

## Buyer Information Regarding Purchasing a Reverse Mortgage Foreclosure.

### What does the statement "HUD Guidelines 24 CFR 206.125" mean in MLS listings to Buyers?

You will come across this type of statement "property to be sold as is only and is subject to HUD Guidelines 24 CFR 206.125" in MLS listed properties from time to time. You should know that this verbiage will affect how your offer is viewed and your ability to negotiate a deal that makes sense to you. In most cases, you might be wasting your time trying to make an aggressive offer on that property.

This language is disclosed in foreclosure listings aka bank owned or REOs, where the home was financed using a reverse mortgage note that defaulted due to the borrowers passing, failure to pay taxes, or both.

A reverse mortgage is defined as a loan available to seniors, and is used to release the home equity in the property as one lump sum or multiple payments. The homeowner's obligation to repay the loan is deferred until the owner dies, the home is sold, or the owner leaves

HUD regulates the terms under which these properties can be acquired, sold, marketed, & their listing treatment, thus the verbiage you are going to find in these listings. If the property is an actively listed REO, a Buyer's Agent can represent a Buyer the same as a traditional foreclosure. Disclosing the subject conditions communicates that the seller has restrictions under which they are obligated.

A Fannie Mae HECM (Home Equity Conversion Mortgage) reverse mortgage foreclosure, which must be sold subject to 24 CFR 206.125. (This means there are very specific guidelines outlined for the sale of this property, which are outlined below. Even though this is a Fannie Mae product, it has its own set of unique guidelines that are NOT the same as typical Fannie Mae guidelines.

The seller has special rules to follow:

- The subject property **CANNOT** be sold for less than the current appraised value as established by an FHA Roster Appraiser (list price). Offers submitted below list price cannot be accepted and at the seller's discretion may not be formally countered regardless of any terms, conditions or circumstances.
- Property is sold "AS-IS AT TIME OF SALE". In many of these properties, they will not be completely cleaned out and they will not be maintained during the escrow process. Buyer accepts condition at the time of closing.
- If repairs will be required for buyer's financing, they will not be accepted.
- Per HUD guidelines, utilities will NOT be turned on at any time at seller's expense. Buyers AGENT may turn on utilities and Buyer will be responsible for any and all costs incurred turning on the utilities. Utilities can ONLY be turned on during 10 day inspection period and utilities MUST be turned off upon completion of inspections or 10 day period.
- Homepath Financing is not available. This property does not qualify for any special financing from the REO seller.

- Seller does not provide HOA documents. Buyer will be responsible for incurring the cost of all governing documents.
- Other costs not allowed by HUD at closing include, repair reimbursements or allowances, county and or city transfer taxes, home warranty fees, discount points or closing cost credits, wire fees, "miscellaneous" fees, courier fees.
- Fannie Mae does not allow for a 1031 exchange.
- If a corporation/LLC/LP is purchasing the property, the Articles of Incorporation/Organization will be required as well as Specific Signing Authority.
- Mediation and Arbitration will be removed from the contract.
- Seller requires 30 days for a cash transaction and 60 for a financed transaction. This gives time to ensure a clear title at closing. Property may be able to close sooner and extensions to this timeframe may be required.
- Electronic signatures ARE accepted.
- Under no circumstances is the buyer allowed to move into the property (including personal property) prior to the close of escrow. There can be NO exceptions to this and prior possession is grounds for termination and forfeit of deposit.

We hope this helps explain the guidelines we MUST follow while selling the subject property.

Rules and regulations are subject to change so please go direct (link) should have any questions.

<http://www.gpo.gov/fdsys/pkg/CFR-2011-title24-vol2/pdf/CFR-2011-title24-vol2-sec206-125.pdf>