



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 Management and Marketing Contractors
All Interested Parties

Notice H 2011-16

Issued: August 12, 2011

Expires: August 31, 2012

SUBJECT: Extension of the Dollar Home Sales to Local Governments Program

Purpose

This Notice announces the extension of the subject program for a period of one year from the above mentioned Date of Issuance. In addition, the current market value of a property in its “as is” physical condition must be \$25,000 or less to be considered eligible for the program.

Background

HUD launched this program on May 1, 2000, to help local governments foster housing opportunities for low to moderate income families and address specific community needs. Under the program, local governments are given an opportunity to purchase, for \$1 each, qualified HUD-owned single-family (1-4 unit) properties that the Federal Housing Administration (FHA) has been unable to sell after marketing them to the public for six or more months. Local governments may partner with local nonprofits to ensure that the properties purchased are ultimately used to support local housing/community development initiatives.

Instructions and Questions

Instructions for the Dollar Home Sales Program are contained in Attachment A. Questions regarding this Notice should be directed to James Hass, Housing Program Specialist, Office of Single Family Asset Management, at (202) 708-1672. Persons with hearing or speech impairments may access this number by calling the Federal Information Relay Service at (800) 877-8339.

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

¹“The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0306 and 2502-0569. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.”

Attachment A

Special Offering of Aged Inventory Properties to Local Governments

A single-family (1-4 unit) property that has been offered to the public for sale for six or more months, that is not presently under a sales contract, and that meets the following qualification criteria will be removed from the market and offered exclusively to local governments for \$1 plus closing costs. Eligible property must meet the following criteria:

- The property must fail to satisfy provisions in 24 CFR § 291.100(c)(1) and (c)(2) in order to be offered for sale in “as is” condition with FHA mortgage insurance available; and
- The current market value of the property in its “as is” physical condition must be \$25,000 or less.

Local governments eligible to participate in this dollar sales program may only purchase eligible HUD properties within their jurisdiction and must:

- Identify the intended disposition strategy(ies) and clear public purpose goals and objectives consistent with supporting local housing/community development initiatives that it will pursue with properties purchased through this program;
- Affirm that all profits from resale of these \$1 homes will go to support local housing/community development initiatives;
- Identify what specific local housing/community development programs or uses these profits will support; and
- Agree to provide a report to HUD’s Homeownership Center (HOC) Program Support Division Director on October 1, 2011, and annually thereafter, for all properties purchased under this program. The report must include information on the ultimate owner-occupant purchaser, the amount of profit realized on the final sale, and identify what specific local housing/community development programs or uses these profits were used to support.

As part of its disposition strategy, the local government may indicate that it intends to purchase the property and convey it to a nonprofit organization for rehabilitation and resale to first time homebuyers, low to moderate income buyers or some other public purpose objective that is consistent with supporting local housing/community development initiatives. However, local governments will be responsible for including information pertaining to the purchase and subsequent resale of such properties in the annual report that must be provided to HUD’s Homeownership Center (HOC) Program Support Division Director. Failure of a local government to comply with any of the above requirements will result in disqualification from participation in this program.

Nonprofit organizations and entities such as housing authorities are not permitted to directly purchase properties under this sales program on their own behalf. However, a local government may identify in its intended disposition strategy(ies) an agency of government such as a housing authority that will act as its agent to purchase these properties. In that event, sales contracts may be accepted from such entities.

Prior to offering qualified properties to local governments, HUD's Asset Manager [and/or HUD staff] must ensure that the property has been listed for sale for at least six months. In order to calculate the length of time a property has been marketed, begin with the original listing date. Do not include any period of time a property has been held off the market. The total marketing time only includes days actually listed for sale. For example, when a property is temporarily removed from the market when HUD enters into a sales contract and is then relisted for sale due to the purchaser's failure to close, the days the property was temporarily held off the market **are not counted** toward the 180 day threshold. When the property is placed back on the market, the clock will resume ticking towards meeting the six or more months of marketing to qualify for this program.

Properties shall be made available to local governments on a weekly basis with new qualified properties being added as they reach at least six months of marketing exposure. The properties must remain available exclusively for purchase by local governments for 10 calendar days. A form HUD-9548, Sales Contract, must be received within this period of time for consideration for the \$1 sale. If sales contracts are received within this time period but contain minor errors requiring correction, the Asset Manager must notify the local governments of the required changes and allow five calendar days for the submission of a corrected sales contract.

The local government purchasing the property must also complete an addendum to the sales contract that identifies its intended disposition strategy and submit it along with the sales contract. As previously mentioned, the local government purchasers will be required, on an annual basis, to identify to the applicable HOC Program Support Division Director the ultimate disposition of the property and any specific benefits that have accrued to the community.

In those instances where a local government has placed liens against the properties and fines have been assessed, the local government must remove these liens at no cost to HUD in an effort to facilitate the sale. In addition, the local governments will be required to absorb the closing costs involved with each property sale transaction. HUD, however, will continue to pay its closing agent's fee and any wire transfer expenses.

