

## HUD Homes Frequently Asked Questions

### Home Program

The HOME Program can be used in: developing rental housing, tenant-based rental assistance, homeownership activities, and homeowner repair. The projects listed in the DoARH have received HOME funding to develop rental housing. This housing must adhere to certain limits that HUD has outlined. There are [limits on the amount of income a tenant in a HOME-funded unit can earn](#), as well as [limits on the rent that can be charged for a unit](#). The HOME program is administered through the City of Burlington for the Greater Burlington Area, and the Vermont Housing and Conservation Board administers the program for the rest of the state. [For more information on the HOME program, go to HUD's website](#) or contact the property manager directly.

### What is a HUD Home?

The Federal Housing Administration (FHA) is part of the Department of Housing and Urban Development (HUD). FHA provides federal mortgage insurance to reimburse mortgage lenders if a homebuyer defaults on a mortgage. Lenders can file a claim with the FHA when forced to foreclose on an FHA-insured single-family home, townhouse, or condominium because the owner is no longer able to make payments. FHA will reimburse the balance due on the mortgage and convey title of the property to HUD. A "HUD Home" is a one- to four-unit residence acquired as a result of foreclosure on an FHA-insured mortgage loan or by other special acquisition.

### How Are HUD Homes Sold?

All properties available for purchase by the public are offered for sale at Internet listing sites maintained by HUD Management and Marketing (M&M) contractors. Generally, HUD Homes are sold in what is known as an "offer period," during which a potential buyer's offer must be made. HUD offers priority and, in some cases, discounts to homebuyers with special needs:

- For disaster victims (during an initial 10-day offering period, with up to 100% discounts).
- For "good neighbor next door" participants (during a 5-day priority period for homes in revitalization areas, at a 50% discount).
- For owner-occupants during the open "offer period" (bids are collected and are opened all at once at the end).
- For any buyer during the "extended basis" period (any acceptable bid may be chosen).

HUD Homes are offered for sale at fair market value based on a recent appraisal. Buyers wanting to live in the homes have first priority. At the end of the offer period, all offers are opened and the bid providing the highest net return to HUD may be accepted. During the extended basis period brokers may submit offers any business day on behalf of buyers, including investors. HUD will usually notify the broker within 48 hours if a bid is acceptable.

Any real estate broker registered with HUD may submit contracts for purchase. HUD uses brokers for their expertise in local residential real estate markets. The agency is not sufficiently staffed to show properties or provide other services normally handled by real estate professionals.

Homes are initially offered to owner-occupant purchasers who plan to use the home as their primary residence. Following the priority period for owner-occupants, unsold properties are then available to all buyers, including investors. HUD doesn't provide direct financing to buyers of HUD homes. Buyers must obtain financing through either their own cash reserves or a mortgage lender.

Any real estate broker registered with HUD may submit an offer and contract to purchase on behalf of a buyer. HUD pays the real estate broker's commission, if included in the contract.

You Can Earn up to 5% Commission!

Upon closing of a sale, HUD pays the selling broker a commission of up to 5% of the selling price. HUD will pay the commission only if the percentage has been specified in the offer. A listing broker is paid up to 1% of the selling price.

## Become a Registered Real Estate Professional to Sell HUD Homes

HUD sold more than 50,000 homes from its Real Estate Owned (REO) portfolio in each of the last two fiscal years. Purchasers submitting offers on these homes were required to use a real estate professional registered with HUD. That's where you, the real estate professional, fit in!

If you want to be able to submit offers on behalf of buyers for HUD Homes, you must be registered with HUD. No individual can use another individual's registration (for example, a managing broker's) in lieu of their own. The registration process takes three to four weeks, so don't delay, register now!

## How to Register

It's easy for licensed real estate professionals to qualify to sell HUD Homes. You must first sign and submit HUD's Broker application and Selling Broker Certification forms to the HUD contractor that handles these sales in your area.

You can do this by going to HUD's M&M contractor website, locating the contractor for your state and clicking broker or agent information on that site. You will need to submit the following forms:

- [SAMS 1111 Broker Application](#)
- [SAMS 1111A Selling Broker Certification](#)

Upon completion, you can show, advertise, and submit offers on HUD Homes.

## Registration is Active for One Year

HUD does not warrant the condition of its properties and won't pay for correcting defects or repair. Since the new owner will be responsible for making needed repairs, HUD strongly urges every potential homebuyer to get a professional inspection prior to submitting an offer to purchase.

## How Does a HUD-registered Real Estate Professional Submit an Electronic Bid?

Electronic bidding is the only method to submit offers for HUD Homes. HUD-registered real estate professionals and their agents can electronically submit bids on HUD Homes 24 / 7 over the Internet.

All HUD Home sales listings are managed by HUD's (M&M) contractors. Visit the contractor website for instructions for the quick and simple bidding process.

