

HUD's Southern California Closing Company

Tiempo Escrow II

On Time, Everytime!

Question & Answer Guide

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Tiempo Escrow II is a full service, independent escrow company serving the Southern California real estate industry with branches located in Fountain Valley, Laguna Niguel and Riverside. Since 1984 we have been at the forefront of Escrow Technology and strive to provide the highest quality of service in the industry. With over 70 escrow professionals on staff, we have a broad base of escrow knowledge and experience.

"We are here for you!"

Serving the following counties:

Riverside

San Bernardino

Imperial

Los Angeles

Orange

San Diego

Ventura

Santa Barbara

(949) 448-4200 ext. 8206

www.TE2Corp.com

YEAH! I'M IN ESCROW WHAT SHOULD I EXPECT? LIFE OF HUD ESCROW



HUD Unit
949-448-4200 Ext. 8206

Opening Dept.
Ext. 8222
HUDDemands@te2corp.com

HOA/Lien Dept.
Ext. 8205
HUDDemands@te2corp.com

Processing Dept.
Ext. 8223
HUDProcessing@te2corp.com

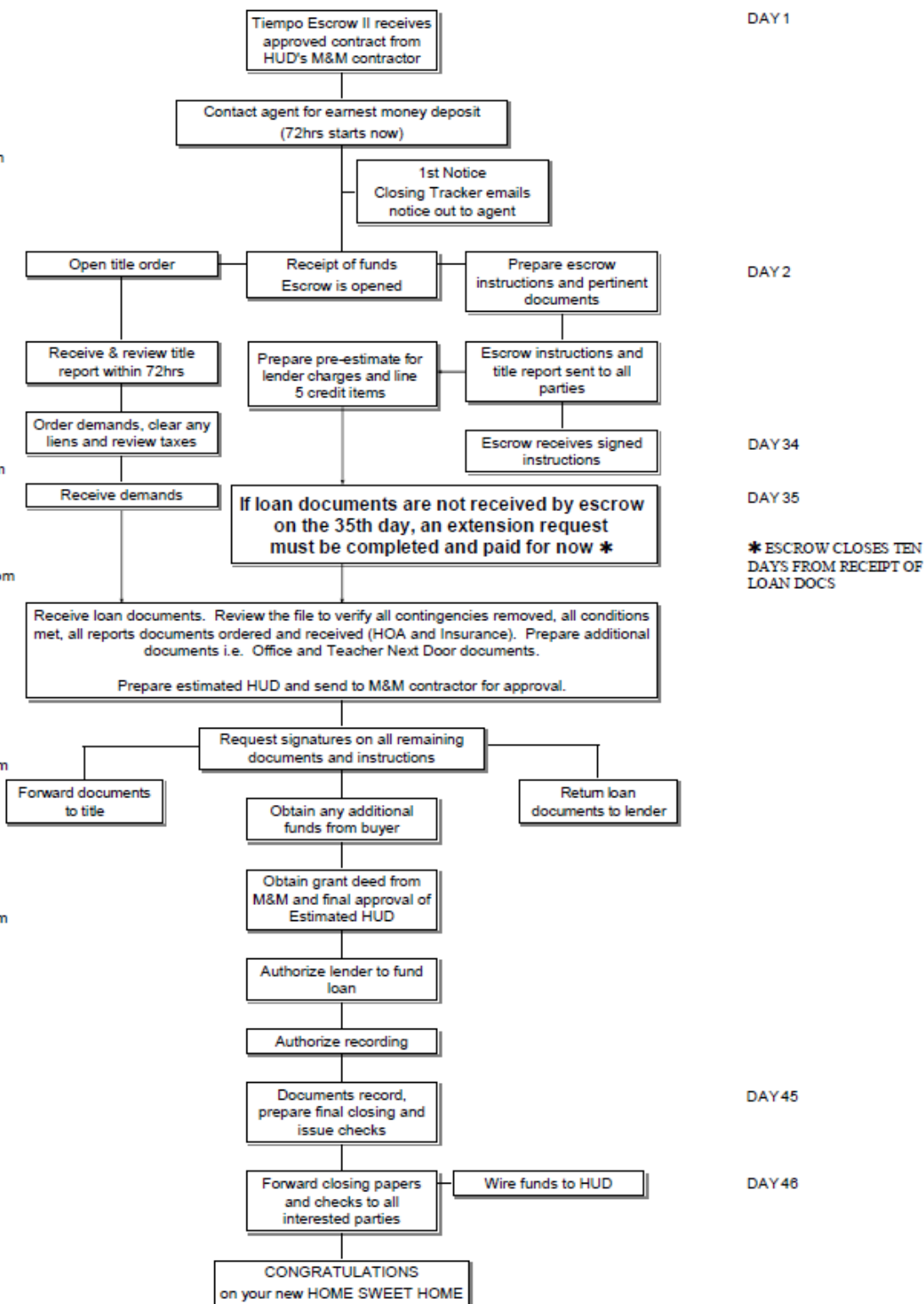
Loan Docs Dept.
Ext. 8224
HUDLoanDocs@te2corp.com

