



## **Frequently Asked Questions**

[www.GNND.com](http://www.GNND.com)

### **Do I have to be a first time home buyer to take advantage of the GNND program?**

No. However, you may not own any other residential real property at the time you submit your offer to purchase a home; and for one year previous to that date. For example, if you submit an offer to purchase a home on June 1, 2016, then you cannot have owned a home after May 31, 2015. If you conveyed your ownership of a home through a divorce settlement, then make sure you are released from the mortgage by having your former spouse refinance the home within a year and file a quit claim deed immediately after your divorce is finalized.

### **Where do I obtain financing for the home?**

You can use any Mortgage Lender of your choice and any type of financing. However, to take advantage of the \$100 move in program, you must use FHA 203B or 203K financing. Please keep in mind that it is difficult but not impossible to combine other assistance programs with the GNND program. It is also not usually possible to use a Veterans Administration loan on most properties that need repairs.

### **What happens if no one enters the drawing?**

If no one enters the drawing for a home during the exclusive 7 day GNND reserve listing period, then the home will be marketed to the general public at full price.

## **What does IN, IE, and UI mean?**

HUD homes are listed three ways “IN” Insurable, “IE” Insured with Escrow, and “UI” Uninsurable. This has nothing to do with home owner’s insurance coverage, and everything to do with whether the property qualifies or meets Minimum Property Standards (MPS) for an FHA type loan. In order to obtain an FHA Insured Loan, FHA requires that a home meet certain requirements and standards. “IN” Insurable means the property in its present condition meets all MPS to qualify for an FHA loan without any repairs. “IE” Insured with Escrow means that there are some deficiencies that do not meet the MPS, but the home does qualify for an FHA 203B with Repair Escrow loan. These deficiencies or MPS violations are things like broken water heater, minor roof repairs, peeling paint, missing flooring or damaged drywall etc... It has been estimated by the Appraiser of the property that all the repairs would cost \$10,000 or less to meet MPS. The Repair Escrow amount is not paid by HUD and is added to the Buyers total loan amount. The Buyer has 30 days to make the repairs and then after an inspection; your Lender releases the repair escrow money to you. “UI” Uninsurable means that it has been estimated that repairs needed to bring the property back up to MPS would cost more than \$10,000. This property does not qualify for FHA 203B financing, but as with most HUD properties it does qualify for FHA 203(K) financing or 203(K) streamline financing. FHA 203K Financing is a property acquisition loan and home improvement/repair loan all rolled into one. Some HUD homes cannot qualify for any type of FHA financing but they are very rare. These properties can only be purchased with conventional financing methods or cash.

## **Should I get Prequalified for a mortgage?**

Yes! Get started on the mortgage loan process through a FHA Lender who has experience with the 203k and 203b loan products as soon as possible. You should not enter the drawing without being pre-qualified unless you have the funds to pay cash for the home and closing cost.

## **When does the drawing take place and when will I find out if I won?**

The drawing takes place eight days after the house is listed, unless it falls on a weekend or Federal holiday. All drawing entries must be received before midnight (Central Time) the seventh day. All Winners are notified the following business day. If the initial winner does not close, then the option to buy the house goes to the backup entrant. Backup winners may be notified weeks or even months after the drawing has taken place.

## **Should I look at every home that becomes available before I enter the drawing?**

Yes! Remember these homes are foreclosures and are often neglected for several months prior to HUD taking ownership. HUD sells property "as is" and does not fix them up for curb appeal. Make sure the AREA is right for you and the repair escrow or 203K loan will take care of the house fix up expenses.

## **What if I win a home and then change my mind about purchasing it?**

If you decide not to purchase the home after your contract has been accepted by HUD, then you will lose your earnest money. HOWEVER, should the Buyer become unable to get financing, illness, job loss, or death of immediate family member, or for other good cause, then the earnest money will be refunded to the Buyer. Any money spent on inspections, surveys, structural engineer reports or utility connections will not be refunded.

## **What is the maximum amount that can be financed for repairs on the FHA 203K loan?**

You can borrow up to 110% of the total appraised value for acquisition of the home, repairs, remodeling, upgrades, and appliances with the regular 203(k). And up to \$35,000 on the streamline 203(k).

## **Can I enter the GNND lottery again in a year after selling my first GNND home?**

Sorry, this is once in a lifetime program and your current spouse is also disqualified even if they were not married to you when you were awarded the home. You are also disqualified if you previously purchased a home on either of the two predecessor programs Office Next Door or Teacher Next Door.

