



## Avoiding HUD Home Headaches: Tips On Buying HUD Foreclosures!

**Bidding & Buying HUD homes—it seems to be the hot ticket in town.**

**However - Remember these key points to avoid problems and advise buyers:**

- Only primary residence buyers allowed in the first round of bidding.
- Advise buyer that if home is being offered as eligible for FHA financing it:
  - Has an existing FHA appraisal that must be used (unless expired) AND
  - The sales price has usually been based on the existing appraised value. Bidding above the sales price may result in them paying the difference out-of-pocket between their bid and appraised value.
- HUD does not automatically provide title insurance. Explain this to your buyer and make sure that the lender has disclosed this additional expense to them if they want to purchase it to avoid surprises at closing. Only if HUD has agreed to pay closing costs, could the insurance be provided at HUD's expense.
- If HUD is offering a repair escrow, explain to buyers that this amount can be ADDED to their FHA loan, but HUD doesn't pay for it.
- Lender documents must be to the title company up to 10 days prior to closing date in some states. Make sure the buyer's lender understands and can accommodate the requirement.
- HUD signs closing packages first. Then once the loan proceeds and the title company receives buyer down payment and closing costs, the buyer is allowed to sign. Make sure that the lender is aware and has the ability to fund the loan BEFORE they have a completed loan package.
- Closing delays are common due to "title clearing" issues. Foreclosed homes can have several liens due to utilities, taxes; etc that must be dealt with before closing can take place. Prepare the buyer in the beginning and discuss potential challenges, such as rescheduling of moving trucks, and possible rate lock extension fees.



**Buyers will appreciate your proactive approach to making their dream come true!**

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Provided to you courtesy of:

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