

How To Buy A HUD Home With \$100 DOWN

The following information is provided as an introduction to the process through which HUD homes can be purchased with a \$100 down payment.

Let's begin with an understanding of what A HUD home is. It is a 1-to-4 unit residential property acquired by HUD as a result of a foreclosure action on an FHA-insured mortgage. After the foreclosure action is completed, HUD then becomes the property owner and offers it for sale to recover the loss on the foreclosure claim. Almost anyone is eligible to buy a HUD home! If you have the cash or can qualify for a loan (subject to certain restrictions) you may buy a HUD Home.

Any property listed as available for FHA financing (203B, 203B with repair escrow and 203K) will be eligible for the \$100 down payment incentive; however, the purchaser must also qualify by being an owner-occupant (someone who is buying the home as their primary residence). During a priority bidding period, HUD Homes are initially offered to owner-occupant purchasers. Following the priority period for owner occupants, unsold properties are available to all buyers, including investors, municipalities and not-for-profit agencies through this same on-line bidding process. If you are an evacuee displaced by Hurricane Katrina, Rita or Wilma, you may also be eligible to purchase a HUD Home at a discounted price.

All HUD properties available for purchase by the public are offered for sale at statewide Internet listing sites maintained by management companies under contract with HUD. These companies are referred to as Marketing and Management contractors (M&M contractors). Any real estate broker registered with a HUD certification may submit an offer and contract to purchase on your behalf. HUD then pays your real estate broker's commission when included in the contract.

HUD Homes are offered for sale through an on-line closed bid process and are listed at fair market value, based on an appraisal usually not more than 6 months old. Generally, HUD Homes are sold in what is known as an "Offer Period," during which a potential buyer's offer must be made. At the end of the Offer Period, all offers are opened and the bid providing the highest acceptable net return to HUD may then be accepted. Following the initial "Offer Period" homes remaining unsold are offered on an "extended" basis which means offers may be submitted and accepted on any business day following the offer period. If a bid on one of these homes is acceptable, the buyer's broker will usually be notified within 48 hours of HUD's acceptance of the offer. Each offer contains deadline by which the purchase must be completed.

Home Inspections

HUD does not warrant the condition of its properties and will not pay for the correction of defects or repairs after the closing. All HUD homes are sold in "AS IS" condition. Since the new owner will be responsible for making any needed repairs, HUD strongly urges every potential homebuyer to get a professional inspection prior to submitting an offer to purchase. HUD will customarily post reports pertaining to the home at its marketing and management website where your statewide HUD properties are listed. These documents are not to be confused with what you might get from a Home Inspector that you personally hire to look out for your best interest. Be warned that HUD offers no recourse on homes once a closing has taken place. Buyer beware!

Financing A HUD Home

If you are interested in acquiring a HUD Home that is in need of repairs in excess of \$5,000, you may be interested in applying for an FHA 203(k) Rehabilitation Loan. Usually when a homebuyer wants to purchase a house in need of repair or modernization, the homebuyer has to first: 1) obtain financing to purchase the dwelling; 2) obtain additional financing to do the rehabilitation construction and 3) obtain a permanent mortgage once the work is completed to pay off the interim loans with a permanent mortgage. Often the interim financing (the combined acquisition and construction loans) involves relatively high interest rates and short amortization periods. However, the Section 203(k) program was designed to address this situation. Instead of the three step process previously described, the borrower can get just one mortgage loan, at a long-term fixed (or adjustable) rate, to finance both the acquisition and the rehabilitation of the property. For more information about FHA's 203(k) Rehabilitation Loan Program refer to the contact information at the bottom of this report.

HUD does not provide direct financing to buyers of HUD Homes. Buyers must obtain financing through either their own cash reserves or a mortgage lender. If you have the necessary available cash or can qualify for a loan (subject to certain restrictions) you may buy a HUD Home. While HUD does not provide direct financing for the purchase of a HUD home, it may be possible for you to qualify for an FHA-insured mortgage to finance the purchase.

Where Can I Learn About Available HUD Properties?

Any single family property acquired by HUD FHA will display a sign identifying who is managing the property before it is listed for sale. During this time the property is appraised, title issues are resolved, if necessary, and a determination is made about the property's eligibility for HUD's discount sales programs. Listings are then posted on the Internet and the Multiple Listing Service (MLS). For more information, contact your local HUD certified broker listed at the end of this report.

Does FHA Offer Any Special Discount Sales Programs?

FHA REO properties located in designated Revitalization Areas are available at a reduced sales price to law enforcement officers, teachers, firefighters, emergency medical technicians, some municipal employees and nonprofits and local governments. Read more about these Good Neighbor Initiatives at www.HUD.gov.

Additional Information About HUD Homes and Other FHA Programs

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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Waiting Just For You!**



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