## **Who makes repairs and improvements to the homes?**

On the FHA 203(B) with Repair Escrow, the Buyer hires a licensed Contractor to make the needed MPS repairs. Prior to closing the Contractor must submit a bid to the mortgage company which declares the amount estimated for repairs is sufficient to cover the actual cost of the work. The money held in the Repair Escrow account will not be paid to the Contractor or reimbursed to the Buyer until after the repairs are completed and inspected. On a FHA 203(K) or 203(K) Streamline, only FHA approved licensed Contractors can make repairs and do improvements to your home, but check with your Mortgage Lender for additional Contractor requirements and for list of recommended home improvement specialist.

## **What are my chances of getting a home?**

The chances of winning are directly proportional to the number of entries. Many homes have been awarded to participants because they were the only entry. If one Teacher, one Firefighter and one Officer were all in the lottery drawing for the same home, everyone has an equal chance and 33% chance of winning.

## **How Does HUD enforce the 3-year Residency Requirement?**

All participants must certify initially their intention to live in the home as their residence at the time of purchase. Annually HUD sends a questionnaire to the GNND home address for participants to certify they are still living at the home. HUD can conduct spot checks to make sure the GNND home is your residence at any time during the 3-year period. You also must sign a note and mortgage for the discount amount. HUD may foreclose on this mortgage if you do not comply with the 36-month occupancy requirement and demand repayment of the 50% discount.

## **How long does it take to close on a home?**

Homes with an "IN" or "IE" designation usually close in 55-60 days after the drawing. Homes designated "UI" usually close 70 to 80 days after the drawing.

## **Does being an Emergency Dispatcher qualify you for this program?**

Yes, if your employer certifies that you are employed as a Firefighter, Emergency Medical Technician or sworn Law Enforcement Officer. Civilian personnel are usually not qualified.

## **What's the minimum credit score for approval ?**

There is no minimum credit score for approval for the GNND program. However, if you plan on financing the property, then approval for loan qualification varies among Lenders. Most Lenders usually require somewhere around a 600 average credit score for a mortgage loan approval.

## **If I am moving to another area, when can I start entering the drawing for homes?**

You can start entering the drawings in other areas as soon as your employment can be verified and you are considered a full time employee with your employer.

## **What if my wife or I own a home?**

Current homeowners are not eligible to participate and you cannot have owned any residential real property for 365 days prior to drawing submission. Also, you are considered a current home owner if your spouse owns a home or has owned a home within the last 12 months. Vacant land, vacant lots, timeshares and any mobile homes or travel trailers that are taxed as personal property are not considered residential real property in most cases.

## **Am I restricted to bidding on properties in any particular area?**

The purpose of the GNND program is to improve the quality of life in communities throughout the county. This is accomplished by encouraging Law Enforcement Officers, Teachers, Firefighters and Emergency Medical Technicians (EMT) to purchase and live in homes that are located in the same communities where they perform their daily responsibilities.

To be an eligible candidate for the GNND program, you must be a full time Law Enforcement Officer, Firefighter or EMT employed by a responding area governmental agency or a full time Pre-Kindergarten through 12th grade Teacher employed by a state accredited public or private school providing services to students living in the area where the home is located.

## **How much earnest money do I have to put down?**

After the property has been awarded to the Buyer, earnest money must be submitted with the contract for purchase and all GNND addendums. The program requires 1% of the listed price to be presented at time of contract submission in the form of certified funds (cashier's check or money order) payable to the title company or the Buyer. The reason that the earnest money check is made out to both the title company or the Buyer is in case the Buyer does not qualify for the GNND program. The check may then be returned to the Buyer and deposited back into their account. The minimum amount of earnest money is \$500 if the listed price is below \$50,000 but the maximum is \$2,000 for homes appraised over \$200,000.

## **How does the \$100 move in work? What about Closing Cost?**

If you choose to take advantage of the FHA \$100 move in option, then all normal closing cost, repairs, improvements, real estate broker commissions and fees associated with the acquisition of the property are added to your total loan amount and become part of your mortgage. You can choose to pay these expenses in cash if you like. At closing you will receive all of your earnest money back except for \$100.

## **There are several homes I want. Can I enter the drawing on more than one property?**

Yes, HUD does not allow you to choose homes if you are the winner of more than one house. You will be awarded the first property won and any subsequent wins will be passed on to the next entrant. The order in which drawing are conducted is random.

## **What continuing obligations apply to me if I purchase a GNND home?**

1. Continue to own, and live in as your sole residence, the home you purchased through the Good Neighbor Next Door Program.

2. Certify initially and once annually this to be true for three years.

3. You must certify a good faith intention to continue your current employment for at least one year following the date of closing.

### **May I purchase a multi-unit property if I plan to live in one of the units as my sole residence?**

No, only single-unit properties are eligible for the Good Next Door Program.

### **What happens if I get called to active military duty and get deployed?**

Participants called up to active military duty and are deployed are provided clemency in regards to the owner occupancy requirements of the program for the time frame that they are deployed. Participants on deployed military duty are not required to occupy the property and are allowed to rent the property (only while deployed) if necessary to minimize potential vandalism risk. Written permission must be obtained from HUD prior to renting your GNND home.