When you have completed the process, always review your bid and make any necessary corrections. The contractor will assign you a Bid Confirmation Number. Note it on the right hand corner of the sales contract. If you are the winning bidder, you must submit a completed, signed sales contract using HUD Form 9548, dated 1/99, to your (M&M) contractor.

## HOME PROGRAM LIMITS REFERENCE GUIDE

### 1. HOME Income Limits

#### Requirement:

Income Targeting: Tenant-based Rental Assistance and Rental Units - 24 CFR 92.216

- Not less than 90% of families living in HOME-assisted rental units or receiving rental assistance must be families whose annual incomes do not exceed 60% of the median family income.
- The remaining families must be households that qualify as low-income (80% of median family income).

Additional Rent Limitations - 24 CFR 92.252(b)

- In rental projects of 5 or more units, 20% of the HOME-assisted units must be occupied by very low-income families (50% of median family income).

Income Targeting: Homeownership - 24 CFR 92.217

- All units must be occupied by households that qualify as low-income (80% of median family income).

#### HOME Income Limit Exceptions

- The 1998 Housing Act authorized the Secretary to grant exceptions upon request to 10 jurisdictions who are “capped” at the national median income, in order to raise their low-income limits to 80% of the true median.
- 62 communities in 10 MSA’s have been notified that they have this option.
- The increased limits are not reflected in the HOME Income Limits issuance which is calculated by HUD’s Office of Policy Development and Research (PDR) and distributed by HUD’s Office of Affordable Housing Programs (OAHP).

Over Income Tenants - Rental Housing - 24 CFR 92.252 (i)

- Tenants who no longer qualify as low-income families may continue to occupy HOME-assisted units, provided they pay as rent the lesser amount payable under State or local law or 30% of the family’s adjusted income, except that tenants of HOME-assisted Low Income Housing Tax Credit (LIHTC) units must pay the rent governed by section 42 of the IRS code.
- In projects with floating HOME units, over-income tenants are not required to pay more than the market rent for comparable unassisted units.

#### Issuance

- Updated HOME Income Limits are calculated annually by HUD’s Office of Policy Development and Research (PDR), once Section 8 income limits have been issued.
- HOME Income Limits are provided for each MSA, PMSA and “Area”, “District” or County, by State. Income Limits are rounded to the nearest \$50 (except for the 60% limits).
- 30% Limits (used for the Consolidated Plan)
- Very Low-Income Limits (generally 50% of median income, but not less than the State non-metropolitan median)
- 60% Limits (calculated in accordance with IRS guidance for Low Income Housing Tax Credit (LIHTC) projects and rounded to the nearest \$1)
- Low-Income Limits (generally 80% of median income, but capped at the national median income with some exceptions)
- Home Income Limits are usually available in January and distributed in February to each HUD Field Office by a memorandum signed by the Director of HUD’s Office of Affordable Housing Programs (OAHP). Income limits are also posted on the HOME web site.
- The new Income Limits are effective thirty days from the date of the OAHP memorandum.
- HUD Field Offices are responsible for distributing the new Income Limits to each HOME Participating Jurisdiction (PJ).

Web Page: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm>

### 2. HOME Rent Limits

#### Requirement:

Qualification as Affordable Housing: Rental Housing - 24 CFR 92.252

- Rents are the “lesser of” the Fair Market Rent (FMR) for the unit size or 30% of the adjusted income of a family whose income equals 65% of the area median (“High HOME Rent”).
- In rental projects of 5 or more HOME-assisted units, 20% of the HOME-assisted units must be occupied by very-low income families whose rents do not exceed 30% of the annual income of a family whose income equals 50% of the area median (“Low HOME Rent”); Low HOME Rents may not exceed High HOME Rents for the unit size.
- HOME rents are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment.
- Any increase in rents is subject to the provision of outstanding leases and tenants must be provided at least 30 days written notice prior to implementing any rent increase.

#### Federal or State Project-Based Assistance Combined with HOME Funds - 24 CFR 92.252(b)(2)

- The maximum rent (i.e. tenant contribution plus project-based subsidy) is the rent allowable under the federal or State project-based rental subsidy program provided:
- The Home-assisted unit must be occupied by a very low income family.
- The very low-income family must pay as a contribution towards rent not more than 30% of the family’s adjusted income.

#### HOME Rent Limit Exceptions for HOME-Assisted Rental Projects - CPD-94-20

- HUD may adjust the HOME rents for a project if HUD finds that an adjustment is necessary to support the continued financial viability of the project. The adjustment is limited to the amount necessary.
- In general, exception rents should not exceed 120% of the applicable HOME rent.
- Section 8 “exception rents” are not used in calculating HOME program rents in high cost areas. HUD may consider waivers on a case-by-case basis.

