



U.S. Department of Housing and Urban Development
National Servicing Center, HUFM
301 NW 6th Street, Room 200
Oklahoma City, OK 73102

<http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>

Temporary HECM Foreclosure Sales Program

June 1, 2009

Effective immediately, the National Servicing and Loss Mitigation Division (NSC), a division of the Office of Single Family Asset Management, in the U.S. Department of Housing and Urban Development (HUD), is implementing a Temporary HECM Foreclosure Sales Program (Temporary Program) to allow mortgagees to present a firm sales offer which is less than the appraised value on properties that the mortgagee has acquired through the foreclosure or deed in lieu process.

Currently, the NSC allows mortgagees to present firm sales offers that are at least 95% of appraised value. This Temporary Program will allow mortgagees to present a firm sales offer provided the documentation demonstrates that it is in the best interest of all parties. This Temporary Program is provided as a means to address declining real estate markets and encourage a sale within the first 30 days from property listing.

Background

Through NRLMA and FNMA, the mortgage industry has requested assistance from HUD for those HECM cases where, following HUD requirements, the mortgagee had to either foreclose or accept a deed in lieu of foreclosure and must then sell the property within 6 months from the date of acquisition. If the property is not sold, the lender must acquire a new appraisal 15 days before the expiration of the six month period and file their claim based on the current appraised value in lieu of a sales price, with no allowance for closing costs. Subsequent declines in the market have resulted in sales for even less than the claimed amount and with no ability to recover the closing costs, losses to the investors.

Instructions for the lender:

For HECM cases where the lender has acquired title and must sell the property before filing its claim for mortgage insurance benefits, the Department will, on a case by case basis, review the lender's request to allow the property to be sold at less than the appraised value. The lender must be prepared to document through the appraised value, the offer to purchase, the proposed HUD-1, the listing agreement and the market statistics, such as a recent BPO, that the offer to purchase is realistic given recent market activity for the subject jurisdiction. The Department will welcome any additional information, such as the number of offers received and the amount of those offers as available.

The lender shall submit its request along with the required documentation electronically to the attention of HUD's Loan Servicing Contractor at hecmservicing@cls-mgc.com

This process will be available on-line at <http://www.hud.gov/offices/hsg/sfh/hecm/hecmhomelenders.cfm>.

The Department will review this issue periodically and will make any necessary adjustments.

A handwritten signature in cursive script that reads "Sharon Lundstrom".

Sharon Lundstrom, Director
Servicing and Loss Mitigation Division
As vested in her by 71 F.R. 60177 (October 12, 2006)