Extensions Dept.
Ext. 8261
HUDExtensions@te2corp.com

Funding Dept.
Ext. 8225
HUDFundings@te2corp.com

Closings Dept.
Ext. 8227
HUDClosings@te2corp.com

DAYS IN ESCROW



HUD Home Purchase FAQ's

Frequently Asked Escrow Related Questions

How long do I have to close? What if I need more time?

Sales transactions shall close within the time frame as specified on your state/regional Forfeiture and Extension Policy (Addendum A, Rev 11-13-06). Closing time frames are 45 days. Properties may close in less than the timeframe specified. However, the amount of days specified above for your state/regional area MUST be entered on the HUD Sales Contract. If closing does not occur within the timeframe then extension fees will apply. The Broker must submit a written request for an extension regardless of the reason for the delay in closing. The Extension Request Form is available on this website in the forms section and must be accompanied by the extension fee. AM's will grant extension requests on a case-by-case basis.

Pemco's website is: <http://www.hudpemco.com/Request%20for%20extension.pdf>

BLB Resource Website is: <https://www.blbresources.com/newdocs/2S%20Forms%20Portfolio.pdf>

*With one exception, buyers will have 45 days to close escrow regardless of the type of financing they use to purchase the home. If a buyer purchases a home with 203(k) financing, the initial escrow period is extended to 60 days at no additional cost to the buyer. ** 1st extension is free with new FHA financing, form still required

What is Officer/Teacher Next Door?

One of HUD's Special Sales Program under the Good Neighbor Initiatives is the Officer Next Door/Teacher Next Door (OND/TND) program. The OND/TND Programs offers HUD-owned, single family homes that are located in HUD designated Revitalization Areas will be made available to Law Enforcement Officers and Teachers at a 50 percent discount of the last listed price. When a law enforcement officer or teacher chooses to use an FHA-insured mortgage. the down payment is \$100. When a governmental agency of nonprofit organization is the purchaser, HUD expects that the full discount will be passed on to the law enforcement officer or teacher. Officer Next Door/Teacher Next-Door program participants are required to own and use their property as their sole residence for at least three (3) years. Participants agree to execute a second mortgage and note which will be for the amount of the discount which HUD can call at a later date if the buyer fails to re-certify. During the entire term (3 years), the buyer may NOT own ANY residential real property other than the OND/TND home. Failure to comply with this (or any OND/TND) requirement may result in the remaining balance of the second mortgage becoming immediately due and payable. The officer or teacher must submit a contract bid of 100 percent of the listing price. Winning bidder will be chosen by lottery. The 50 percent discount will be applied at closing. Teachers must be employed in the school district that they purchase a home in under the Teacher Next Door Program.

What is Firefighter - Emergency Medical Technician Next Door?

Effective November 1, 2005, HUD announced the eligibility of firefighters and emergency medical technicians to purchase HUD acquired homes located in HUD designated revitalization areas at a discount, in accordance with HUD's regulations for the Officer/Teacher Next Door (OND/TND) Sales Program. Inclusion in the OND/TND program is designed to help more firefighters and emergency responders become homeowners, and will further the goals of the OND/TND Sales Program to accelerate the revitalization of America's cities by promoting the integration of dedicated role models and mentors into the community.

