



HUD REO's and FHA Loans are Hot in Arizona!!

HUD Homes are starting to gain traction again in Arizona again! These homes may be a great opportunity for your buyers, but there are many quirks. Understanding the nuances of this very unique process will help create a smooth mortgage transaction for you and your buyers. The following is a quick Q&A on the HUD REO program and a few *financing need to knows*.

What is a HUD Home?

A home that has gone into mortgage default with a FHA loan that was insured by FHA is referred to as a HUD Home. Per ARMLS over 68,000 homes were purchased using an FHA loan in the last 3 years. Over 4000 HUD REO's sold in 2010 and roughly 800 are currently listed for sale. They are coming back in the Arizona market!

Who can sell HUD Homes?

Any real estate broker registered with HUD (this is key!), or a real estate agent working for a registered Arizona broker, may facilitate the sale of a HUD home. Your broker **MUST** be registered before you can submit an electronic bid for your buyer. Once your broker is registered you too will need to register. HUD pays 3% of the purchase price (or \$1250, whichever is greater) for the selling agent's commission.

How do you submit a bid?

The HUD website, www.hudhomestore.com, in addition to the Arizona HUD asset manager ~ BLB resources at www.blbresources.com ~ are both a wealth of knowledge when learning how to get started selling HUD homes. Be sure to visit the FAQ tab of the Hud HomeStore website ~ the 5th bullet point from the top *Entering a Bid for a Property* is a great video that will walk you through the step by step process.

What do the Financing Types mean?

Each HUD Home has a mortgage Financing Type listed on the property's information page ~ you will see one of the following classifications:

IN (Insurable): These properties qualify for regular FHA loans (203b) and have no minimum property repairs required. The rehab 203K FHA loan may also be utilized.

IE (Insurable with Escrow): These properties qualify for regular FHA loans (203b), but **DO** have minimum property repairs that are required to be completed after closing. These repairs are less than \$5000 and require an escrow holdback. **HUD does not allow the title company to administer the escrow holdback!** The **lender** must manage the escrow holdback and NOT ALL ARIZONA LENDERS are able or willing to do this. **Good news ~ Cherry Creek Mortgage does manage the repair escrow holdback!**

UI (Uninsurable): These Arizona properties do not qualify for regular FHA loans (203b) and typically do not meet guidelines required for FHA Loan financing ~ will most likely need a cash buyer.

UK (Uninsurable, 203k Eligible): These properties do not qualify for regular FHA loans (203b) but may qualify for the FHA rehab loan (203K).

A Few NEED TO KNOWS

- No appraisal is required ~ FHA completes an appraisal prior to listing the Arizona property and it's valid for 120 days. This is a \$400-\$500 savings to the buyer!
- Close of escrow is 45 days for a standard FHA loan (203b) and 60 days for a FHA rehab loan (203k).
- Final loan documents must be to the title company 10 business days prior to close of escrow.
- Owners Title Policy ~ most often a seller paid fee, is a buyers cost on HUD REO's. HUD pays the escrow fee.
- Must have a clear termite report ~ The inspection & treatment, if necessary, is paid for and completed by the HUD asset manager, BLB Resources.
- The purchase contract is not the normal AAR Contract. You can view a copy of the contract at: [https://www.blbresources.com/newdocs/Owner Occupant Sales Package 1S2S.pdf](https://www.blbresources.com/newdocs/Owner_Occupant_Sales_Package_1S2S.pdf)
- HUD REO condo projects don't need to be FHA Loan approved or meet the 51% owner occupancy requirement that is required on standard FHA loans.
- Pools do NOT need to be filled on HUD REO's!

I know this is a lot to digest. If there are only two items to take away from this update it would be ~ 1) both the www.hudhomestore.com and www.blbresources.com websites are fantastic tools to refresh or learn more about HUD REO'S and 2) Be sure your buyer is working with a seasoned originator that has experience [originating HUD REO](#) loans. These are definitely different than the normal loan process and there's little to no room for error with HUD! I have years of experience originating FHA loans for buyers of HUD REO homes. I'm happy to talk with you in more detail about this fantastic opportunity for your buyers. Don't hesitate to call with any questions.

It's going to be a hot one this weekend ~ time to get the sunscreen out! Happy Saturday!

Kelly

Quote of the Week: Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending. ~ Carl Bard

| | | |
|---|--|--|
|  | <p>Kelly L. Zitlow Certified Mortgage Planning Specialist Certified Mortgage Instructor Branch Manager NMLS #164330</p> <p>Direct: 480-398-4908 E-Fax: 480-240-5324 Email: kzitlow@ccmclending.com Websites: www.kellyzitlow.com www.buyingahouseafter.com</p> | <p>Tara Bradley Transaction Coordinator NMLS #203298 Direct 480-398-4903 tbradley@ccmclending.com</p> <p>Lynn Doiron Bus Development Coordinator NMLS #203283 Direct 480-398-4891 lynnd@ccmclending.com</p> <p>Karen Hunt Sr. Loan Processor Direct 480-398-4902 khunt@ccmclending.com</p> |
|---|--|--|

AZ BK #0904024
EQUAL HOUSING LENDER