



**Planet Home Lending**  
CORRESPONDENT DIVISION

**HUD REO PURCHASING**  
**MARCH 2020**

## REO PROPERTY

- ✓ A HUD REO property, also known as a HUD home or a HUD owned home, refers to a 1-4 unit residential property acquired by HUD as a result of a foreclosure or other means of acquisition on an FHA-insured mortgage, whereby the secretary of HUD becomes the property owner and offers it for sale to recover the mortgage insurance claim that HUD paid to the mortgagee.
- ✓ An Insured HUD REO property purchase refers to the purchase of a HUD REO property by a borrower with a new FHA-insured mortgage.

## Insured HUD REO Property Purchase Program

- ✓ Section 203(b)
  - Property meets HUD's minimum property requirements (MPR) in its as-is condition with no repairs, alterations, or inspections required.
- ✓ Section 203(b) with Repair Escrow

**This program is not available for sale to Planet Home Lending**

  - Property does **not** meet HUD's MPR in its as-is condition, but if repairs of no more than \$10,000 are completed, the property would meet HUD's MPR. An escrow account to complete the repairs necessary to meet MPR after closing is required.
- ✓ Section 203(k)
  - Property does not qualify for Section 203(b) or Section 203(b) with Repair Escrow and is eligible for FHA-insured financing **only** under Section 203(k).

### **Good Neighbor Next Door**

The Good Neighbor Next Door (GNND) sales incentive permits an owner-occupant borrower who is a full-time law enforcement officer, teacher, firefighter, or emergency medical technician who meets HUD requirements to purchase a specifically designated HUD REO property located in a HUD-designated Revitalization Area with FHA-insured financing at a 50 percent discount from the purchase price. When using FHA-insured financing, the borrower may purchase the HUD REO property with a minimum down payment of \$100. In addition, the borrower may include in the mortgage amount customary and reasonable closing costs.

### **\$100 Down**

The \$100 Down sales incentive permits a borrower to purchase a HUD REO property with FHA-insured financing with a minimum down payment of \$100.

## Sales Contract

The Mortgagee must obtain form HUD-9548, Sales Contract Property Disposition Program, and any applicable addenda, which will establish the purchase price, price discount, eligibility for GNND and eligibility for \$100 Down and meet the requirements for Sales Contract.

### ✓ Contract Sales Terms

- Line 4 will specify the Insured HUD REO property purchase program under which the borrower is applying, the down payment, and the mortgage amount.
- The Seller must determine the eligibility of the property, the eligibility of the borrower and the specific Insured HUD REO purchase program that must be used to finance the purchase.

4.  Purchaser is applying for FHA insured financing [  203(b),  203(b) repair escrow,  203(k) ] with a cash down payment of \$ \_\_\_\_\_ due at closing and the balance secured by a mortgage in the amount of \$ \_\_\_\_\_ for \_\_\_\_\_ months (does not include FHA Mortgage Insurance Premium, prepaid expenses or closing costs Seller has agreed to fund into mortgage.).  
 Said mortgage involves a repair escrow amounting to \$ \_\_\_\_\_.

### ✓ Good Neighbor Next Door

- Where the borrower is approved for the GNND sales incentive, Line 8 will specify the discount that will be applied to the purchase price on Line 3. The amount of the cash down payment will be specified on Line 4.

8. Purchaser is:  owner-occupant (will occupy this property as primary residence)  investor  
 nonprofit organization  public housing agency  other government agency. Discount at closing: \_\_\_\_\_ %  
*Discount will reduced by amounts, if any, listed on Line Items 5 and 6.*

## \$100 Down

- Where the borrower has been approved for the \$100 Down sales incentive, the amount of the cash down payment specified on Line 4 will be \$100.

4.  Purchaser is applying for FHA insured financing [  203(b),  203(b) repair escrow,  203(k) ] with a cash down payment of \$ \_\_\_\_\_ due at closing and the balance secured by a mortgage in the amount of \$ \_\_\_\_\_ for \_\_\_\_\_ months (does not include FHA Mortgage Insurance Premium, prepaid expenses or closing costs Seller has agreed to fund into mortgage.).  
 Said mortgage involves a repair escrow amounting to \$ \_\_\_\_\_.

