



November 8, 2018

Rural Development

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TO: State Directors
Rural Development

ATTENTION: Program Directors
Single Family Housing

FROM: Joel C. Baxley /s/ *Joel C. Baxley*
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SUBJECT: Short Sale and Real Estate Owned (REO) Acquisitions
By Nonprofit Organizations and Public Bodies

This unnumbered letter provides guidance regarding short sales by borrowers nationwide, as well as the sale of Real Estate Owned (REO) properties in decentralized foreclosure and REO states working with these organizations. Rural Development strongly supports nonprofit and public bodies (collectively, “organizations”) in their efforts to improve rural communities across America. This includes providing homes in rural areas to prevent homelessness, as well as temporary housing initiatives for displaced individuals in substance abuse recovery including opioid addiction; as strongly supported by the Secretary’s initiatives.

Agency regulation permits voluntary/short sales by borrowers, as well as the sale of REO properties at a discount with special preferences to nonprofits and public bodies providing transitional housing to reduce homelessness. The National Financial and Accounting Operations Center (NFAOC) approves short sales and REO sales for centralized states. Decentralized states, however, are responsible for short sales and disposing of REO properties within their respective inventories. The decentralized states include Alaska, Arizona, California, Colorado, Florida/Virgin Islands, Hawaii/Western Pacific, Idaho, Illinois, Kansas, Missouri, Montana, Nevada, New Hampshire, New Jersey, Ohio, Oklahoma, Oregon, Puerto Rico, Utah, Vermont, West Virginia, and Wyoming.

Voluntary/Short Sale Acquisitions

Short sales by borrowers to organizations are permissible under 7 CFR 3550.211(d)(1). More information on voluntary sales may be found in Chapter 13, Section 5 of HB-1-3550. Voluntary sales by borrowers to organizations may also

EXPIRATION DATE:
October 31, 2019

FILING INSTRUCTIONS::
Housing Programs

qualify for Non-Program (NP) assumption financing in accordance with 7 CFR 3550.74 (NP loan terms), 3550.67 and Chapter 11, Section 1 of HB-1-3550. NP loan assumption terms up to 30 years, not to exceed the remaining economic life of the dwelling, are authorized for the purposes of transitional housing as described in this unnumbered letter.

REO Purchase at Discount with No Down Payment, Expanded Repayment Terms

Offers from organizations in decentralized states on program REO properties will be considered on a priority basis after the first 60 days of listing. This initial 60-day period is to give statutorily required first priority to very-low, low, and moderate-income program applicants. After 60 days on the market, REO properties are reclassified as NP. Offers from organizations on NP REO properties in decentralized states may be considered at any time. After receiving a written request from an organization for the purchase of an REO property (after the reservation period for program REO properties and at any time for NP REO properties), the agency will withdraw the property from the market for up to 30 days to negotiate a purchase agreement.

Organizations that purchase REO property for transitional housing purposes may do so for a discount of ten percent (10%) below the current list price. For any REO property, no earnest money deposit is required. Further, the agency will offer financing at NP rates and up to 30-year terms, with no down payment required. Special terms can be considered, depending upon the planned use of the property and repayment ability. Although NP REO properties are generally sold “as is,” the agency can commence repairs to make a property decent, safe and sanitary (DSS) as reflected in the purchase agreement and sales price if agreed upon by the agency and the organization.

REO Leases for Transitional Housing

Chapter 15, Section 2 of HB-1-3550 includes guidance on leasing REO properties for special purposes. The agency has determined that selling REO properties will take priority over leasing. Until further notice, REO properties will not be leased for special purposes without prior written approval from the RHS Administrator.

If you have any questions, contact Barry Ramsey, Director, Single Family Housing Direct Loan Division at 202-720-5378 or email barry.ramsey@wdc.usda.gov.