Marketing Plan for Hard to Sell Properties

Properties that remain unsold after exclusive offering of aged inventory to local governments will be relisted for sale to the general public in accordance with the Marketing Plan developed by the Asset Manager for selling "hard to sell" properties. Local governments may submit offers to purchase these relisted aged properties for \$1. *However, consideration will be given to these offers only if no other acceptable offers have been received from the public.*

Outreach Efforts by HUD and Asset Managers

Many local governments may be unaware of the opportunities for purchase of HUD-owned single-family homes. Homeownership Center (HOC) staff, in conjunction with the HUD Asset Managers, must conduct outreach efforts to all local governments within their jurisdiction to inform

them of this discount sale program. Asset Managers shall complete the notifications to the local governments within two weeks from the date of this Notice.

A sample letter is attached that must be used by Asset Managers in completing the notification process. In addition to the letters, Asset Managers are encouraged to contact all local governments via email. Local governments should be provided with the appropriate website addresses that they can access to obtain the listing of properties that are available for purchase under this program.

All properties that are eligible for the “Dollar Home Sales to Local Governments” program will be identified on the HUD Homes website at www.hudhomestore.com.

Demolition Consideration

A local government may recommend the demolition of any property that is currently available for purchase by that entity. To consider demolition, the following criteria must be met:

- HUD’s last listed price, plus the cost of rehabilitating the property to meet HUD’s Minimum Property Standards (MPS) is more than 130 percent of the after rehabilitation value. The determination of rehabilitation cost and the after rehabilitation value may require the Asset Manager to procure the services of a structural engineer, appraiser, and/or special inspectors. The appraisal must include the fair market value of the land. The costs to procure the previously mentioned services will be treated as pass through expenses of the Asset Manager under applicable HUD contracts.
- The cost of demolition may not exceed the cost of rehabilitating the property to meet MPS.
- The Environmental Compliance Record shall be reviewed to determine whether the property is listed on the National Register of Historic Places or located in a Historic District. If the property is classified as “historic”, review any conditions on the disposition of the property to determine whether demolition is permitted. If so, follow any conditions imposed in conjunction with the demolition.

In the event that HUD determines that the above criteria have been satisfied, the property will be demolished. HUD will pay for the demolition and clearing of the debris.

Following demolition, the land should be listed for sale to the general public for 10 calendar days at its fair market value. If no acceptable offers are received from the general public, the land should be offered to the local governments for \$1 for 10 calendar days. In the event the local governments have no interest in the land, the property should be relisted on extended listing to all classes of bidders until the property is sold.

(Asset Manager's letterhead)

Dear

SUBJECT: Program for Dollar Home Sales to Local Governments

I am pleased to announce that the U.S. Department of Housing and Urban Development (HUD) is extending its program for "Dollar Home Sales to Local Governments". This program allows local governments to purchase qualified properties that have been listed for sale for more than six months for \$1 each. This will make it possible for communities to rehabilitate homes and put them to good use at a considerable savings.

Properties will be made available for sale under this program on a weekly basis. I invite you to visit the HUD webpage at www.hudhomestore.com/HUDHome/DollarHomes.aspx for a complete listing of properties currently available for purchase under this program. You may also visit HUD's website at www.hudhomestore.com for information on other Discount Sales programs and you can use the Single Family Home Locator at <http://sfgis.hud.gov/index.html> to search for HUD homes by specific address or browse by geographic locale or Program Areas.

If you have any questions, please do not hesitate to contact _____ at _____ (Asset Manager to insert contact phone number here).

Sincerely,

(Asset Manager)

ADDENDUM TO SALES CONTRACT (HUD form 9548)

Dollar Home Sales to Local Governments Program

PURCHASER: _____

SELLER: Secretary of Housing and Urban Development

PROPERTY ADDRESS (the "Property"): _____

FHA CASE NUMBER: _____

- *The proposed disposition strategy, goals and objective for purchasing this Property are: (Purchaser may list a number of alternative strategies here.)*

_____.

- *By signing this addendum, I/We affirm that all proceeds in excess of the cost to rehabilitate the Property received from purchasing and subsequently selling the Property will go to support local housing/community development initiatives;*
- *By signing this addendum, the Purchaser affirms that any liens assessed against the Property and any fines assessed by or on behalf of the Purchaser or any of its subdivisions will be removed at no cost to HUD in an effort to facilitate the purchase of the Property by the Purchaser. The Purchaser further affirms that it is the Purchaser's responsibility to pay all closing costs in connection with the purchase of the Property by the Purchaser.*
- *The following local government programs will benefit from the proceeds in excess of the cost to rehabilitate the Property that are received from purchasing and subsequently selling the Property:*

_____.

- *By signing this addendum, the Purchaser agrees to provide HUD's Homeownership Center (HOC) with a report, due annually beginning on October 1, 2011, that provides the status and details on all properties purchased under this program. The report must include information on any subsequent owner-occupant purchaser(s), the amount of proceeds in excess of the cost to rehabilitate the Property that are received from purchasing and subsequently selling the*

Property to the subsequent owner-occupant purchaser(s) and whether such proceeds were directed back into local housing/community development.

Signature of Purchaser and Date