



"Successfully Selling HUD Homes in 1D Area"

Presented by:

PEMCO, Ltd

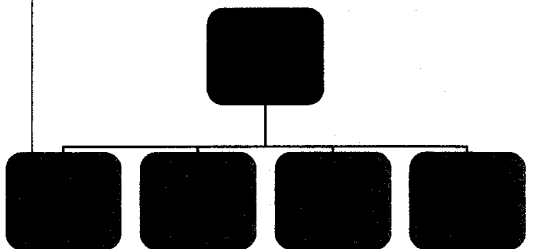
Asset Management Contractor to the US Department of HUD in areas 1A, 2A, 1D, 2D, & 2S

Welcome to PEMCO!



- Asset Management Company contracted by HUD to manage the HUD Sales Process in 26 States and U.S. Territories.
 - Areas defined as 1A, 2A, 1D, 2D, 2S
- PEMCO, Ltd. has been performing marketing and management services for HUD for more than 10 years
- Most recent contract with HUD in 2010 to expand across the country in M&M3!
- We're excited about bringing our team to all Four states associated to 1D

Dynamics of the HUD Sales Process for M&M3



Mortgagee Compliance Manager (MCM)

- One Nationwide Contractor
 - Michaelson, Connor & Boul (MCB)
 - Based out of Oklahoma
- Performs a variety of pre- and post conveyance services to ensure that HUD's interests are protected
 - Conveyance condition
 - Guidance to Mortgagees regarding claims and conveyance
 - Ensure marketable title



Field Services Manager (FSM)

- Multiple Contracts per Region
 - Properties to be assigned randomly
- FSM provides property maintenance and preservation services consisting of:
 - Inspecting the property
 - Securing the property
 - Performing cosmetic enhancements/repairs
 - Providing ongoing maintenance



Asset Manager (AM)

- AM manages & markets sales process and properties
 - Ensures accurately and competitively valued
 - Makes sure sales achieve highest net return
 - Minimize holding time
 - Handles closing and accounting of funds
 - Takes customer service and satisfaction
- Multiple AM's per region
 - Properties to be assigned randomly to contractors



Buyer Types Continued

- Owner Occupants
 - Giving priority during certain cycles
 - Must occupy the house for 1 year
 - CANNOT participate in HUD sales for 2 years as an Owner Occupant
- Investors
 - CANNOT Bid until day 31
 - No restriction on quantity



HUD's Special Programs

- Properties which are eligible for HUD's special programs will list to a "lottery round" before they are listed for sale to the general public
- Two types of lottery round eligible bidders
 - GNND and HUD approved Non-Profit/Govt Agency
 - Information on becoming a HUD Approved Non-Profit Organization is at www.hud.gov
- GNND eligibility will be indicated on the listing



HUD's Special Programs

Good Neighbor Next Door

- Designed to enhance urban communities by offering discounts on HUD homes to Firefighters, EMT's, Police, and Teachers
 - 50% off the property list-price
 - \$100 down payment
- Requirements:
 - Property must be located in a designated Revitalization Area
 - Buyer must live in the home for at least 36 months
 - Buyer nor spouse may not have owned title to property in last 12 months
 - Bidder nor spouse cannot have ever before participated in GNND program



Additional GNND notes

- Must bid 100% of the listing price
- Can utilize any type of financing or cash deal
- FHA Financing on GNND
 - Must qualify for entire contract amount prior to discount
 - Can finance into the mortgage all reasonable and customary closing costs, including prepaids and real estate commissions
- HUD will not pay any closing costs or real estate commissions



Get Connected!

Resources for agents

WWW.HUDPEMCO.COM

- Listing site, calendar of events, updates, registration, forms, ect.

Other Important Sites

- www.hud.gov - as a national resource for HUD information
- www.hudhomestore.com - HUD listings

Social Media Networks

- networking, news, updates, featured listings, featured info.
- Facebook, Twitter, Active Rain, LinkedIn, YouTube

PEMCO Buyer Outreach Events



Expectations for Agents

<p>Quality in all work and all aspects of working with HUD and this process</p> <p>Professionalism when interacting with the buying public, other selling agents, and everyone and every aspect involved in the HUD Selling Process</p> <p>Communication with not only buyers and those involved with your transaction, but also with the PEMCO team to express concerns or suggestions or ideas that become evident to you as you work in the field and become involved in HUD selling</p> <p>Motivation to make the sales and move HUD Properties!</p> <p>Teamwork as a real estate community and with PEMCO to work toward the continued betterment of the 1D and 2D HUD sales process and ensure that the HUD process is always operating as successfully as possible</p>
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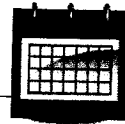
Who is the LLB?

