

**U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT**

**Addendum A**

(REV 11-13-06)

**\*\*\*\*\*FORFEITURE AND EXTENSION POLICY\*\*\*\*\***

**California**

With the exception of properties being purchased with 203(k) financing, all HUD Property Disposition sales of HUD-acquired properties are to close within 45 days of acceptance of a HUD-9548 (1/99) Sales Contract offer to purchase. Purchases involving 203(k) financing are to close within 60 days of acceptance of a HUD-9548 (1/99) Sales Contract offer to purchase.

**Forfeiture of Earnest Money Deposits**

The failure by a Purchaser to close on the sale of property within the allowable time period, including any extensions granted by HUD, will result in the forfeiture of the earnest money deposit, except where the Purchaser presents documentation to HUD that one of the special circumstances described in paragraphs (a) and (b) below of this section has occurred.

**(a) Investor Purchases**

1. The failure by an investor Purchaser to close on an uninsured sale will result in forfeiture of the entire earnest money deposit.
2. Fifty percent of the earnest money deposit on an insured sale will be returned to an investor Purchaser where HUD (or a Direct Endorsement tender using HUD guidelines) determines that the Purchaser is not an acceptable borrower.

**(b) Owner-Occupant Purchasers**

1. The entire earnest money deposit will be returned to an owner-occupant Purchaser who fails to close where, since the contract of sales was signed:
  - (i) There has been a death in the immediate family (contract holder, spouse, or children living in the same household);
  - (ii) There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely affecting the Purchaser's financial ability to close the sale;
  - (iii) There has been a loss of job by one of the primary breadwinners, or substantial loss of income through no fault of the Purchaser;
  - (iv) In the case of an insured sale, HUD (or a Direct Endorsement tender using HUD guidelines) determines that the Purchaser is not an acceptable borrower; or
  - (v) On an uninsured sale, the purchaser was pre-approved for mortgage financing in an appropriate amount by a recognized mortgage lender and despite good faith efforts, is unable to obtain mortgage financing. "Pre-approved" means a commitment has been obtained from a recognized mortgage lender for mortgage financing in a specific dollar amount sufficient to purchase the property.
  - (vi) For other good cause, as determined by HUD.

On either type of sale, forfeit 100 percent of the deposit in those instances where no documentation is submitted, where the documentation fails to provide an acceptable cause for the buyer's failure to close, or where documentation is not provided within a reasonable time following contract cancellation (e.g., 30 days).

## **Extensions**

PEMCO, Ltd. will grant extensions of time upon written request from Purchaser. Extensions of time to close the sale are entirely within the Seller's discretion. An extension, if granted, will be under the following conditions:

- (a) A written request for an extension must be received by PEMCO, Ltd. no later than five days before the expiration of the sales contract.
- (b) The documentation submitted with the request must establish the cause of delay and that mortgage approval is imminent during the extension period.
- (c) An extension will be for a period of fifteen calendar days. Fees will be based on the Contract Sales Price of the property, \$10 per day is charged if the sales price is \$25,000 or less; \$15 per day if the sales price is more than \$25,000, but not more than \$50,000; and \$25 per day if the sales price is over \$50,000. Extension requests must be submitted through the Closing Agent and all fees in form of cashier's check or money order) must accompany the request at the time of submission.
- (d) Extension fees shall be retained by Seller if a closing does not occur.
- (e) At time of closing, unused extension fees will be prorated to the Purchaser and refunded by escrow.
- (f) The granting of one extension shall not obligate the Seller to grant additional extensions and the Seller shall declare a Default for the Purchaser's failure to close the sale upon the expiration of the original closing period or upon expiration of the extension.

## **Closing costs automatically paid by HUD**

- Proration of property taxes and any special assessments such as Homeowner's Association (HOA) fees and utility bills      Paid by HUD automatically.
- Condominium or HOA Transfer Fee      If applicable.
- Costs to provide condominium documents to Purchaser      If applicable.
- Repair Escrow Fee of \$200      Where applicable on FHA insured loans only.
- Settlement or Closing Fee      The Department will pay HUD's Closing Agent. This is the Purchaser's cost if another closing agent is chosen.
- Recording Fees:      HUD will automatically pay recording fees and charges for the deed only (i.e., nominal amount charge per recordation).

## **Closing costs that may be paid by HUD**

Sales Commission for Selling Broker will be paid by HUD, a sales commission of up to five (5%) of the sales price, only if indicated on Line 6a of form HUD-9548, Sales Contract.

HUD will allow to be deducted from its proceeds, purchaser financing and closing costs that are considered to be reasonable and customary in the jurisdiction where the property is located. In no event may these costs exceed 3% of the property's gross purchase price. Please reference HUD Notice H2006-12 for additional information.

HUD Case No.: \_\_\_\_\_

Property Address: \_\_\_\_\_

City: \_\_\_\_\_

**Seller Disclosure**

Seller makes no representations or warranties concerning the condition of the property, including but not limited to mechanical system dry basement, foundation, structural, or compliance with code, zoning or building requirements and will make no repairs to the property after execution of this contract. Purchaser understands that regardless of whether the property is being financed with an FHA-insured mortgage, Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, lead-based paint, mold, or any other condition that may render the property uninhabitable or otherwise unusable. Purchaser acknowledges responsibility for taking such action as it believes necessary to satisfy itself that the property is in a condition acceptable to it, of laws, regulations and ordinances affecting the property and agrees to accept the property in the condition existing on the date of this contract. Seller disclosure concerning HOA dues, Mello Roos taxes, assessments, or any tax concerning HUD homes is based on available information but not deemed complete or accurate. It is the responsibility of the Buyer to obtain all information concerning these issues.

**Walk-Thru Inspection**

All Purchasers are strongly encouraged to perform a walk through inspection PRIOR to the close of escrow. If a Purchaser discovers a property condition that did not exist at the time of sale they must immediately notify HUD's property manager, PEMCO, Ltd. of the damage. Reporting of the damage does not guarantee the correction of the problem that has been discovered. Each case will be looked at and a determination will be made as to whether the damage will be repaired or proper credits given at the close of escrow, if those repairs or credits are deemed in the best interest of the Dept. of HUD. The buyer assumes full responsibility for the property and its condition on the date of close of escrow. The Department assumes no responsibility and will make no settlement, for damages reported to HUD after the close of escrow. (See item # 13.E of HUD Sales Contract).

**Buyer Certification**

I/we certify that I/we have read all four pages of this addendum and have been interviewed, completed a loan application, verification of employment's and obtained a full credit report from the lender that has provided the attached Letter of Commitment. I/we understand that I/we will forfeit our earnest money deposit if we enter into this contract without completing this qualification process.

**Signatures:**

\_\_\_\_\_  
(Purchaser) (Purchaser) (Date)

\_\_\_\_\_  
(Purchaser) (Purchaser) (Date)