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The Federal Register

The Daily Journal of the United States Government

Proposed Rule

Disposition of HUD-Acquired Single Family Properties; Updating HUD's Single Family Property Disposition Regulations

A Proposed Rule by the [Housing and Urban Development Department](#) on [10/02/2015](#)

Comments on this document are being accepted at Regulations.gov [Submit a formal comment](#)

Action

Proposed Rule.

Summary

This proposed rule would revise HUD's regulations that address property disposition. This rule proposes to consolidate and reorganize HUD's property disposition regulations so that they better reflect industry standards and allow HUD to conduct its Single Family Property Disposition Program more efficiently and more effectively so that HUD can obtain the greatest value for its real estate-owned (REO) properties in different market conditions.

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DATES:

Comment Due Date: December 1, 2015.

ADDRESSES:

Interested persons are invited to submit comments regarding this proposed rule to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500. Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. Submission of Comments by Mail. Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500.

2. Electronic Submission of Comments. Interested persons may submit comments electronically through the Federal eRulemaking Portal at www.regulations.gov. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the www.regulations.gov Web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Note:

To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the rule.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable.

Public Inspection of Public Comments. All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an appointment to review the public comments must be scheduled in advance by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 800-877-8339. Copies of all comments submitted are available for inspection and downloading at www.regulations.gov.

FOR FURTHER INFORMATION CONTACT:

Thomas Kumi, Director, Single Family Asset Management and Disposition Division, Office of Single Family Housing, Department of Housing and Urban Development, 451 7th Street SW., Room 9172, Washington, DC 20410-8000, telephone number 202-708-1672. Persons with hearing or speech

impairments may access this number through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

SUPPLEMENTARY INFORMATION:

I. Background

Section 204(g) of the National Housing Act (12 U.S.C. 1710g) addresses the management and disposition of HUD-acquired single family property, which includes HUD-acquired real and personal property assets. HUD's implementing regulations are codified in 24 CFR part 291 (currently entitled, "Disposition of HUD-Acquired Single Family Property"). Under these statutory and regulatory authorities, HUD is charged with carrying out a program of sales of HUD-acquired and owned properties along with appropriate credit terms and standards to be used in carrying out the program. Property owned by HUD as a result of acquisition includes REO. The goals of HUD's Single Family Property Disposition program are to reduce the inventory of single family properties in a manner that minimizes losses to the Mutual Mortgage Insurance Fund, promote the expansion of homeownership opportunities for American families by, among other things, selling such properties at a discount to state and local governments and HUD-approved nonprofit entities, and help stabilize distressed communities.

As a result of recent changes in the housing market, specifically the economic and housing crisis that commenced in 2008, HUD acquired an unprecedented number of REO properties—98,342, 90,943, 103,215 and 111,416 in FY 2010, FY 2011, FY 2012, and FY 2013 respectively. This increase caused FHA to reexamine its disposition strategy for HUD-acquired single family properties and determine that it needed to revise, consolidate and reorganize its property disposition regulations to facilitate the expeditious sale of REO properties acquired and provide greater efficiency in the administration of HUD's property disposition program. While part 291 addresses both HUD-acquired real and personal property assets, the focus of this proposed rule is on HUD's disposition of REO properties. FHA's intent is to bring its practices into conformance with industry standards and allow HUD to conduct its Single Family Property Disposition Program more efficiently and more effectively so that it can obtain the greatest value for REO properties in different market conditions.

II. This Proposed Rule

The proposed amendments to part 291 would make several changes to the administration of HUD's single-family property disposition program with respect to the disposition of REO properties. These changes seek to provide greater efficiency in the administration of HUD's property disposition program for REO properties, align FHA's regulatory authority with its business practices, and provide flexibility in anticipation of future changes to the property disposition program for REO properties. The following section of this preamble describes the changes to the property disposition process proposed by this rule.

1. *Ownership and Disposition Authority.* HUD proposes to revise the heading of part 291 from

“Disposition of HUD-Acquired Single Family Property” to “Disposition of HUD-Acquired and Owned Single Family Property” to better reflect the fact that HUD not only receives REO properties, but also holds and maintains them throughout the disposition process. For similar reasons, the heading of § 291.100, which states HUD's general policy on disposition, would be changed from “General policy” to “General policy on HUD acquisition, ownership, and disposition of real estate assets”. Under section 204(g) of the National Housing Act (12 U.S.C. 1710(g)), HUD is authorized to carry on activity necessary for receiving, owning, holding and maintaining property before selling it. Section 291.1(a), which states the purpose of part 291, would be amended to reference HUD's authority to acquire and possess properties. This authority would also be cited in § 291.90 governing sales methods to reiterate HUD's authority to prescribe methods of sale and dispose of properties.