## ✓ Closing Costs and Sales Commissions Paid by HUD

- The amount on Line 5 specifies the amount of closing costs that HUD will pay on behalf of the borrower.

- The amounts on Line 6a and 6b represent the sales commissions

HUD will pay to the selling and listing broker.

- Contributions by HUD toward the borrower's closing costs are not defined as Interested Party Contributions or Inducements to purchase.

5. Seller will pay reasonable and customary costs, but not more than actual costs, nor more than paid by a typical Seller in the area, of obtaining financing and/or closing (excluding broker's commission) in an amount not to exceed .....> 5. \$ \_\_\_\_\_  
6a. Upon sales closing, Seller agrees to pay to the broker identified below a commission (including selling bonus, if offered by seller) of .....> 6a. \$ \_\_\_\_\_  
6b. If broker identified below is not the broad listing broker, broad listing broker will receive a commission of: ...> 6b. \$ \_\_\_\_\_

## Case Numbers

- ✓ Section 203(b)
  - Select “Real Estate Owned w/Appraisal” for processing type and enter the case number of the HUD REO property in the prior case number field. The HUD REO property case number can be found on the top right-hand corner of form HUD-9548.
- ✓ Section 203(k)
  - Select “Real Estate Owned w/Appraisal” for Processing Type and enter the case number of the HUD REO property in the prior case Number field. The HUD REO Property case number can be found on the top right-hand corner of form HUD-9548.

## Appraisals

### Section 203(b)

Appraisals are ordered in accordance with the standard FHA requirements.

### Section 203(k)

- ✓ Appraisals are ordered in accordance with the requirements standard FHA requirements for Standard 203(k) and Limited 203(k).
- ✓ Lender must review the appraisal and property conditions in accordance with the requirements of Underwriting the Property.

# OCCUPANCY, MAXIMUM MORTGAGE AMOUNT

## Occupancy

Principal Residence

✓ 203(b)

✓ 203(k)

Investment Property

✓ Not eligible for purchase by Planet Home Lending

## Maximum Mortgage Amount

• 203(b)

✓ HUD REO

- Maximum LTV is 96.5% subject to limitations based on borrower's credit score. (500-579 maximum LTV is 90%)

✓ GNND

- Calculate the **discounted purchase price\*** and use that amount as the purchase price in determining the Adjusted Value for 203(b) transaction.

✓ \$100 Down

- Calculate the maximum mortgage amount by subtracting \$100 from the Adjusted Value

\***Discounted purchase price** is calculated by reducing the contract sales price on Line 3 of form HUD-9548 by the discount percentage on Line 8 of form HUD-9548. To that amount add:

- Sales commissions from Line 6 of form HUD-9548; and
- Any borrower-paid closing costs (including prepaid expenses)
- **Section 203(k)**
- ✓ HUD REO
  - Calculate in accordance with the requirements of Section 203(k) maximum mortgage amounts for purchases.

✓ GNND with \$100 Down

- Calculate the **discounted purchase price\*** and use that amount as the Adjusted As-Is Value for a 203(k) transaction.
- The maximum mortgage amount that FHA will insure on a GNND 203(k) purchase is the lesser of:
  - The Adjusted As-is Value, plus:
  - Financeable Repair and Improvement Costs;
  - Financeable Mortgage Fees;



# MAXIMUM MORTGAGE AMOUNT , HOW TO LOCK AND SUBMIT

- Financeable Contingency Reserves;
  - other purchaser-paid closing costs, including prepaid expenses; **AND**
  - Financeable Mortgage Payment Reserves;
    - 110 percent of the After Improved Value (100% for condominiums), minus \$100;
- OR**
- the Nationwide Mortgage Limits

## How to Lock

The CORE Seller Portal is being updated to accept these new features. Until the system updates are completed, please follow the following steps to lock a loan.

- ✓ When locking a loan prior to submission:
  1. Register the loan in the CORE Seller Portal.

2. Submit a Manual Lock Request form through your SSR to lock the loan.
- ✓ When locking a loan that has already been submitted:
    1. Submit a Manual Lock Request form through your SSR to lock the loan.
    2. The CORE Seller Portal will allow the Seller to register the loan and submit without any stops.



# Planet Home Lending

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