Does HUD have special programs for Non-Profits and Local Government Agencies?

Another one of HUD's Special Sales Program under the Good Neighbor Initiatives is the Direct Sales to Non-Profit Organizations and Government Agencies. This special sales program under which approved non-profit organizations and government agencies may purchase properties at discounted prices for use in local housing or homeless programs. More information on this program can be found at

Is there anything else I should know about HUD Homes?

More information is available on HUD's website:

<http://www.hud.gov/local/index.cfm?state=ca&topic=homeownership>. 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.

On what holidays do you close your office?

Our offices are closed on Federal Holidays.

What is FHA financing?

There are three main types of FHA Financing. More information may be obtained from any mortgage company familiar with FHA Guidelines for the various programs.

(1) 203(b) Regular FHA Loan - Listed as "IN"

- If the Property does not have any mandatory repairs FHA will insure the Loan hence the classification of "IN"

(2) 203((b) - Repair Escrow - Listed as "IE"

- When a property has less than \$5000 in repairs to bring it up to Minimum Property Standards, FHA will insure the loan provided the repairs are completed by the Buyer or the Buyer's agent within 90 days from the date of Closing.

- It is a cost to the Buyer that the Buyer can finance and add the amount to the mortgage.

- The Lender monitors and keeps the funds in an escrow account for disbursement on completion of repairs to the Lender's satisfaction.

(3) 203(k) - Rehab Loan - Listed as "203K"

- When the property has more than \$5000 in Minimum Property Standards repairs to be done.

- The Lender must obtain an Inspection report from an approved 203(k) consultant and a new appraisal.

How is the repair escrow amount determined?

The FHA appraiser lists the estimated cost of repairs needed to bring the property up to minimum FHA standards. This amount is then multiplied by 110% and this amount is listed as the repair escrow amount. Example: if repairs total 1,000.00 x 110% = 1,100.00. The Repair Escrow amount will be listed at \$1,100.00.

How do I determine the mortgage amount when there is a repair escrow?

The DE Underwriter will determine the final 203(b) mortgage amount. The DE Underwriter will take into account the repair escrow amount to determine the FHA loan amount. The DE underwriter will determine this amount. Regardless of whether or not a repair escrow will be used in the purchase of a home, the lines on the Sales Contract that request the down payment amount and the secured mortgage amount should be filled in "TBD" (To Be Determined). The line associated with the length

of the loan should also be filled in TBD. Please remember that the repair escrow amount needs to be filled in only if the buyer is using 203(b) repair escrow financing.

Will HUD pay for any closing costs and selling agent's commission?

HUD pays 3% Real Estate Commission.

LINE 5 of Contract: "Closing Cost Credit"

Closing HUD will allow to be deducted from its proceeds, purchaser financing and closing costs that are considered to be reasonable and customary in the jurisdiction where the property is located. In no event may these costs exceed 3% of the property's gross purchase price. Please reference HUD Notice H2006— 12 for additional information. Please refer to page 2 of your state/regional Forfeiture and Extension Policy for a list of the closing costs that will automatically be paid by HUD and other closing costs that may be paid by HUD.

Although HUD may pay for these costs, keep in mind that the higher the closing cost and commission will reduce your Net to HUD and may affect your competitive bidding ratio. For more information, ask your real estate agent or the listing broker.



HUD ESCROW EVENTS TIMELINE & WCGW ? (What Could Go Wrong?)



