

U. S. Department of Housing and Urban Development  
Atlanta Homeownership Center  
40 Marietta Street  
Atlanta, Georgia 30303-2806  
(800) CALLFHA or (800) 225-5342



## RECERTIFICATION HUD Home Discount Sales and Secondary Financing

**Approval Date:** January 25, 2017

**Expiration Date:** January 25, 2019

### Approved for the Following Areas:

**HUD Homes:**

60002,60010,6011,60015,60020,60030,60031,60035,60037,60040,60041,60042,60044,60045,  
60046,60047,60048,60049,60060,60061,60064,60069,60073,60075,60079,60083,60084,60085,  
60086,60087,60088,60089,60092,60096,60099

Secondary Financing: State of Illinois

Mr. Robert Anthony  
Chief Executive Officer  
Affordable Housing Corporation of Lake County  
1590 S. Milwaukee Avenue Suite 312  
Libertyville, IL 60048

Dear Mr. Anthony:

The Atlanta Homeownership Center is pleased to inform you that Affordable Housing Corporation of Lake County has been recertified as a nonprofit agency to perform the following activities within the geographical areas listed above:

- Purchase HUD REO properties at a discount
- Serve as a provider of Secondary Financing

**Please be aware, your nonprofit approval will expire 2 years from the approval date listed at the top of the first page of this letter.** Recertification application documents must be submitted to the appropriate HOC, via the Nonprofit Data Management System (NPDMS), at least 90 days prior to the end of the approval period. **Failure to complete the recertification process for re-approval prior to the expiration date will result in your agency's removal from the HUD Nonprofit Roster, effective on the expiration date.**

At this time, your agency is restricted to purchasing and having **(10)** HUD REO properties (*this is a revolving number*) in your inventory at any given time. All HUD approved nonprofit agencies purchasing HUD REO properties at a discount, are required to report on those properties individually within 60 days of the resale, using the Nonprofit Data Management System (NPDMS). For further information regarding this reporting process, please refer to the new Single Family Policy Handbook, *Handbook 4000.1: I. DOING BUSINESS WITH FHA, B. OTHER PARTICIPANTS, 4. Nonprofits and Governmental Entities. c. Post Approval Documents, iii. HUD Homes Individual Property Files, (B) Standard, (C) Required Documentation.*

In order to access the list of properties available for purchase to nonprofit agencies, please access the Department's property list at the following web site: [www.hudhomestore.com](http://www.hudhomestore.com). Asset Management (AM) Contractors are currently responsible for the sale of HUD's REO properties. Any questions regarding access to properties; bid results and instructions; and available properties should be addressed directly to the AM listed on the website.

Before you can purchase REO Properties at a discount, you must have a Name and Address Identification Number (NAID). Once you receive this approval letter, you must send the **original**, executed HUD SAMS Form 1111 (Payee Name and Address with original signature on line 17), along with a copy of this letter and a copy of your agency's IRS 501(c)(3) letter to:

U. S. Department of Housing and Urban Development  
Attention: NAID Application  
Five Points Plaza  
40 Marietta Street  
Atlanta, GA 30303

You must allow up to 10 business days for your NAID number to show in the HUD Homestore. You can then use your EIN or SSN to obtain your NAID number. Should you have questions regarding the NAID application, you can call (800) 225-5342. **Please be aware that if you have previously been issued a NAID, you may continue to use that number.**

All nonprofit agencies approved for the HUD Homes program are subject to the following limitations:

1. Unless an exception is granted in writing, the nonprofit purchaser of an REO property at a discount, shall not resell the property for an amount in excess of **110 percent** of the **allowed** net development costs. For information regarding **Net Development Costs**, please refer to *Handbook 4000.1: I. DOING BUSINESS WITH FHA, B. OTHER PARTICIPANTS, 4. Nonprofits and Governmental Entities, c. Post Approval Documents, iii. HUD Homes Individual Property Files, (D) HUD Homes – Net Development Costs.*
2. All REO properties purchased at a discount by an approved nonprofit, must be sold to homebuyers who intend to occupy the property as their principal residence, and whose income is at or below 115 percent of median income in the area when adjusted for family size.