2. *Appraisal of HUD REO Properties.* Section 291.100(b) of the proposed rule would be revised to clarify that the list price for HUD REO properties may be established utilizing one or more evaluation tools. When an appraisal is ordered as part of the process of establishing list price, the value must be established by an appraiser who meets the requirements in 24 CFR part 200, subpart G (Appraiser Roster), and who is in good standing on the appraiser roster established under that section. All methods used by appraisers must be consistent with FHA appraisal requirements at the time the appraisal is made. This change will align requirements for REO appraisers with requirements for appraisers found in part 200, subpart G, to ensure consistency. The proposed rule would expand the valuation methods available to include alternative methods commonly used in the real estate industry, such as Broker Price Opinions-^[1]and Automated Valuation Models.^[2]

3. *Escrow Amount Required for Properties Needing Repairs.* Currently, buyers of HUD-acquired properties can qualify for FHA mortgage insurance even if the property does not meet FHA's minimum property standards, provided that they put money into escrow to make necessary repairs to bring the property up to standard. As currently codified in § 291.100(c)(2), a property that requires no more than \$5,000 for repairs may be offered for sale in an “as-is” condition if the purchaser establishes a cash escrow in the amount of \$5,000. This amount has not been increased since 1994. Based on present value calculations with an escalation of 3.5 percent, HUD estimates that repairs costing \$5,000 in 1994 would cost \$10,000 in 2015. Therefore, the proposed rule would increase the maximum repair amount that would allow a purchaser to acquire property under § 291.100(d)(1)(ii) to \$10,000. In addition, in order to ensure that HUD can keep this amount updated, this rule proposes to add a provision at § 291.100(d)(1)(ii)(B) that would allow HUD to increase or decrease this amount based on changes to the Consumer Price Index-^[3]by issuing a Federal Register notice for comment. After consideration of public comments received on the notice, HUD would then publish the revised escrow amounts in a Federal Register notice. Finally, the rule would revise §§ 291.100(c) and (d) to better reflect the distinction between FHA's role in the property disposition process and FHA's role as an insurer of qualified properties when they are sold.

4. *Listings.* The proposed rule would clarify that HUD has the statutory authority to allow for a number of listings options in § 291.100(h) that real estate brokers may use to list REO properties. In addition to asset management and listing contracts, this rule would provide that HUD may use other methods

deemed to be appropriate. This will provide HUD with additional flexibility to expedite the sales process, thereby ensuring that properties are disposed of efficiently and at minimum cost to HUD. In addition, the proposed rule would revise § 291.100(h)(2)(ii) to require the purchaser's broker to submit bids through HUD's designated electronic bid system rather than through the exclusive broker.

5. *Settlement Cost Assistance Available to Owner-Occupant Purchasers.* Section 291.205(b) currently provides that, in the case of competitive sales, HUD, upon request by the purchaser, may elect to pay all or a portion of the financing and loan closing costs as well as the broker's sales commission, not to exceed the percentage of the purchase price determined appropriate by the Secretary for the area. The proposed rule would remove HUD's obligation to pay the broker's sales commission and specify that settlement cost assistance is only available to owner-occupant purchasers and not available to investor purchasers. Both “owner-occupant purchaser” and “investor purchaser” are defined in § 291.5.

6. *Bidding Process for Competitive Sales:* The proposed rule would update the bidding process established under the competitive sales procedures in § 291.205. Section 291.205(k) would be revised to provide for winning bids to be made available publicly rather than making them available for inspection at a time and place designated by the HUD local office. Losing bids would no longer be made available either through electronic posting or through the HUD local office. In addition, the rule would specify that winning bidders may be notified by their brokers using electronic mail and that an executed sales contract will be deemed final when, after being signed by both parties, the executed contract is sent by email rather than via postal service delivery to the successful bidder.