### **Can I sell the Good Neighbor Next Door Home and keep the profit?**

YES! After you live in the GNND home for the entire occupancy term, you can sell the home and keep all the equity and appreciation. Most occupancy terms are just three years. Homes sold FHA 203B with repair escrow are 3 years and 30 days. Homes acquired through FHA 203K financing are 3 years 6 months occupancy term.

## **Can I bargain with HUD on the price of a property?**

No. The drawing winner gets a 50 percent discount off of the list price.

## **How long do I have to live in the GNND home?**

You must live in your GNND home for at least 3 years to sell it without a penalty. This time is extended 30 days for IE property and 180 days for UI property purchased with FHA 203k financing.

## **What happens if I fail to honor the 3-year residency requirement?**

HUD can demand re-payment of the discounted amount on a prorated basis. That means you would have to re-pay to HUD based on a percentage of the 36 months (3 years) you owned and lived in the home. If you received a \$60,000 discount on a \$120,000 home and sold the home after 18 months (One and half years), then HUD will take \$30,000 (half the discount) from the proceeds of the sale. At the end of the occupancy term there are no restrictions or penalties on the sale of the property. Occupancy term is extended six months for a home purchased with an FHA 203K rehab loan.

## **I have a foreclosure on my credit. Can I still participate in the program?**

Yes, but FHA financing will not be available until three years after the foreclosure. Private investors or family members will often lend money on these properties because of little risk and security of investment. If you have the funds available, then you can pay cash and not finance anything.

## **Why should I sign up?**

- Members will be notified via email and or cell phone text message as soon as a GNND home becomes available.
- We provide a local Agent to help you through the home buying process



- [Sign Up Now](#)

## **During the 3 year occupancy term can I rent out my GNND home and live somewhere else?**

No. Only if you are called up for active military duty and deployed, then you may rent out or lease your GNND home after written approval from HUD.

## **Why is my Social Security number required to enter the drawing?**

This is the only way to make sure every participant enters the drawing only one time on any given home and that they have NOT previously purchased a GNND home.

## **What if the winner cannot close on the home they won?**

If a drawing winner can not close on the home, then a backup participant will be notified they have the option to purchase the home. A primary Winner and two backups are selected for each drawing if there are at least three participants. Backup winners could be notified of selection in as little as 3 days or up to 3 months after the drawing.

## **If I sell my GNND home after three years and then wait a year, can I participate in the program again?**

No. Participants are restricted to one GNND home in a lifetime. To qualify for a GNND home neither the person (nor his/her spouse) must ever have purchased another home under the GNND Sales Program or under the predecessor programs Officer Next Door or Teacher Next Door programs.

## **When would I be allowed to refinance the property at the actual market value? Do I have to wait the 3 years? Or can I refinance whenever I choose?**

When a participant is attempting to refinance their first mortgage, the Mortgage Lender usually will want its new loan to be in first position. In order to accomplish this, HUD must be willing to subordinate its position to the new first mortgage.

HUD has certain rules and procedures regarding subordinating. The rules are that HUD will consent to refinancing (1) for the purpose of obtaining an FHA 203(k) rehabilitation loan or (2) for the purpose of obtaining a lower mortgage interest rate or change in the term of the loan and (3) to prevent the participant from defaulting on the first mortgage.

## **How does a house become a HUD Home and qualify for the GoodNeighborNextDoor (GNND) program?**

The Federal Housing Administration (FHA), which is a part of the Department of Housing and Urban Development (HUD), provides Federal mortgage insurance to Mortgage Lenders. This guarantees that Mortgage Lenders will be reimbursed in the event home buyers default on their mortgage. When a Mortgage Lender is forced to foreclose on an FHA-insured single family home, townhouse, duplex, triplex, fourplex or condominium because the owner can no longer make payments, the Mortgage Lender can file an claim with FHA for the balance due on the mortgage and convey title of the property to HUD. If that home is in a geographically coded area declared as a Revitalization Zone, then it is placed on the GNND program. GNND homes are offered to participants BEFORE the general public or anyone else has an opportunity to buy them.

## **Are all HUD homes eligible for the GNND program?**

No. Only a select few properties that HUD has acquired are available for the GNND program. Do not wait for the perfect house or perfect location. If a home is listed that you can qualify to purchase and meets you minimum housing needs, then always try to take advantage of the opportunity. It is only a three year

commitment and then you can sell the home, keep it as a rental, or live in it as long as you want. Most GNNND participants live in their homes well beyond the three year residency requirement.

## **How can I get more questions answered?**

Send an email to [bruce@gnnd.com](mailto:bruce@gnnd.com) and we'll be happy to answer any questions.