#### Single Room Occupancy (SRO) and Group Housing Rents - CPD 94-01

- SRO Housing
- If the unit has neither food preparation nor sanitary facilities, or only one, rents may not exceed 75% of the FMR for a 0 bedroom (BR) unit (the “lesser of” standard does not apply).
- If the unit has both food preparation and sanitary facilities, “High HOME Rents” and “Low HOME Rents” for a 0 BR unit apply.
- Group Housing
- Rents are based on the Fair Market Rent (FMR) for the unit size (number of bedrooms).

#### Section 8 Rents for HOME-assisted Units - PIH 96-63

- PIH 96-63 provides guidance on determining Section 8 rents for units in HOME-assisted projects; however, rents for HOME-assisted units can not exceed the maximum HOME rent for that unit.

#### Over Income Tenant Rents - Rental Housing - 24 CFR 92.252 (i)

- Over-income tenants must pay as rent the lesser amount payable under State or local law or 30% of the family’s adjusted income, except that tenants of HOME-assisted Low Income Housing Tax Credit (LIHTC) units must pay the rent governed by section 42 of the IRS code.
- In projects with floating HOME units, over-income tenants are not required to pay more than the market rent for comparable unassisted units.

#### Issuance

- Updated HOME Rent Limits are calculated annually by HUD’s Office of Policy Development and Research (PDR), once the Section 8 Fair Market Rents (FMR’s) and income limits have been issued.
- FMR’s are generally based on the higher of the 40<sup>th</sup> percentile rent level or the Statewide average of non-metropolitan counties, subject to a ceiling rent cap.
- Rent Limits are provided for each MSA, PMSA and “Area”, “District” or County, by State.
- Low HOME Rent Limit (can not exceed the High Home Rent; i.e. they are “capped”)
- High HOME Rent Limit (the “lesser of” the FMR or the 65% rent limit)
- For information purposes only:
- Fair Market Rent (also used for SRO housing rents)

- 50% Rent Limit (the “uncapped” limit)
- 65% Rent Limit (the “uncapped” limit)
- Home Rent Limits are usually available in January and distributed in February to each HUD Field Office by a memorandum signed by the Director of HUD’s Office of Affordable Housing Programs (OAHP). Rent Limits are also posted on the HOME web site.
- The new Rent Limits are effective thirty days from the date of the OAHP memorandum.
- HUD Field Offices are responsible for distributing the new Rent Limits to each HOME Participating Jurisdiction (PJ).

Web Page: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm>

### 3. Maximum HOME Per-Unit Subsidy Limits

#### Requirement:

Assisted homebuyer, homeowner and rental units - 24 CFR 92.250(a)

- the amount of HOME funds that may be invested on a per-unit basis in affordable housing may not exceed the per-unit dollar limits established under Section 221(d)(3)(ii) for elevator type projects that apply to the area in which the housing is located (NB: there are no longer separate limits for non-profit mortgagors and others).
- If the Participating Jurisdiction’s (PJ) per unit subsidy amount has already been increased to 210% as permitted, upon request to the HUD Field Office, HUD will allow the per-unit subsidy amount to be increased on a program-wide basis to an amount up to 240% of the original per-unit limits.

#### Issuance

- 221(d)(3) program “base” limits are established by Statute. The base limits are adjusted each year for various “base” cities (generally corresponding to cities where HUD has offices) using a high-cost percentage (HCP) which is adjusted for inflation. Generally, the updated HCP’s are issued each January, effective January 1.
- 221(d)(3) base limit adjustments are issued by HUD’s Office of Multi-Family Housing. HUD Handbook 4425.1 Rev-2 provides instructions.
- The maximum adjustment for each “base” city is capped at 210% of the original base limit, except for Alaska, Guam, Hawaii and the Virgin Islands.
- For individual buildings, the HUD Multi-Family (MF) Housing Hub Offices and Program Centers have the authority to approve limits up to 240% of the original base limits. The HOME program pursuant to 92.250(a) permits the HUD Field Office CPD Director to increase the subsidy limits up to 240% on a program-wide basis for an individual PJ.
- For cities which are not base cities (Key Localities), the MF Housing Hub Office or Program Center calculates the appropriate limits using the approved adjusted limits for the closest base city and applying a local construction cost multiplier.
- A master list of 221(d)(3) limits for all localities is not available, because of the decentralized nature of the process.

HUD Contact: Applicable HUD Multi-Family (MF) Housing Hub Office or Program Center for the jurisdiction.