7. *Good Neighbor Next Door (GNND).* The objective of the GNND program is to improve the quality of life in distressed urban communities by encouraging law enforcement officers, teachers, and firefighters/emergency medical technicians, whose daily responsibilities reflect a high level of public service commitment and represent a nexus to the needs of the community, to purchase and live in homes in these communities, as the preamble to that final rule made clear. (See 71 FR 64422, November 1, 2006.) As to law enforcement officers specifically, one of the purposes of the GNND Sales Program is to revitalize distressed communities by deterring the commission of crimes with the presence of law enforcement officers in these areas. (See 71 FR 64424.) However, the currently codified rule, while it requires teachers and firefighters in the GNND program to live in the areas they serve, does not do so with respect to police officers. Therefore, this rule would add this requirement for police officers in accordance with the purpose of the rule.

This proposed rule further clarifies that similar requirements apply to all of the GNND participants by making a parallel change to §§ 291.500, 291.525 and 291.530, which are the sections on purpose and purchaser qualifications, in general. This rule also adds a definition of “locality” to § 291.505, and uses that term in this proposed rule rather than “area,” which is the current terminology, to avoid repetitive language and confusion with the concept of a “revitalization area” used in codified § 291.510.

Technical Changes

This proposed rule would revise the structure of § 291.5 to consolidate the definition for “Secretary” with the other definitions in this section.

III. Findings and Certifications

Executive Order 12866 and Executive Order 13563

Under Executive Order 12866 (Regulatory Planning and Review), a determination must be made whether a regulatory action is significant and therefore, subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the order. **Executive Order 13563** (Improving Regulations and Regulatory Review) directs executive agencies to analyze regulations that are “outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. The majority of the proposed changes to part 291 described above would streamline HUD's property disposition program by bringing its practices into conformance with industry standards and allowing HUD to administer its Single Family Property Disposition Program more efficiently and more effectively. These changes would not create additional significant burdens for the public. As a result, this rule was determined to not be a significant regulatory action under section 3(f) of Executive Order 12866, Regulatory Planning and Review, and therefore was not reviewed by the Office of Management and Budget.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) (**5 U.S.C. 601** *et seq.*), generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. HUD defines “small supervised lenders” as those depository institutions that are regulated by the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, and which have a depository asset base of less than \$500 million.^[4] This rule proposes to make changes to the administration of HUD's property disposition and acquisition activities carried out as part of the FHA insurance program for one-to-four family homes. These changes include limiting the provision of settlement cost assistance to owner-occupants, providing HUD flexibility to run the bidding process for REO properties, changes to the direct sales process, the additional flexibility to list properties electronically, changes to the required escrow amount for purchasers obtaining property not meeting HUD's property standards, and clarifications in the rule governing HUD's appraisal process. These changes would streamline HUD's administration of its Single Family Property Disposition Program and adopt measures that reflect industry practice. For these reasons, HUD has determined that this rule would not have a significant economic impact on a substantial number of small entities.

Notwithstanding HUD's determination that this rule will not have a significant effect on a substantial number of small entities, HUD specifically invites comments regarding any less burdensome alternatives

to this rule that will meet HUD's objectives as described in this preamble.

Paperwork Reduction Act

The information collection requirements contained in this proposed rule have been submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). In accordance with the Paperwork Reduction Act, an agency 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. The burden of information collection in this proposed rule is estimated as follows:

Information Collection Under Proposed Process [Back to Top](#)

Information collection	Number of respondents	Frequency of response	Total annual responses	Burden hours per response	Total annual burden hours	Hourly cost	Total annual cost
2502-0306— Acquisition/Disposition of Mortgaged Single Family Properties (§ 291.100)	65,000	1	65,000	.08	5200	\$63.67	\$331,084
2502-0189—Repair Completion Escrow Requirement (§ 291.100)	35,000	1	35,000	.02	700	63.67	44,569
2502-0570—HUD- Owned Real Estate— Good Neighbor Next Door Program (§ 291.500)	65,000	1	65,000	.02	1300	63.67	82,771
Totals	165,000	3	165,000	1.2	7200		458,424

In accordance with 5 CFR 1320.8(d)(1), HUD is soliciting comments from members of the public and affected agencies concerning the information collection requirements in the proposed rule regarding:

(1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(2) The accuracy of the agency's estimate of the burden of the proposed collection of information;

(3) Whether the proposed collection of information enhances the quality, utility, and clarity of the information to be collected; and

(4) Whether the proposed information collection minimizes the burden of the collection of information on those who are to respond including through the use of appropriate automated collection techniques or other forms of information technology (*e.g.*, permitting electronic submission of responses).