1ST HALF OF THE ESCROW – (The Beginning of the Escrow = Easy)

- 1) Signed Contract Received From AM (Day 0)
- 2) Escrow is Opened, Put Online and Welcome Notices are sent to Buyer and their Agent
- 3) **Earnest Money Deposit** Received With the Contract. Open title order.
 - *WCGW? -Buyer wants to cancel for various reasons
 - Preliminary Title Report arrives, showing owner to be former lender & not HUD
- 4) Escrow Instructions/Packages are Sent to All Parties (10 days after Escrow Opened)
- 5) Selling Broker Signed Commission In (& CDA, If Applicable) (20 days after Escrow Opens)
- 6) Escrow Instructions Signed by Buyer Received (20 days after Escrow Opens)

2ND HALF OF THE ESCROW – (Closing the Escrow = Not always so Easy)

- 7) ESCROW REQUESTS LOAN DOCUMENTS (10 days before COE)
 - *** THE NEED FOR MOST ESCROW EXTENSION'S IS CREATED HERE***
 - *WCGW? - Loan Conditions -historically, there'd be 3 - 10 per loan, but today, there are routinely 20 to 40 Loan Conditions, and we've seen up to 65.
 - Late Discovery of the Existence of an: HOA, New Lien or Substandard Condition
 - Appraisal Issue (date of appraisal could be too old, or, its value too low)
 - Unsourceble Funds (where's your down payment coming from again?)
 - Over-bidding - A Buyer over bids to secure winning bid. The price overage must be paid for in cash and not added to the loan for appraisal reasons.
 - *Buyer's don't usually seem to understand this until it's time to close escrow.
 - Lenders lack of experience with HUD properties and repair holdback loans
- 8) **Loan Docs** *- Update Demands and other file expenses requested to prepare sellers HUD-1
 - All Loan Documents have to be reviewed for accuracy to match the contract prior to buyer's signature
 - All of the Loan Conditions must be cleared prior to Funding Loan
- 8.5) **ALL CASH DEALS** – The only thing that could cause an issue with an all-cash deal closing would be the late discovery of an HOA or late discovery of Municipal Lien filings
- 9) Estimated HUD-1 is created and sent to Seller (AM) for Approval – (once all updates are received)
- 10) Loan Documents are Sent Back to Lender
- 11) Selling Broker's Survey Received
- 12) Buyer's HUD-1 Addendum Received

- 13) Buyer's Survey Received
- 14) Buyer's Final Wire/Deposit Received
- 15) 5 Days < COE-Extension#1: BUYER ADVISED TO APPLY FOR EXTENSION! (– If Extension is needed)
- 16) Est. HUD-1 Approved/Received From Seller
- 17) Grant Deed Received from AM (5 Day Life)
 - *WCGW? -Race against the 5-Day Clock on the Grant Deed
 - Lender comes up with? – New Lender Funding Conditions....
 - Overnight packages and fee's for a new Grant Deed
- 18) Escrow/Commission Instructions Signed By Seller Received
- 19) 4 Days to Closing Phone Call to Buyer & Agent – If Extension is needed
- 20) If no Extension Form is received, a Non-Performance Notification goes to the Asset Manager (AM).
- 21) 3 Days to Closing-No Reply? Notify PEMCO of Non-Response (– If Extension is needed)
- 22) Loan Funded & Set to Record
- 23) Close of Escrow (COE)
 - File Closed/Confirmed
 - 1099 Tab Marked "NO" for REO
- 24) Closing Notification Sent to Asset Manager (AM) on the Day of Recording Confirmation
- 25) HUD's Final Wire Sent (1 day > COE)
- 26) Checks Copied for the Escrow File (1 day > COE)

WCGW? – What Could Go Wrong?



WH: = What Happens

The Big Issues That Effect Escrow

WCGW 1: Earnest Money Deposits not arriving, for various reasons

WH: We cancel the escrow on day four. (*WH = What Happens)

WCGW 2: Lenders general lack of experience with HUD properties and repair holdback loans

WH: This results in lots of lost escrow time educating these lenders.

WCGW 3: Lender Loan Conditions: Long lists of loan conditions must be satisfied before the loan is able to be signed by the buyer. Each condition must be individually addressed in order to clear it from the list.

Historically you might find four to ten conditions that needed to be cleared per loan versus the twenty to forty plus we're all seeing today.

WH: This can take a few minutes to a day to clear each one. Most loans take a good day to clear their conditions list, and a fair number require work over two days.

WCGW 4: Lender Funding Condition's: after the signed loan documents are returned to them, their underwriters evaluate the file again and often generate additional conditions which must be satisfied before the lender funds the loan.