- HUD/PEMCO contracts Local Listing Brokers to provide FULL listing services on HUD Homes
- LLB Responsibilities:
 - List on MLS
 - Most appropriate and mainstream MLS for area
 - Place sign in yard
 - Provides routine inspections and reports
 - Customer Service and Informational resource on HUD listings and HUD sales process
 - Provide wide market exposure of the HUD sales process and the properties

No current solicitation



Listing Periods



- Properties will list Daily!!
- Lottery Properties
 - 5 days for special buyer types
- New listings
 - Insurable/Insurable with Escrow
 - 30 Day Exclusive Owner Occupant Bidding Period Comprised of:
 - 10 Days Sealed Bidding
 - Sealed = Bids will accumulate over the entire length of the bidding period and will be reviewed the 10th day of this period
 - 20 Days Daily Bidding
 - All bidders allowed on day 31
 - Uninsurable
 - 5 Days Sealed Exclusive Owner Occupant Bidding Period
 - All bidders allowed on day 6



TEMPORARY Listing Details

- Initially our system will need standardization adjustments, so for now:
 - Lottery Round = 7 days (eventually 5)
- These minor differentiations are temporary
- You will be notified once all changes to the system have been made and the set listing protocol is in place

Listing Codes

Some online listings are accompanied with codes representing the **financing options** and/or **property conditions** of the property for sale.

IN UI HOA F LBP E



Property Condition Codes

Code	Indicates	Description
F	Flood Zone	Property is located in an area where coverage under the National Flood Insurance Program may be required to obtain a loan
HOA	Homeowners' Association	Property is covered by a Homeowners' Association which will most likely require HOA fees and dues to be paid by the home occupant
LBP	Lead-Based Paint	Property was built before 1978 and may contain lead-based paint; LBP Addendum Form must accompany the sales contract



LBP Stabilization

- Stipulations for HUD to complete a LBP assessment:
 - built before 1978
 - owner-occupant
 - FHA financing

Must meet all of the above conditions
- Requests made to FSM for inspections through AM via P260 at contract execution
- HUD will fund up to \$4,000
- For stabilization exceeding \$4,000 HUD will (at their sole discretion):
 - a) cancel the sales contract and buyer receives 100% EM back
 - b) allow to change financing to 203(k), conventional, or 203(k) streamline (only if less than \$5,000)



Advertising Regulations

- Be positive and proactive in your HUD Home advertising – Get creative!
- Refer to HUD Homes as "HUD-owned" "HUD-acquired" or simply, "FOR SALE"
 - Do not refer to or advertise properties as "distressed", "foreclosed," "government," "must sell" or "repossessed" or any other adjectives with notable negative connotation
- Do not place signage in a HUD property's yard. Only the LLB can do so.
 - Agents can use directionals but do not abuse this right!
 - limit directionals to an appropriate number
 - Excessive use of directionals will be handled on a per case basis, at the discretion of PEMCO, Ltd.



Advertising Regulations

- Always include the Equal Housing Opportunity Logo
- Always include a HUD-Home Disclosure and link to the HUD listing site www.hudhomestore.com & www.hudpemco.com for more information.
- Note any flood plain zones, or other warning information as it appears on the property's Internet listing, if applicable
- Adhere to all federal, state, county, city and real estate commission advertising regulations as well as compliance with the Truth-in-Lending Act when advertising HUD Properties
 - Including but not limited to: Blind Advertising, regulations regarding directionals, etc.



Showing HUD Homes: Lock Boxes

- HUD Properties will now have Lock Boxes placed on them
 - Lock Boxes placed on by LLB
 - Report Missing Keys to LLB
 - MLS will have information about Lock Box
- I don't have an Lock Box Key, can I still access?
 - YES! Provide following info to LLB to coordinate access
 - North Texas real estate license
 - Driver's license or identification card
 - Your NAID #



Showing Guidelines

- You must sign the sign-in sheet
- No open houses
 - EXCEPTION: Listing Brokers may hold an open house on their listing ONLY
- Always secure the property when leaving and return key to the lockbox



Fair Housing

It is HUD's mission to increase homeownership, support community development and increase access to affordable housing free from discrimination.

Areas of Illegal Discrimination:

- Race
- Color
- Religion
- National Origin
- Sex
- Handicap – mental or physical
- Familial Status

Please review details in handbook



Complete the Sales Contract Package with your buyer before you bid

- Buyer's signature is your permission to place a bid on their behalf
- If offer is accepted, you only have two (2) business days to submit the entire contract package to PEMCO
 - Earnest Money, Pre-Qual, etc.



Additional Notes about Bidding

- Bids can be submitted 24/7 but are not reviewed Holidays or weekends
- Daily Bid Deadline is 11:59:59 p.m. MST.
- No time preference in bidding.
- If PEMCO receives two acceptable bids which are the exact same amount, we will select the winner by randomized electronic drawing.
- If you place a bid you wish to withdraw, you must cancel this bid prior to the day's bid deadline.