Interested persons are invited to submit comments regarding the information collection requirements in this rule. Under the provisions of **5 CFR part 1320**, OMB is required to make a decision concerning this collection of information between 30 and 60 days after the publication date. Therefore, a comment on the information collection requirements is best assured of having its full effect if OMB receives the comment within 30 days of the publication date. This time frame does not affect the deadline for comments to the agency on the proposed rule, however. Comments must refer to the proposal by name and docket number (FR-5776-P-01) and must be sent to: HUD Desk Officer, Office of Management and Budget, New Executive Office Building, Washington, DC 20503, Fax number: (202) 395-6947, and Colette Pollard, HUD Reports Liaison Officer, Department of Housing and Urban Development, 451 7th Street SW., Room 2204, Washington, DC 20410.

Interested persons may submit comments regarding the information collection requirements electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> Web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to environment has been made in accordance with HUD regulations at **24 CFR part 50**, which implement section 102(2)(C) of National Environmental Policy Act (**42 U.S.C. 4332(2)(C)**). The Finding of No Significant Impact is available for public inspection between the hours of 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the FONSI by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the toll-free Federal Relay Service at 800-877-8339.

Executive Order 13132, Federalism

Executive Order 13132 (entitled “Federalism”) prohibits an agency from publishing any rule that has federalism implications if the rule either (i) imposes substantial direct compliance costs on state and local governments and is not required by statute, or (ii) preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. This proposed rule would not have federalism implications and would not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Executive order.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (**2 U.S.C. 1531-1538**) (UMRA) establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments, and on the private sector. This proposed rule would not impose any Federal mandates on any state, local, or tribal governments, or on the private sector, within the meaning of the UMRA.

List of Subjects in 24 CFR Part 291

- Community facilities
- **Conflict of interests**
- **Homeless**
- **Lead poisoning**
- **Low and moderate income housing**
- **Mortgages**
- **Reporting and recordkeeping requirements**
- **Surplus government property**

Accordingly, for the reasons stated in the preamble above, HUD proposes to amend **24 CFR part 291** as follows:

begin regulatory text

PART 291 – DISPOSITION OF HUD-ACQUIRED AND OWNED SINGLE FAMILY PROPERTY

1.The authority citation for part 291 continues to read as follows:

Authority:

12 U.S.C. 1701 *et seq.*, **42 U.S.C. 1441**, 1441a, 1551a and 3535(d).

2.Revise the heading of part 291 to read as set forth above.

3.Revise § 291.1(a)(1) to read as follows:

§ 291.1 Purpose and general requirements.

(a) * * *

(1) This part governs the acquisition, possession and disposition of one-to-four family properties acquired by the Federal Housing Administration (FHA) through foreclosure of an insured or Secretary-held mortgage or loan under the National Housing Act, or acquired by HUD under section 204(g) of the National Housing Act (12 U.S.C. 1710(g)). HUD will issue detailed policies and procedures that must be followed in specific areas.

* * * * *

4.Amend § 291.5 by removing paragraphs (a) and (b), adding introductory text, and revising the definition of “Secretary.”

end regulatory text

The addition and revision to read as follows:

begin regulatory text

§ 291.5 Definitions.

Terms used in this part are defined as follows:

* * * * *

Secretary is defined in 24 CFR 5.100.

* * * * *

5.Amend § 291.90 by revising the introductory paragraph to read as follows:

§ 291.90 Sales methods.

In accordance with section 204(g) of the National Housing Act (12 U.S.C. 1710(g)), HUD will prescribe the terms and conditions for all methods of sale. HUD may dispose of assets using any method that the Secretary deems appropriate, including, but not limited to the following:

* * * * *

6. Amend § 291.100 by revising the section heading and paragraphs (b), (c), (d), and (h) to read as follows:

§ 291.100 General policy on HUD acquisition, ownership and disposition of real estate assets.