WH: These are on top of all the lending conditions cleared before the buyer could sign. This again takes time tracking down the borrower and/or their agent to get these new lender conditions satisfied.

Generally this is just a small irritating speed bump, rarely causes delays.

WCGW 5: Undiscovered HOA's

WH: This is handled prior to the property being listed for sale. Occasionally, this issue of the existence of an HOA usually comes up after loan doc's are received. This is important because the buyer gets a copy of the CC&R's. In addition to the CC&R's, we'll need to get a loan certificate for the lender and a payoff statement from the Home Owner Association too and send a new HUD-1 in to the AM for re-approval. This HOA discovery can be a pretty big speed bump on the occasions where it occurs and can delay the closing of the escrow by up to two weeks.

WCGW 6: Undiscovered Liens

WH: This is handled prior to the property being listed for sale. However upon discovery of an unknown lien we revise the HUD for re-approval. This can add several days for the municipality to get us the demand, and delay the closing by up to two weeks.

WCGW 7: Grant Deed can expire due to G.D.'s Short Fuse of 5 Days

WH: We request a new Grant Deed from the AM when the loan is ready to fund. If the five days have passed and we've not funded and recorded, we notify the AM who sends a new Grant Deed to us, and we return the Grant Deed that had expired to them. We then commence with the closing. It's not so much a speed bump as it is a fourth ball thrown in to a juggler with three balls in the air. It becomes another moving part at the close of escrow. If we need another grant deed, it can cost the escrow a day in closing.

WCGW 8: NEW LENDER NEEDS THE OLD CASE NUMBER-Most Selling Agents need to know the FULL FHA CASE Number of the property they just sold in order to pass it along to the new lender. This slows the new lender down when the Realtor is unable to readily provide it.

WH: The realtor calls us in a rush, or the lender calls us in a rush for the information and it causes a little speed bump in the beginning of the transaction.

How a HUD Home Goes Back to a Homeowner

HUD FORECLOSURE TIMELINE OF EVENTS

(OR, 12 STEPS ON THE ROAD FROM REO TO RENEWAL)

1) New Home Owner - Home Sale occurs

- Somewhere, someone buys a home with “FHA backed financing” (= FHA Mortgage Insurance)

2) Homeowner Trouble - Mortgage Payments not made

- Loan goes into default

3) N. O. D.

- 90 days-Notice of Default filed with County, delivered to owner

4) N. O. T.

- 21 days-Notice of Trustee Sale – House is sold on the Court House steps

5) Trustee Sale

- The bank is buyer + new owner, if no one bids more than the loan amount owed

6) Lender Files Mortgage Insurance Claim with Mortgage Insurance Company

- The Bank/Lender files an insurance claim with the loan’s mortgage insurance company

7) Mortgage Insurance Claim is PAID by Mortgage Insurance MI Company (days to weeks)

- This means that the loan is paid off by MI Company, (Claim is Paid)
- Then the MI Company becomes the Owner.
- When it’s an FHA back loan, HUD becomes the Owner.

8) New Owner - FHA/HUD become the new Owner,

- Who must then must liquidate the property
- The FHA insurance fund is out the money now and needs to sell these houses to repay the FHA insurance fund.

9) FHA has an FSM (Field Service Manager) to prepare the property for sale

10) FHA has an AM (Asset Manager) to actively manage and sell each HUD property they’re assigned through their network of LLB’s (Local Listing Broker).

11) FHA has Closing Agent who Opens and Closes Escrow (30 – 60 Days)

- Once SOLD, escrow receives a completed contract and the earnest money from the AM
- Escrow executes the contract, transfers ownership, closes the escrow and gets the money back into the US Treasury

12) New Home Owner – the Buyer - Congratulations on your new home!

Listing Agent FAQ's

Q: How does the escrow get started?

A: Once the offer is accepted, we are notified of the sale and so is the listing agent, by the AM.

Q: What does escrow need from us, the HUD Local Listing Agent?

A: We need only your Commission Instruction signed and returned to escrow.

There may be occasions where we need your help to facilitate the closing and when so, we'll contact you. We are only speaking from the Closing Agents perspective; it's likely that your asset manager or the field service manager may need your help during the escrow period, so please check your contract with them.

