

Buying a HUD home

By ALEX MASON | Green Shoot Media

HUD homes are an excellent home buyer resource to acquire quality housing at a fair and equitable price.

HUD, or the U.S. Department of Housing and Urban Development, offers quality residential properties including single-family homes, townhouses and condos backed by federal lending through the Federal Housing Administration, or FHA. HUD is a program that takes control over its real estate inventory, but HUD itself is not a lender.

HUD is a Washington cabinet agency that exists to promote affordable housing and the American dream. HUD acquires the bulk of its real estate inventory from defaulted mortgages secured by FHA lending, and HUD homes for sale may be purchased at fair market value directly from the agency.

To get started, visit HUD at www.HudHomeStore.com.

BUY A HUD FORECLOSURE

HUD does not like to carry an inventory of foreclosed homes, so many HUD bargain deals will go directly to auction for a quick sale. HUD homes are sold as-is, but an interested bidder will be allowed to have a home inspector check the property for damage.

Since HUD does not make any corrective or cosmetic repairs, be sure you have a solid game plan and budget for rehabilitation if you wish to purchase off the auction block. Rehab lending is available from the FHA 203(k) Rehabilitation Loan program for qualified applicants, or you can plan to have an extra cash reserve to take care of the HUD home reconstruction from your own pocket.

FHA FINANCING

Properties ranging from one to



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A HUD home can be a great deal, but the home may not be in great shape, so be prepared to make needed repairs and improvements.

four units may be financed through the government's FHA lending program for up to 96.5 percent of the home purchase price.

FHA lending policies require the home for purchase to be an owner-occupied residence, and other requirements may apply depending on the area where the property is located.

Though some minor restrictions apply, it's easy to qualify for the FHA mortgage lending program. People with low income or bad credit are ideal candidates.

HUD financing is a snap with less than 5 percent of the purchase price required for a down payment. Note that FHA programs require mortgage insurance with a down payment of less than 20 percent.

HUD PROGRAMS

HUD special offers and incentives will vary from state to state, but the government-sponsored program does make every effort to offer special discounts to some buyers. Firefighters, law enforcement personnel, EMT staff, teachers and other public service workers may be able to take a substantial discount off the asking HUD home price.

In addition, non-profit organizations who will re-sell the property to low-income buyers have the chance to purchase HUD properties for pennies on the dollar. Special buyer discounts also apply to FEMA-qualified applicants with a reduced total purchase cost and minimal down payment, and such candidates also may apply for a repair and maintenance fund based on a

certain percentage of the total sale price of the HUD home.

HUD homes look and feel like any other home on the open market and can be purchased in any state, county or city across the country.

You can secure your HUD home lending from liberal lending institutions such as the FHA or use your trusted bank or local mortgage broker.

The HUD Web site will direct you to current real estate inventory and may also advise you of local lenders. In addition, www.HudHomeStore.com has the answers to many questions for first-time home buyers.

Alex Mason is a former real estate agent and mortgage broker living in Los Angeles.

REAL ESTATE 101

Rehab loans

The Federal Housing Administration's Section 203(k) financing can be used to make improvements, including:

- structural alterations and reconstruction
- modernization and improvements to function
- elimination of health and safety hazards
- changes that improve appearance and eliminate obsolescence
- reconditioning or replacing plumbing; installing a well and/or septic system
- adding or replacing roofing, gutters, and downspouts
- adding or replacing floors or floor treatments
- major landscape work and site improvements
- enhancing accessibility for a disabled person
- making energy conservation improvements



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FHA FINANCING

Properties ranging from one to four units may be financed through the government's FHA lending program for up to 96.5 percent of the home purchase price.

FHA lending policies require the home for purchase to be an owner-occupied residence, and other requirements may apply depending on the area where the property is located.

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- adding or replacing floors or floor treatments
- major landscape work and site improvements
- enhancing accessibility for a disabled person
- making energy conservation improvements

HOMESWISE GLOSSARY

Neighbor Next Door: An initiative designed to encourage renewal of revitalization areas by providing an opportunity for law enforcement officers, firefighters, emergency medical technicians and teachers to purchase homes in these communities with a substantial incentive in the form of a 50% discount off the list price of eligible properties.

Home improvement loan: a home mortgage to finance permanent improvements for energy conservation, solar installation, rehabilitation, modernization or addition.

SOURCE: Freddie Mac/U.S. Department of Housing and Urban Development

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