(a) * * *

(b) *List price.* The list price, or “asking price,” assigned to the property is based upon one or more evaluation tools (e.g. appraisal, Broker Price Opinion, Automated Valuation Model). An appraisal, when used, must be conducted by an independent real estate appraiser who meets all of the requirements of 24 CFR part 200, subpart G, and is in good standing on the appraiser roster established under that section. The appraiser must provide an opinion of the “as-is” market value using a valuation method that is commonly employed in the industry and that is consistent with FHA appraisal requirements.

(c) *Insurance.* When listing properties, HUD may elect to only identify property not eligible for mortgage insurance under section 203(b) of the National Housing Act (12 U.S.C. 1709(b)).

(d) *Financing.* (1) Subject to underwriting requirements, REO properties that have not been identified as uninsurable in accordance with paragraph (c) of this section can be purchased and financed with a mortgage insured under section 203(b) or 203(k) of the National Housing Act (12 U.S.C. 1709(b), 1709(k)), if supported by an FHA appraisal, in one of the following ways:

(i) *Insured.* A property that meets the Minimum Property Standards (MPS) as defined in HUD Handbook 4905.1 or any successor handbook, as determined by the Secretary, for existing dwellings will be offered for sale in “as-is” condition with FHA mortgage insurance available as provided in part 203 of this chapter.

(ii) *Insured with repair escrow.* (A) A property that requires no more than \$10,000 for repairs to meet the MPS as defined in HUD Handbook 4905.1 or any successor handbook or, as determined by the Secretary, will be offered for sale in “as-is” condition with FHA mortgage insurance available, as provided in part 203 of this chapter, provided the mortgagor establishes a cash escrow to ensure the completion of the required repairs.

(B) *Changes in repair escrow.* HUD may adjust the escrow balance required under this paragraph based on changes to the Consumer Price Index by publishing a Federal Register notice that provides for a public comment period of 30 calendar days for the purpose of accepting comments on the amount of the change. After comments have been considered, HUD will publish a final notice announcing the revised escrow amounts.

(iii) *Insured with rehabilitation loan* in accordance with 203(k) of the National Housing Act and pursuant to § 203.50 of this chapter.

(2) REO properties that have been identified as uninsurable in accordance with paragraph (c) of this section can be purchased and financed with a mortgage insured under section 203(k) of the National Housing Act (12 U.S.C. 1709(k)), subject to underwriting requirements supported by an FHA-specified appraisal and in accordance with 24 CFR 203.50.

(3) HUD, in its sole discretion, may take back purchase money mortgages (PMMs) on property purchased by governmental entities or private nonprofit organizations who buy property for ultimate resale to owner-occupant purchasers with incomes at or below 115 percent of the area median income. When offered by HUD, a PMM will be available in an amount determined by the Secretary to be appropriate, at market rate interest, for a period not to exceed 5 years. Mortgagors must meet FHA mortgage credit standards.

(i) For purposes of this section, the term “purchase money mortgage,” or *PMM* means a note secured by a mortgage or trust deed given by a buyer, as mortgagor, to the seller, as mortgagee, as part of the purchase price of the real estate.

(ii) Except as provided in paragraph (d)(3) of this section, the purchaser is entirely responsible for obtaining financing for purchasing a property.

(e) * * *

(h) Any real estate broker who has agreed to comply with HUD requirements may be eligible to participate in the sales program. Purchasers participating in the competitive sales program, except government entities and nonprofit organizations, must submit bids through a participating broker. In accordance with section 204(g) of the National Housing Act (12 U.S.C. 1710(g)), HUD will prescribe the terms and conditions for all methods of listing properties. HUD may dispose of properties using any method that the Secretary deems appropriate, including, but not limited to the following:

(1) *Open listings*. Properties may be sold on an open listing basis with participating real estate brokers.

(2) *Asset management and listing contracts*. (i) HUD may invite firms experienced in property management to compete for contracts that provide for an exclusive right to manage and list specified properties in a given area.

(ii) In areas where a broker has an exclusive right to list properties, a purchaser may use a broker of his or her choice. The purchaser's broker must submit the bid through HUD's designated electronic bid system.

* * * * *

7.Amend § 291.205 by revising the introductory text and paragraphs (b), (k)(1), (k)(2), and (l) to read as follows:

§ 291.205 Competitive sales of individual properties.

When HUD conducts competitive sales of individual properties to individual buyers, it will generally sell the properties on an “as-is” basis, without repairs or warranties, and it will follow the sales procedures provided in this section.

