

Foreclosure Investing Mistakes That Every First Time Buyer Should Avoid!

1. **They don't ask enough questions and skip over the home buying education process that an experienced professional can provide and end up missing out on the best deals due to being immobilized by fear.**
2. **They don't act quickly enough to make a decision and someone else ends up buying the house they wanted.**
3. **They don't find the right agent who's willing to help them understanding the process and walk them through the homebuying process.**
4. **They don't do enough to make their offer look appealing to a seller.**
5. **They don't think about resale before they buy and how long they will stay in their first home. The average first-time buyer only stays in a home for four years.**

Introduction to Buying a HUD FORECLOSURE

While there is a lot involved in the purchase and financing of a home, buying a HUD Home is different—for both buyers and real estate agents.

This brochure has been created to provide you with basic information on the overall process and some of the important things you need to know - but by no means covers everything. A qualified and registered real estate agent and your lender will be able to take you step-by-step through the entire process.

What Is a HUD FORECLOSURE?

A property becomes a HUD Foreclosure when the previous owner had an FHA-insured loan and the home was either foreclosed upon or given back to HUD through a deed-in-lieu prior to foreclosure proceedings.

Even though HUD has title to the property, they hire management companies to maintain the home, market the property, accept bids from registered real estate agents and manage the closing.

Things You Need to Know About HUD Properties

New properties are advertised every Friday.

If you plan to live in the home, you must occupy it for at least one year and may not purchase another HUD (foreclosure) home for two years.

Investors may bid, but not until a 10-day owner-occupied bidding period has expired.

“As Is” Appraisals and Termite Inspections are available for each property, however, you MUST submit a letter of request, on your Lender’s letterhead to get a copy. It’s not automatically given to you.

Homes are sold in an “as is” condition and HUD makes no warranties, or guarantees in regard property condition, zoning or local codes.

They do, however, provide a Property Condition Report for informational purposes only.

Utilities are turned off and it’s your expense to turn them back on if needed for your own personal home inspection.

No repairs to the home can be made prior to closing.

Real Estate Agent Responsibilities

The real estate MUST be registered with HUD’s local management company in order to place a bid (electronically) on your behalf.

Your real estate broker must accompany you if you need to enter the home any time prior to the closing.

All paperwork must be submitted within 48 hours (by your real estate broker) after your bid has been accepted or your offer will be automatically cancelled.

How to Submit Bids & The Bidding Process

You must use a HUD registered broker, use HUD purchase agreement forms and a pre-qualification letter must accompany your bid.

All purchasers must provide their social security number and full name and address when submitting a bid. The names listed on the purchase agreement MUST be the same individuals who sign the closing documents.

You can bid more for the property but you cannot finance the difference between the FHA offering price and your “overbid”.

If your bid has been accepted, your real estate agent has only 48 hours to submit your paperwork or your bid will be automatically cancelled.

Earnest Money check made payable to HUD and only refunded if you are denied for a loan. (\$500 check if sales price is \$50,000 or below; \$1,000 for Sales price over \$50,000.)

If you are paying cash, you must provide proof that you are able to pay cash. A copy of the bank statement or a letter from your bank must accompany your bid.

Financing Options & Codes

HUD offers incentives from time to time. The properties eligible for lower down payments, repair escrows or real estate bonus commissions can be found when viewing each property online.

HUD also issues ‘codes’ with each listing.

“IN” – Insurable with a FHA 203(b) Mortgage loan. The property usually meets Minimum Property Standards (MSP) with minimal repairs.

“IE” – Insurable with Escrow -- eligible for FHA 203(b) loan but needs repairs. Since no work can be done to the home prior to closing, HUD may offer up to \$5000 because of some problems with the home. HUD does not pay for the repairs and the dollar amount is added to your loan amount. Your lender holds the money in “escrow” until the work is done and must inspect the repairs prior to the money being released to you. (Repair escrows are NOT available if you finance using a conventional-type mortgage loan.)

“UI” – Uninsurable – These properties are generally in need of repairs in excess of \$5000 and may qualify for 203(k) rehabilitation loan. The operative word is “may” and is only available if you are going to occupy the home as your primary residence.

Investors must either provide their own conventional loan financing or pay cash. There are some instances where FHA may provide special financing for investors, but that would be noted with the property description.

Extension & Cancellation Options

If you are not able to close on the date required by HUD, you may request a 15-day extension at a cost of \$10 per day. \$150 must be paid to HUD (certified check or money order) and if the closing occurs before the 15 days expires, credit will be given back on the closing statement. If HUD or the management company delays the closing, there is no charge for the extension.

Deposit Refund Policy

You can cancel your bid PRIOR to being accepted and your earnest money will be refunded to you.

You can cancel your bid AFTER it has been accepted. Refund options are:

If HUD is unable to close the sale – Entire deposit will be refunded but no reimbursement for other expenses

If Uninsured sale to any investor – the entire deposit will be forfeited to HUD.

If Insured Sale to an investor – 50% of the deposit will be refunded if HUD or DE

Underwriter denies you for the final loan

The entire deposit is forfeited if the sale does not close for ANY OTHER reason.

If owner-occupied sale, HUD will give a full refund if your loan is denied, loss of your job prior to closing, serious illness, death or financial circumstance change, which affects your ability to close.

How To Get Started

If you have further questions, contact the HUD certified broker below.

In closing, owning a home and the home buying process can be a daunting task. The most important thing I want to convey to you is that you are not alone. I am prepared to help you but I am waiting for you to take the next step. Please call me now at 708.415.5556.

Sincerely,

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HUD REO CERTIFIED FORECLOSURE SPECIALIST
Visit Us Online @ www.TheRentToOwnPros.com
And recently launched www.MyForeclosureTrainer.com
Thank you for the opportunity to serve you!

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*Let Us Find
Your Dream
Home!*

A Beautiful Home Is
Waiting Just For You!

**Rent To
Own!**

Tracy D Malone

FIND OUT HOW TO BUY A FORECLOSURE AT:
www.MyForeclosureTrainer.com