deducted from its proceeds, purchaser financing and closing costs considered to be reasonable and customary in the jurisdiction where the property is located. Form-HUD-9548 (Sales Contract-Property Disposition Program), shall be used to reflect the total dollar amount HUD is expected to pay towards a purchaser's financing and closing costs. However, in no event may the costs exceed three percent (3%) of the property's gross purchase price. If the total closing costs reflected on the HUD 1 settlement statement are less than the amount indicated on the sales contract, HUD will reimburse only the actual costs charged and will not credit the purchaser with any difference either in cash or through a purchase price.

Within the three percent (3%) allowance, HUD will reimburse loan origination fees up to one percent of the mortgage. However, on an FHA 203(k) rehabilitation mortgage, HUD will reimburse one and a half percent (1.5%) of the mortgage.

Seller Disclosure

Seller makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, plumbing 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)

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