Web Page: A listing of MF Hub Offices and Program Centers can be found at:

[http://www.hud.gov/offices/hsg/mfh/mfbroch/hubs\\_pcs.cfm](http://www.hud.gov/offices/hsg/mfh/mfbroch/hubs_pcs.cfm)

Statutory mortgage limits and high cost percentage multipliers can be found at:

<http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm>

### 4. Maximum Purchase Price or After-Rehab Value Limits Requirement

Qualification as Affordable Housing: Homeownership - 24 CFR 92.254

- Acquisition with or without rehab
- In the case of acquisition of newly constructed housing or standard housing, the housing may not have a purchase price for the type of single family housing that exceeds 95 % of the median purchase price for the area.
- In the case of acquisition with rehabilitation, the housing may not have an estimated value after rehabilitation that exceeds 95% of the median purchase price for the area.

- The participating jurisdiction may use the HUD Single Family Mortgage Limits under 203(b) or it may determine 95% of the median area purchase price for single family housing in the jurisdiction in accordance with the regulations.
- Rehabilitation not involving acquisition
- Housing that is currently owned by a family qualifies as affordable housing only if the estimated value of the property, after rehabilitation, does not exceed 95% of the median purchase price for the area as described above.

Issuance:

- 203(b) ceiling limits for 32 metropolitan high cost areas and the base limit, or floor, in lower cost metropolitan areas are established by Statute, and are based upon a percentage of the Fannie Mae and Freddie Mac conforming loan limits (the limits on mortgages that they can buy). The ceiling is currently 87% and the floor is 48%.
- Mortgagee Letter 98-32 (12/30/98) "Single-family Loan Production-Increase in FHA Maximum Mortgage Limits" established the latest nationwide basic limits ("the ceiling" and "the floor"). The limits are set by County.
- The Director of the applicable HUD Single Family Homeownership Center (HOC) has the authority to approve or adjust maximum 203(b) mortgage limits for additional high-cost areas within the limitations set by the ceiling. The limits are developed by the Program Support Division.
- There is no standard timeframe for updating 203(b) limits. National limits are updated when Fannie Mae and Freddie Mac adjust their loan limits (about once a year). Local limits can be adjusted at any time.
- The latest FHA maximum mortgage limits are available from the HUD web site and are linked to the HOME web page.

HUD Contact: Applicable Single Family Homeownership Center (HOC).

Web Page: A listing of Single Family Homeownership Centers can be found at:

<http://www.hud.gov/offices/hsg/sfh/hoc/hsgfhocs.cfm>

The latest maximum mortgage limits can be found through the HUD web page under "Housing – Increase FHA Mortgage Limits" at:

<http://www.hud.gov/offices/hsg/sfh/lender/sfhmoln.cfm>

## HOME PROGRAM LIMITS

<p>QUICK REFERENCE HOME INCOME LIMITS 92.252, 92.216, 92.217  All Assistance  100% NTE 80% of median family income  Rental Assistance  90% NTE 60% of median family income  20% NTE 50% of median family income in rental projects of 5 or more HOME assisted units  Exception Limits (1998 Act)  80% of true median  Optional for 62 PJ's in 10 metro areas</p>	<p>Web Page:  <a href="http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm">http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm</a></p>
<p>HOME RENT LIMITS 92.252  High HOME Rents  lesser of FMR or 30% of 65% of median family income  Low HOME Rents (20% of assisted units when 5 or more HOME assisted units)  30% of 50% of median family income NTE High Home Rents  SRO (w/o both facilities) CPD 94-01  75% OBR FMR  Federal/State Project-based Rent  family must be very low income (NTE 50% median)  family must pay no more than 30% adjusted income  Over-income Tenant Rent  30% of family's adjusted income; or  rent payable under local/State law; or LIHTC rent  Rent Exceptions  HUD may approve exceptions to support financial viability CPD 94-20</p>	<p>Web Page:  <a href="http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm">http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm</a></p>
<p>MAXIMUM PER UNIT SUBSIDY LIMITS 92.250(a)  All Assisted Units  NTE 221(d)(3) limits for elevator type housing  FO may increase limits to 240% on program-wide basis</p>	<p>Web Page:  Multi-Family Housing HUB Office or Program Center  <a href="http://www.hud.gov/offices/hsg/mfh/mfbroch/hubs_pcs.cfm">http://www.hud.gov/offices/hsg/mfh/mfbroch/hubs_pcs.cfm</a>  Statutory mortgage limits and high cost percentages  <a href="http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm">http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm</a></p>
<p>MAXIMUM PURCHASE PRICE / AFTER REHAB VALUE 92.254  Homeownership  203(b) limits; or  95% of median purchase price for the area</p>	<p>Web Page:  Single Family Homeownership Center (HOC)  <a href="http://www.hud.gov/offices/hsg/sfh/hoc/hsg_hocs.cfm">http://www.hud.gov/offices/hsg/sfh/hoc/hsg_hocs.cfm</a>  Latest 203(b) Limits for High Cost Areas  <a href="http://www.hud.gov/offices/hsg/sfh/lender/sfhmol.cfm">http://www.hud.gov/offices/hsg/sfh/lender/sfhmol.cfm</a></p>