Submitting a Bid – Bidding over the "as is" value

- The "as is" value = the appraised value
- You can NOT get a 2nd appraisal when using FHA
- PEMCO will require signed addendum acknowledging over-bid
- Notice to Purchaser Addendum completed and submitted with Contract Package
- Buyer must bring cash to closing
 - Can NOT finance
 - A "Subject to Value" will not support the overbid amount



Submitting a Bid - Overbidding

- Options if you have overbid:
 - If using FHA, proceed with closing and verify funds
 - Use cash or conventional
 - Cancel contract
 - Back up offer
 - Relist



Submitting a Bid

- Bids will be submitted online
- The information entered on the bid submission page will become the first page of the sales contract
- Bid Lines
 - Line 3: Offer Price
 - Line 4: Type of Financing
 - Line 5: Closing Costs
 - Line 6: Agent Commission
 - Line 7: Net to HUD
 - Line 8: Buyer Type



Submitting a Bid

- **Closing Cost – Line 5**
 - HUD will allow up to 3% the purchase price of the property to go toward closing costs
 - Enter this numeric figure (not percentage) on Line 5
 - **Commission – Line 6a**
 - HUD will allow UP to 3% the purchase price of the property to go toward agent commission
 - Line 6b will populate 3% for Listing Broker Commission
- REMEMBER: Lines 5 and 6a affect the net to HUD.**



Submitting a Bid

- Review your bid and confirm to submit
- Bid Confirmation Number will be provided.
 - Write on the right-hand corner of the sales contract.
 - A populated contract package will be available for you to print from the final Offer Submission page and from your HUD Home Store account.



The Closing Timeline

Normal Closing closes 45 days from contract acceptance
 Cash Closing closes 45 days from contract acceptance
 203k Closing closes 60 days from contract acceptance



Home Inspections

- Optional, but highly recommended
- 15 day Due Diligence Period
 - Borrower will be allowed to get a home inspection any time during the process
- MUST Have FSM Authorize your Home Inspection
 - Cannot begin process until contract signed
 - 48 hours to complete home inspection after last utility is turned on.
 - Must turn off utilities after inspection
- Coordinate with LLB to facilitate



Home Inspections

AMS	2021 Hartel Street Levittown, PA 19057	800-781-1558
SIGMA	2300 Knoll Dr, Ste. E Ventura, CA 93003	805-642-8377

Under Contract Vandalism

- Download form, complete, and mail to vandalismden@pemco-limited.com
- Options for moving forward toward closing
- Postponing closing and extension fees



REMEMBER!

Buyers cannot move in or start repairs prior to closing!!

Selling agents must accompany buyers, inspectors, etc. to HUD Properties at all times prior to closing.


Termite Letters

- Stipulations for HUD to provide a Termites and WDO Letter:
 - State or Zone Mandated
 - FHA financing

Must meet either of the above conditions
- HUD will treat for active infestations
- If the property does not meet above conditions:
 - Buyer can have inspection performed at any time at their own cost if their contract is accepted
 - Buyer will be responsible for treatment and repairs



Contacts
<p><u>PEMCO Denver Office</u> 4500 Cherry Creek Drive South, Suite 410 Glendale, CO 80246 303.300.1400</p> <p><u>Denver HOC</u> UMB Plaza Building 1670 Broadway Denver, CO 80202-4801</p>

<h1>Questions</h1> 
<p><i>Thank you for attending!</i></p>

HUD Frequently Asked Questions

Q Who does the evictions on the HUD properties?

A Currently the Field Service Manager (FSM) completes the Eviction.

Q Who will be HUD's Closing Agent in North Texas?

A Hanszen Laporte LLP, The Jackson Law Firm and Luna & Luna LLP

Q What type of Qualify Service is in place by HUD to monitor homes that are sold to Owner/Occupants to make sure they do not move in and 3 to 4 months later try to flip the property?

A Currently there is not a process that we are aware of, however there is an owner occupant form that explains in the contract package possible repercussions.

Q When a property has an accepted bid and the bid does not work out, does it start over like a new listing on "time frames" or does an investor have to wait another 31 days?

A Yes, an investor potential purchaser must wait an additional 31 days.

Q On the Good Neighbor Next Door (GNND) where the buyer would pay the real estate commission to the selling agent, is the commission based on the actual list price or on the eventual selling price?

A Broker and Buyer agree to the amount. Reminder, it is not paid out of the proceeds of the sale by HUD. It is paid by the buyer and can be rolled into the loan amount.

Q Can an investor submit a bid prior to the 31st day and be held or do they have to wait until the 31st day?

A No, an investor must wait until the 31st day to submit a bid.

Q Is HUD accepting electronic signatures?

A No, all signatures must be original and in "blue" ink.

