

Approval to Participate Pre-foreclosure Sale Procedure Property Sales Information Property Occupancy & Maintenance

U. S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

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Public reporting burden for this collection of information is estimated to average 9 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Section 204 of the National Housing Act authorizes the Secretary to pay an insurance claim that bridges the gap between the fair market value proceeds from the HUD-approved third party sale of a property. The respondent's may be lenders (mortgagee's), counselors and homeowners who are attempting to sell their properties prior to foreclosure. The Privacy Act of 1974 pledges assurances of confidentiality to respondents. HUD will not disclose this information except where permitted or required by law.

Mortgagee Contact Person and Phone Number:	Control Number:	FHA Case Number:	Date:
Homeowner Name(s):		Property Address:	
Homeowner Signature(s):			

Homeowner(s): Please Read This Information Carefully.

Approval to Participate

Based upon your request to participate in the HUD Pre-foreclosure Sale (PFS) Program, a review of your loan has been completed and you have been **Approved to Participate**. By signing this Approval to Participate form and returning to the above-referenced lender, you agree to abide by the following conditions of the program. The lender must receive a signed copy no later than 10 days from the date on this form.

Property Sales Information

The property must be listed for sale with a licensed real estate broker/agent unrelated to you within 7 days of your receipt of this letter for a list price no less than \$ _____, which is the "AS-IS" value indicated on the FHA appraisal of your property. The listing agreement must include the following specific cancellation clause in the event the terms of a sale are not acceptable to HUD: "Seller may cancel this agreement prior to the ending date of the listing period without advance notice to the broker/agent, and without payment of a commission or any other consideration if the property is conveyed to the mortgage insurer or the mortgage holder." The sale completion is subject to approval (under HUD guidelines) by the lender.

Your deadline to obtain a signed Sales Contract from a qualified buyer is _____. If you are unable to obtain an acceptable contract by this date, your lender may review your loan for the Deed-in-Lieu of Foreclosure option or commence/recommence foreclosure.

Acceptable Terms of Sale

The standard marketing period for a PFS listing is 4 months from the date of this letter. Program criteria require that the net amount payable to HUD as a result of this sale, after allowable expenses, is at least \$ _____, which meets the 88% net sale proceeds requirement for when the property is sold within the first 30 days from the date of this Approval to Participate. Thereafter, the net amount payable to HUD will be as follows: 86% net sale proceeds required if sold between day 31-60, and 84% net sale proceeds required if sold during the last 60 days of the marketing period.

You must submit a Sales Contract for approval to the lender contact named above. The sale must be an arm's length transaction; the buyer cannot be a member of your family, business associate, or other favored party. No hidden terms or special understandings may exist with the buyer, seller, appraiser, closing agent or lender. If you negotiate with a buyer to pay for discount points, a home warranty, repairs not required for a new mortgage or other costs normally paid by the buyer, you must pay for these expenses.

Questions concerning any of this information or your responsibilities in the PFS Sale Program, must be directed to the contact person at your lender's office at the above telephone number.

You may also be required to pay prorated real estate taxes and assessments at closing. Your lender can explain which sales costs may be deducted from HUD's sale proceeds.

Cash Contribution

Owner-occupant homeowners may be required to submit a Cash Reserve Contribution to participate in the PFS Program. Your required Cash Reserve Contribution is \$ _____. This amount must be applied toward the PFS transaction at closing.

Relocation Services

A relocation service affiliated with your employer may contribute a fixed sum towards the proceeds of the PFS, without altering the arm's length nature of the sale. This contribution simply reduces the shortfall between the proceeds and the amount owed on the mortgage note. As with any other PFS, such a transaction must result in the outright sale of the property and cancellation of the FHA mortgage insurance.

Occupancy and Property Maintenance

You are responsible for property maintenance and repair until closing. This includes, but is not limited to, cutting the grass, snow removal, regular interior and exterior cleaning, immediate repair of broken doors and windows, and payment of utility bills as they become due. If the property is vacant or becomes vacant during marketing, you must inform your lender immediately and ensure that the property is protected from freeze damage by "winterizing" plumbing pipes. You may arrange with your broker/ agent to provide property maintenance, but you will continue to be responsible for the condition of the home until it is sold. Damage and repair expenses resulting from fire, flood, or other natural causes must be reported immediately to the insurance company and to your lender.

Homeowner's Incentive

Owner-occupant homeowners who are not required to make minimum cash reserve contributions and successfully sell their properties using this program are relieved of their mortgage obligation and may be entitled to a cash Incentive up to \$3,000. You may apply a portion or the entire amount of the \$3,000 to resolve junior liens and to offset the sales transaction costs not paid by HUD (including a home warranty plan fee, costs associated with optional repairs, and buyer's closing expenses). Eligible homeowners are permitted at closing to receive the remaining amount from the aforementioned \$3,000 consideration. This remaining amount may only be used for transition or relocation assistance.