Q: How can we be proactive in actively assisting in closing each escrow somehow?

A: There are a variety of ways the listing agent may assist in facilitating the transaction.

-Good Offers-Check over all offers submitted prior to submitting them to your Asset Manager
-You may be called on at different points to help find the Management Company for an HOA by knocking on neighbors doors possibly. –The biggest issue with most deals these days are with the lenders, so you could confirm the buyer is submitting a complete package and follow up on its progress.

Q: Extensions – How does this work?

A: The Selling Agent is responsible to get the form signed by their Buyer.

In order to be granted an extension past your 45 day escrow period, we need a completed, approved and paid for (\$375) extension by or before your closing date. Extensions are granted in 15 day increments and unused days are prorated and credited back at closing. The extension forms are available on the AM's website. Although, we will contact the selling agent and the buyer starting five days prior to the close of your escrow to remind you.

Q: Communication and Transactional Organization – Is there an easy way to track our HUD escrows?

A: Yes, all escrows will be posted online, LLB's WILL ALL RECEIVE YOUR LOG IN INFORMATION the second week of February.

-HUD Local Listing Broker's will be issued a Master Username and Password to log in to Tiempo Escrow II's Online Closing Tracker System. Each of the brokers agents will have their own login and will be able to see all of their deals. All buyers and their lenders will also be issued their own log-in to participate in their own escrow.

The broker logs in and has a master view of all activity on all of the broker's HUD files. This includes any agents the broker may assign listings to, and includes all properties they're Opened, Closed or Cancelled, for five years from closing or cancellation.

On each escrow, the actual Listing Agent and their Buyer and their Buyer's Lender will all have their own username and password for their escrows too. Closing Tracker becomes a hub of communications to keep all the parties informed throughout the escrow's closing and beyond. Weekly status updates keep everyone in the loop. We can arrange for emails to go to your team as a group, just give us their names and email addresses.



2011
HUD ESCROWS - Extension Delay Notification
& Cancellation Notification Procedures

Tiempo Escrow II will press the parties to properly extend their escrow periods as required in Section 5.6 of our contract. As soon as an escrow has come within 5 days of its closing date we'll send reminders to the buyer and the buyer's agent to submit their extension form and fee if they anticipate going beyond their scheduled date .

The notification procedures will occur as follows:

Courtesy Level – Extension submission deadline reminder sent to Buyer and Selling Agent
Starting 5, 4 & 3 days prior to the scheduled close of escrow date.

Level one – Incomplete Extension Notification
On Date Due and Days 1 & 2 (three days of notifications)

- 1) URGENT ALERT-Incmplt. Extension Pkg-NEED \$375 EXT FEE!
-Publish to: Buyer, Selling Agent, Asset Manager
- 2) URGENT ALERT-Incmplt. Extension Pkg-NEED LENDER LETTER/DOC's
-Publish to: Buyer, Selling Agent, Asset Manager
- 3) URGENT ALERT-Incmplt. Extension Pkg-NEED CORRECT EXTNSN FORM
-Publish to: Buyer, Selling Agent, Asset Manager
<http://www.hudpemco.com/Request%20for%20extension.pdf>
<https://www.blbresources.com/newdocs/2S%20Forms%20Portfolio.pdf>

Level Two – Cancellation Commencement Notification
Days 3 & 4- From Date Due

- 1) URGENT Need \$375-Commence Cancellation-Unresponsive Agent/Buyer
-Publish to: Asset Manager, GTR, Buyer, Selling Agent
- 2) URGENT Need Ltr- Commence Cancellation-Unresponsive Agent/Buyer
-Publish to: Asset Manager, GTR, Buyer, Selling Agent
- 3) URGENT Need Extn- Commence Cancellation-Unresponsive Agent/Buyer
-Publish to: Asset Manager, GTR, Buyer, Selling Agent

Level Three – Notify GTR and AM of Unresponsive Escrow
Day 5, From Due Date if no Form and Fee from the Buyer

- 1) URGENT – UNRESPONSIVE ESCROW-NEED CANCELLATION