

LBP Stabilization Guideline F.A.Q.'s

- 1. Will HUD conduct a LBP assessment on every property?**
 - a. No. HUD will complete a LBP assessment ONLY on properties that were built before 1978 AND have an executed contract involving an owner occupant buyer that is using FHA financing to purchase the home.
- 2. How will I know whether or not LBP is present at the property and whether or not HUD will stabilize any deteriorated LBP?**
 - a. If a LBP assessment is completed, the summarized results from the assessment will be displayed in the LBP addendum that the buyers and the broker need to sign prior to contract execution.
- 3. How much will HUD spend toward the stabilization of any LBP that is found from the assessment?**
 - a. Effective October 16, 2009, HUD has imposed a cap of \$4,000 that they will spend for the stabilization of deteriorated LBP in accordance with the stabilization plan on file.
- 4. What if the cost to stabilize the deteriorate LBP exceeds \$4,000?**
 - a. HUD, at its sole discretion may (1) cancel the sales contract, or (2) allow the purchaser to amend the contract financing to 203(k) or conventional.
- 5. What happens to my earnest money deposit if HUD cancels the contract because the cost to stabilize the deteriorated LBP exceeds \$4,000?**
 - a. In the event that HUD cancels the sale, the purchaser will be entitled to a 100% refund of the earnest money.
- 6. Can I make up the difference between the cost estimate to stabilize the deteriorated LBP and the \$4,000 cap HUD has imposed?**
 - a. No
- 7. Can I obtain my own LBP risk assessment?**
 - a. At their own cost, buyers can obtain their own risk assessment.
- 8. Can I obtain my own LBP stabilization plan?**
 - a. At their own cost, buyer's can obtain their own stabilization plan. However, selection of the contractor to complete the scope of work defined by the stabilization plan is entirely up to PEMCO. The clearance exam must be completed by HUD's contractor.
- 9. What if the only issue with the home is the fact that the cost to stabilize the deteriorated LBP is greater than \$4,000; but less than \$5,000. Can I use the 203(k) loan product to finance the home?**
 - a. Yes, but the purchaser will be required to use the streamline 203(k) loan product. The rehab 203(k) loan product is restricted for use only if the repairs on a home exceed \$5,000. Please work with your FHA underwriter on the specifics or limitations of each of these loan products.
- 10. How does the LBP stabilization program work if I am using the 203(k) loan product?**
 - a. At closing, the buyer shall receive a credit in an amount not to exceed \$4,000; representing HUD's contribution toward the cost of stabilization and clearance testing. The credit will be displayed on the HUD-1 settlement statement and be deposited in the 203(k) escrow account. If the cost of stabilization exceeds the credit provided, or if the property fails a clearance examination, the buyer will be responsible for any additional costs. (PEMCO will not allow closing to take place until we have confirmed that the buyer has signed and submitted a 203(k) Rehabilitation Financing Lead Agreement. This document requires that the LBP clearance exam be included in the work write-up and conducted before release of the final construction disbursement and before occupancy.)