



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:

All Homeownership Center Directors
All Real Estate Owned (REO) Directors
All Asset Manager (AM) Contractors
All Interested Parties

Notice H 2011-15

Issued: August 9, 2011

Expires: August 31, 2012

SUBJECT: Disallowance of Discounts during Competitive Bid Periods

Purpose

This Notice announces that discounts off the list price offered to governmental entities and HUD Approved Nonprofits on Single Family REO sales may be applied only during non-competitive sales periods and provides instructions for calculation of the net offer on competitive sales of individual FHA Single Family REO properties.

Background

Under provisions of §291.210(a), HUD offers discounts of up to 30 percent off the list price on sales of FHA Single Family REO properties to State and local governments, public agencies and HUD Approved Nonprofits. Currently, those discounts are also given to governmental entities and HUD Approved Nonprofits on purchases made during competitive sales periods after an undiscounted bid has been accepted. The net offer calculation in FHA's competitive sales regulations at § 291.205 does not permit FHA to consider potential post bid discounts when determining the greatest net return to HUD on the sale of individual REO properties. The combination of these policies has resulted in HUD not accepting the bid that produces the greatest net return to the Department in some cases where there are competing bids from a governmental entity or HUD Approved Nonprofit and an Owner-Occupant Purchaser.

Determination of Greatest Net Offer During Competitive Sales Periods

For competitive sales listings of individual properties on or after September 1, 2011, HUD will not offer or provide post bid acceptance discounts to any purchaser. Instead, HUD will accept the bid that produces the greatest net return to the Department and also meets all the terms and conditions pertaining to HUD's offering, with priority given to Owner-Occupant Purchasers for properties being offered with insured mortgages as addressed in § 291.205(a)(2). For properties offered without insured mortgages, priority will be given to governmental entities and nonprofit organizations prior to other Owner-Occupant Purchasers as addressed in § 291.205(a)(2). In addition, as explained in § 291.205(b), the net offer is calculated by subtracting from the bid price, the dollar amounts required by the purchaser for the financing and loan closing costs, and the broker's sales commission.

Guidance provided under this Notice does not apply to FHA Single-Family REO properties sold under other FHA disposition programs, including, but not limited to, Bulk Sales, Direct Sales, Good Neighbor Next Door, or Asset Control Areas.

Questions regarding this Notice should be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342).

Carol J. Galante
Acting Assistant Secretary for Housing –
Federal Housing Commissioner