

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web site at <http://www.hud.gov/offices/hsg/sfh/reo/reobuyfaq.cfm>.



FAQs About Buying HUD Homes

Question 1: What is a "HUD Home"?

Answer: When someone with a HUD insured mortgage can't meet the payments, the lender forecloses on the home; HUD pays the lender what is owed; and HUD takes ownership of the home. Then we sell it at market value as quickly as possible.

Question 2: Who can buy a HUD home?

Answer: Almost anyone! If you have the cash or can qualify for a mortgage, subject to certain restrictions, you may buy a HUD home. HUD employees and relatives of HUD employees are eligible, but must receive written approval from the Director of HUD's Office of Single Family Asset Management in order to purchase a HUD-owned single family property. HUD employees should refer to paragraph 10-29C of Handbook 4310.5, REV-2, Property Disposition Handbook-One to Four Family Properties for the exact requirements to purchase a HUD-owned single family property. Other less common restrictions may apply.

Question 3: Are HUD Homes meant for people with low incomes?

Answer: HUD homes range in price, but most are affordable for low- and moderate-income Americans.

Question 4: Is it true I can get a HUD Home for a dollar?

Answer: No. HUD sells homes at market value - that means that the price is set based on the price of similar homes sold in the area.

Question 5: If the HUD Home needs repairs, will HUD make them?

Answer: HUD Homes are sold "as-is," without warranty. That means that HUD will not pay to correct any problems. But even if a HUD Home needs fixing up - and not all of them do - it can be a real bargain! For example, HUD's asking price on the home will reflect the fact that the buyer will have to invest money to make improvements. HUD might offer special incentives such as an allowance to upgrade the property, a moving expense allowance, or a bonus for closing the sale early. And keep in mind that on most sales, the buyer can request HUD to pay all or a portion of the financing and closing costs. Your real estate agent will have details. We encourage you to get the home professionally inspected before you make an offer so you will know what repairs you may have to make BEFORE you submit your bid.

Question 6: How do I buy a HUD home?

Answer: Start by finding a participating real estate agent. Your real estate agent

must submit your bid for you. Normally, HUD Homes are sold in an "Offer Period." At the end of the Offer Period, all offers are opened and, basically, the highest reasonable bid is accepted. If the home isn't sold in the initial Offer Period, you can submit a bid until the home is sold. Bids can be submitted any day of the week, including weekends and holidays. They will be opened the next business day. If your bid is acceptable to HUD, your real estate agent will be notified, usually within 48 hours.

Question 7: If my bid is accepted, what happens next?

Answer: Your real estate agent will help you through the paperwork process. You'll be given a settlement date, normally within 30-60 days, by which you need to arrange financing and close the sale, or forfeit your earnest money deposit, or pay for an extension of your sales contract. We have an excellent booklet to help you understand the settlement process: "Buying Your Home - Settlement Costs and Helpful Information. When you buy a HUD Home, the selling agent's commission will be paid by HUD but only if you make this a condition of your offer. The listing agent's commission is always paid by HUD. HUD will pay a total sales commission of up to 6%.

Question 8: How can I find out what HUD Homes are for sale?

Answer: Right here! We update our lists of HUD Homes for sale every day. If you see one that interests you, contact one of the real estate agents in your area who shows HUD homes. They can help you from there.

Question 9: How can I get a loan to buy a HUD Home?

Answer: HUD doesn't make loans directly. But we do have a number of mortgage insurance programs that could help you buy a home. You can read about those programs. Then contact a HUD approved lender, who will take you through the steps and actually make the loan.

Question 10: Can I buy a HUD Home as an investment?

Answer: Most HUD Homes are initially offered on a priority basis to owner occupant purchasers (people who are buying the home as their primary residence). Following the priority period, unsold properties are then available to all buyers, including investors.

Question 11: Is there anything else I should know about HUD Homes?

Answer: We encourage every homebuyer and homeowner to be a wise consumer, so be sure to read our consumer information. Houses built before 1978 may have lead-based paint, which can cause harm to your family; so be sure to read about this hazard and about what you would need to do to correct it. Teachers and law enforcement officers qualify for 50% discounts in certain situations.

Attention: Nonprofits and Government Agencies!

HUD has a special sales program under which approved nonprofit organizations and government agencies may purchase properties at discounted prices for use in local housing or homeless programs.