* * * * *

(b) * * *

(1) The net offer is calculated by subtracting from the bid price the dollar amounts for the financing and loan closing costs and the broker's sales commission, as described in paragraph (b)(2) of this section.

(2) If an owner-occupant purchaser of the property requests in the bid, HUD may pay all or a portion of the financing and loan closing costs, not to exceed the percentage of the purchase price determined appropriate by the Secretary for the area. In no event will the total amount for broker's sales commission exceed 6 percent of the purchase price, except for cash bonuses offered to brokers by HUD for the sale of hard-to-sell properties. No assistance for financing and loan closing costs or for the broker's sales commission will be provided to investor purchasers.

* * * * *

(k) * * *

(1) The Secretary will make all winning bids available publicly.

(2) Successful bidders will be notified through their real estate brokers by electronic mail, mail, telephone, or other means. Acceptance of a bid is final and effective only upon HUD's execution of the sales contract, signed by both the submitting real estate broker and the prospective purchaser, and sending a copy of the executed contract by electronic mail to the successful bidder or the bidder's agent.

(l) *Counteroffers.* HUD may present counteroffers during competitive bid periods as it deems appropriate to minimize losses to its insurance fund. “Best and Final” offers requested by HUD are considered counteroffers.

end regulatory text

Subpart F—Good Neighbor Next Door Sales Program

begin regulatory text

8. Revise § 291.500 to read as follows:

§ 291.500 Purpose.

This subpart describes the policies and procedures governing the Good Neighbor Next Door (GNND)

Sales Program. The purpose of the GNND Sales Program is to improve the quality of life in distressed urban communities. This is to be accomplished by encouraging law enforcement officers, teachers, and firefighters/emergency medical technicians to purchase and live in homes that are located in the same communities where they perform their daily responsibilities and duties.

9. Revise § 291.505 to read as follows:

§ 291.505 Definitions.

For purposes of this subpart:

Locality means the community, neighborhood, or jurisdiction of the unit of general local government, or Indian tribal government;

Unit of general local government means a county or parish, city, town, township, or other political subdivision of a state.

10. In § 291.520, remove “and” from the end of paragraph (a), add the word “and” at the end of paragraph (b), and add paragraph (c).

end regulatory text

The addition reads as follows:

begin regulatory text

§ 291.520 Eligible law enforcement officers.

* * * * *

(c) The full time employment in paragraph (a) of this section must, in the normal course of business, directly serve the locality in which the home is located.

11. Revise § 291.525(b) to read as follows:

§ 291.525 Eligible teachers.

* * * * *

(b) The full time employment in paragraph (a) of this section must, in the normal course of business, serve students from the locality where the home is located.

12. Revise § 291.530 to read as follows:

§ 291.530 Eligible firefighter/emergency medical technicians.

A person qualifies as a firefighter/emergency medical technician for the purposes of the GNND Sales Program if the person is:

(a) Employed full-time as a firefighter or emergency medical technician by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government; and

(b) The full time employment in paragraph (a) of this section must, in the normal course of business, directly serve the locality where the home is located.

end regulatory text

Dated: August 13, 2015.

Edward L. Golding,

Principal Deputy Assistant Secretary for Housing.

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Footnotes

1. A Broker's Price Opinion (BPO) is the process a hired sales agent utilizes to determine the selling price of a real estate property. BPOs are popularly used in situations where lenders and mortgage companies believe the expense and delay of an appraisal to determine the value of properties is unnecessary. See <https://www.brokerpriceopinion.com>.

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2. Automated valuation model (AVM) is the name given to a service that can provide real estate property valuations using mathematical modeling combined with a database. Most AVMs calculate a property's value at a specific point in time by analyzing values of comparable properties. Some also take into account previous surveyor valuations, historical house price movements and user inputs (*e.g.* number of bedrooms, property improvements). Appraisers, investment professionals and lending institutions use AVM technology in their analysis of residential property. It is a technology-driven report. The product of an automated valuation technology comes from analysis of public record data and computer decision logic combined to provide a calculated estimate of a probable selling price of a residential property.

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3. The Consumer Price Index (CPI) is prepared by the Department of Labor's Bureau of Labor Statistics and is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. For more information, see <http://stats.bls.gov/cpi/home.htm>.

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4. Of HUD's 1,459 supervised lenders, 598 are considered, by HUD, to be “small supervised lenders.”

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