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Q&A: Good Neighbor Next Door Sales

Question: What Is the Good Neighbor Next Door (GNND) Sales Program?

Answer: HUD wants to strengthen America's communities. The Good Neighbor Next Door Program offers HUD owned single family (one-unit) homes to eligible participants at a 50% discount.

Question: Am I Eligible for the GNND Sales Program?

Answer: Law enforcement officers, teachers and firefighters/emergency medical technicians who meet all other requirements of the program are eligible to purchase an available home.

Question: How Much of a Discount Can I Get on a HUD Home?

Answer: You can get a 50 percent discount off the HUD appraised value. For example, if HUD lists a home at \$100,000, you can buy it for \$50,000, provided you occupy the home as your personal residence for the required occupancy period. If you qualify for any FHA-insured mortgage program, your downpayment is only \$100 and you may finance closing costs.

Question: What Kind of Mortgage Financing Do I Need?

Answer: You may use FHA, VA, or conventional mortgages, or cash. HUD requires you to sign a Second Mortgage and Note on the discounted amount (which is \$50,000 in the example above). No interest or payments are required on this "silent second" mortgage if you live in the home for the entire 36 month occupancy period. You may be required to pay a pro-rata portion of the discount to HUD should you fail to fulfill the three year occupancy requirement.

Question: What is the Occupancy Period?

You must live in the home as your sole residence for a full 36 months. The purpose of the program is to strengthen communities by encouraging employed, professional law enforcement officers, teachers and firefighters/emergency medical technicians to live in the community. You will have 30, 90 or 180 days to move into the home you purchase, depending on HUD's determination of the condition of the home and the level of repairs that may be required, if any. The 30th, 90th or 180th day is the start date for the occupancy period. You are released from all obligations under this program at the end of the 36th month following the start date. HUD views the occupancy obligation seriously and vigorously pursues violators to the fullest extent of the law.

Question: What Is an FHA Rehabilitation Mortgage and How Can It Help Me Buy a HUD Home?

Answer: The FHA 203(k) mortgage program helps homebuyers buy a home and have enough money to rehabilitate or repair it. Repairs must cost more than \$5,000. The cost of the repairs and the mortgage are combined into a single monthly payment. Consider FHA's 203(b) program if needed repairs are under \$5,000.

Discuss these financing options with your lender!

Question: Can I Sell the GNND Home after 3-years and Keep the Profit?

Answer: Yes. After you live in the GNND home 3 years, you can sell the home and keep any equity and/or appreciation.

Question: Do I Have to Use a Real Estate Broker or Agent to Buy a GNND Home?

Answer: Yes.

Question: Do I Have to Be a First Time Homebuyer to Take Advantage of the Program?

Answer: 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 August 1, 2007, you may not have owned a home during the period from July 31, 2006.

Question: Where Are These Homes Located?

Answer: The HUD homes are located in designated Revitalization Areas. There are hundreds of Revitalization Areas located in the United States.

Question: Does HUD Provide a Home Warranty?

Answer: No. All GNND homes are sold "as is," without any kind of warranty.

Question: Can I Buy Multiple Unit Properties (E.g., Duplexes, Triplexes, Etc.) through the Officer Next Door Program?

Answer: No. You can only buy a single-unit home, townhouse, or condominium through the GNND Program.

Question: Do I Have to Pay Earnest Money or Other Deposits in Order to Submit a Contract for a GNND Home?

Answer: Yes. The amount of the earnest money deposit required is an amount equal to one percent of the list price, but no less than \$500 and no more than \$2,000. HUD considers all offers to be a commitment to purchase a home if you are awarded the sale. Therefore, please carefully consider your offer and be aware of HUD's policy on earnest money as stated here: If an offer is accepted, the earnest money deposit will be credited to the purchaser at closing. If the offer is rejected, the earnest money deposit will be returned. Earnest money deposits are subject to total forfeiture for failure of the participant to close a sale.

Question: Can I Bargain with HUD on the Price of a GNND Property?

Answer: No. You must offer the exact HUD list price when bidding on any GNND property. Then you get a 50 percent discount off of that list price.

Question: What if I Leave the employment, that made me eligible, for Any Reason, during the Mandatory 3-year Residency Period?

Answer: Nothing happens, but you must continue to live in the home for the full 36-month mandatory occupancy period. If you move out of the GNND home, you will have to repay HUD on a prorated schedule. In addition, you must certify that it is your good faith intention to remain employed as a law enforcement officer, teacher or firefighter/emergency medical technician for one year beginning with your purchase. Do not attempt to participate in the program if you know in advance that you will not be employed as required for at least one year.

Question: Some Agencies Have Other Homebuying Programs. Can the GNND Program Work in Conjunction with These?

Answer: Yes, as long as you can meet all the GNND program rules while participating in these other programs.

Question: What Happens if a Participant Fails to Honor the 3-year Occupancy Requirement?

Answer: HUD can demand repayment of the discounted amount on a prorated basis. That means you would have to repay 1/36th of the discount you received for each month that you did not occupy the home. HUD also may initiate administrative sanctions including, but not limited to, barring the GNND purchaser from participating in any HUD/FHA programs, as well as other federal programs. In any case of fraud or abuse, HUD will refer the case to HUD's Office of the Inspector General for investigation and possible criminal prosecution. HUD may also notify the GNND purchaser's employing agency. Criminal prosecution and conviction for fraud and abuse concerning the GNND Program can result in a fine of up to \$250,000 and/or two years in federal prison.

Question: How Does HUD Enforce the 3-year Residency Requirement?

Answer: The participant must certify he or she is living in the GNND home as a sole residence at the time of purchase and each year after that. HUD can conduct spot checks to make sure the GNND home is your sole residence at any time during the 3-year period. You also must sign a note and mortgage for the discount amount. HUD may foreclose this mortgage if you do not comply with the 36-month occupancy requirement.