3. Approved nonprofits must have a functional accounting system that operates according to generally accepted accounting principles in order to properly capture property specific costs and revenues.
4. In accordance with FHA regulations, approved nonprofits may not purchase more than seven (7) units in a specific neighborhood (defined as a two (2) block radius). Should you wish to purchase more than seven (7) units within a two block radius, a request for a waiver to the seven (7) unit limitation, together with a justification and any documentation that supports the request, must be submitted to this office.

For Secondary Financing Approval, the enclosed legal instruments are acceptable for use with an FHA-insured mortgage. The documents have been annotated with our assurance of acceptability. **These documents can only be used with this approval letter for secondary financing purposes.**

All nonprofit agencies approved for the Secondary Financing Program, may provide secondary financing assistance in conjunction with an FHA-insured mortgage, subject to the following limitations:

1. The Secondary Financing is disclosed at the time of application;
2. No costs associated with the Secondary Financing are financed into the FHA-insured first Mortgage;
3. The Secondary Financing payments must be included in the total Mortgage Payment;
4. The Secondary Financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing;
5. The Secondary Financing may not be used to meet the Borrower's Minimum Required Investment (MRI);
6. There is no maximum Combined Loan to Value (CLTV) for Secondary Financing loans provided by HUD-approved Nonprofits; and
7. The Second Lien may not provide for a balloon payment within 10 years from the date of execution.

Please be advised that a nonprofit organization assisting a government entity in the operation of its secondary financing program, is not required to obtain approval or be placed on the Approved Nonprofit Organization Roster, as long as it meets the underwriting requirements of *HUD Handbook 4000.1 II.A.4.d.iii.(J)(1)(b)* when underwriting through TOTAL or HUD *Handbook 4000.1 II.A.5.c.iii.(J)(1)(b)* for Manual underwriting.

If applicable, Secondary Financing related to your nonprofit's participation in the operation of a government entity's secondary financing program that do not require approval in accordance with the requirements of *HUD Handbook 4000.1 II.A.4.d.iii.(J)(1)(b)* when underwriting through TOTAL or *HUD Handbook 4000.1 II.A.5.c.iii.(J)(1)(b)* for Manual underwriting are not included as a part of this approval. In instances when such secondary financing is made and closed in the name of your nonprofit, it must be reviewed and approved by HUD prior to implementation.

Please provide a copy of this letter to any lender providing FHA financing in conjunction with any of the above approved programs. This approval is limited to the geographic areas listed on the first page of this letter.

If you wish to expand into geographical areas other than those for which you have been approved, you must contact the Atlanta Homeownership Center for expansion requirements. In addition, if there are any changes to your approved **Affordable Housing Program Plan**, we must be notified and approve of these changes, prior to implementation.

As a participant in FHA programs, it is the nonprofit agency's responsibility to be aware of guidelines and procedures relative to FHA programs and to maintain knowledge of any updates that relate to these guidelines and procedures. Guidance and information is made available on the HUD Internet site located at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/np](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/np) . Those agencies that do not adhere to Departmental guidelines and procedures are subject to possible suspension and/or removal from the approved nonprofit listing. You can receive notification of program policies, updates, and training by registering at the following website: [http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=FHA %20Homeownership %20Update&list=Homeownership-L](http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=FHA%20Homeownership%20Update&list=Homeownership-L)

We appreciate your interest in FHA programs and your commitment to meeting the housing needs of low and moderate income persons. If we can be of further assistance, please contact Jacqueline M. Perry, Housing Program Specialist, at (312) 913-8005, or Rachel A. Lavelanet, at (678) 732- 2782.

Sincerely,



Gayle F. Knowlson  
Director  
Program Support Division

Enclosure