



# NSP Policy Alert!

## Guidance on the FHA First Look Sales Method

**QUESTION:** *How do NSP grantees participate in the Federal Housing Administration's First Look sales method?*

### Introduction

The Federal Housing Administration's (FHA) First Look sales method provides Neighborhood Stabilization Program (NSP) grantees (NSP1, NSP2, and NSP3) exclusive access to review and purchase newly conveyed FHA real estate-owned (REO) properties that are located in their designated areas. Grantees will have the opportunity to make a purchase offer on a property prior to it being made available to other entities. NSP grantees can purchase these properties at a 10% discount off of the appraised value. These instructions are intended to assist grantees in obtaining the necessary approval to purchase these properties. Further information about First Look was published in the Federal Register on July 15, 2010, and is available online: <http://edocket.access.gpo.gov/2010/pdf/2010-17335.pdf>. Additional information about First Look is also available on HUD's website:

- NSP Resource Exchange: <http://hudnsphelp.info/index.cfm?do=viewResource&ResourceID=601>
- FHA REO Home: <http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm>
- FHA First Look Website: [www.hud.gov/nspfirstlook](http://www.hud.gov/nspfirstlook)

The duration of the First Look period is approximately 14 business days total, consisting of 12 days (on average) to review the property and 2 days to submit a purchase offer. After the First Look period has expired, the properties will be listed for purchase under FHA's standard sales methods. No preference will be available to NSP grantees after the First Look period has expired.

### Questions and Answers

#### *Who is eligible to participate in the FHA's First Look Sales Method?*

Eligible NSP Purchasers are defined as NSP Grantees, including Government entities and Nonprofit organizations/ developers, either as:

- Direct recipients of NSP funds; or
- Subrecipients (or subawardees) of direct NSP grantees
  - Under NSP2, consortium members may also be included.

**NOTE:** For-profit entities are **NOT** eligible to participate in First Look.

## ***How do I become eligible to participate in the First Look Program?***

There are two steps in this process.

**1. Provide HUD with a description of your NSP designated area.**

**IMPORTANT NOTE:** HUD already has nearly all of the NSP1 areas. NSP2 and NSP3 areas are automatically collected during the application process via the online mapping tools. In order for HUD to identify which FHA properties lie within a grantee's NSP designated areas, HUD created an electronic boundary file of the designated areas based on input from grantees. HUD uses that boundary file to select and display FHA REO properties in NSP designated areas. HUD will only be able to display properties to those NSP grantees that submitted their designated areas. If the direct NSP grantee has submitted their areas, the subrecipients will not need to submit separately.

NSP1 grantees that have not submitted this information and want to purchase FHA REO properties pursuant to FHA First Look, should contact [robert.c.peterson@hud.gov](mailto:robert.c.peterson@hud.gov).

**2. Apply for a Name and Address Identifier (NAID).** NSP grantees and subrecipients that are interested in purchasing FHA REO properties through the First Look sales method must apply for and receive a NAID with the payee type 'NS' (for NSP). The detailed application instructions are listed below. Once issued, the NAID will be used to access the CPD First Look website and permit the submission of the purchase offer.

### ***Wait, what if I already have a NAID?***

NSP grantees that have been participating in FHA Direct Sales programs have already been issued a NAID by HUD. **HOWEVER**, in order to participate in the First Look sales method, which happens before any Direct Sales period, you must re-submit the application package pursuant to the instructions below, in order for FHA to **add the 'NS' payee type** to your existing NAID as that of an eligible NSP purchaser. NSP grantees and nonprofit organizations that presently have a NAID will not receive a new NAID unless the identifying information they submit as part of their completed SAMS 1111 differs from what is currently on file with HUD. In this case, in order to avoid any confusion, a new NAID will be issued.

### ***What is included in the NAID application package?***

FHA requires the following information to be submitted to the HOC in order to receive the NAID.

**1. A completed Payee Name and Address Form (SAMS 1111) & supplemental documentation as required by that form.**

This form is available online at:

<http://www.hud.gov/offices/adm/hudclips/forms/files/1111sams.pdf>.

**Completing the SAMS1111 form:** Follow the instructions below for specific details on how to complete each section of the SAMS1111 form.

### **Section I-Type of Application**

- **Box 1:** If your entity has not participated in FHA Direct Sales, then you will not have a NAID: Select 1a "New Payee" and only complete items indicated under 1a. If your entity has participated in FHA Direct Sales and already has a NAID, then select 1B "modify existing payee"

## Section II – Payee’s Information

- **Box 2a, 2b, 3a, 3b:** Enter **ONE**, either the Payee’s Employer Identification Number (EIN) and Business Name OR Social Security Number (SSN) and Individual Name. Your EIN is a nine digit number assigned to your organization by the IRS.
- **Box 4:** Leave blank, **HUD Use Only**
- **Box 5:** Leave blank, **HUD Use Only**
- **Box 6:** Indicate your payee type code with “**NS**” for Neighborhood Stabilization. Attach IRS documentation showing your entity’s name and tax identification number, such as the 147C, tax returns, payment coupons, etc. If your entity is a nonprofit, the IRS Ruling/ Determination Letter will need to be attached to demonstrate proof of tax exempt status
- **Box 7:** Enter the area code and telephone number
- **Box 8:** Enter the complete mailing address of the company or individual named in box 2b or 3b
- **Box 9-10:** Only enter the information if Business/Individual Name and Address is different
- **Box 11:** If the company is minority-owned, check “Yes” and check the appropriate minority code
- **Box 12:** If the company is qualified as a small business, check “Yes”
- **Box 13:** If the company qualifies as a woman-owned business, check “Yes”
- **Box 14: The Contact Person Name and email. Very Important. You will receive your notification of your NAID number and First Look access information via an email to the address listed under item 14. The email address is required and these addresses are limited to 32 characters.**
- **Box 15:** Enter the name(s) of the company’s owner(s) or principal(s)
- **Box 16:** Enter “Yes” if the payee has either a family relationship or external business relationship with any HUD employee or FHA Property Agent
- **Box 17-20:** Enter legible signature, title, date, and phone number of the individual completing the form
- **Disregard the SF-3881ACH vendor/Misc. Payment Enrollment Form, payments will not be received.**

### **2. Required First Look Documentation to be submitted with the SAMS1111**

For state or local grantees (whether direct recipients or subrecipients of another grantee) a letter from the chief elected official or the Director of the local government agency managing the NSP program. For nonprofit grantees this letter should come from the Executive Director, President, Chair or equivalent.

### **This letter shall:**

- Verify that the entity is an direct NSP recipient or subrecipient of another grantee
- Identify the person(s) who has or have been granted signatory authority to purchase FHA REO property with NSP funds
- If your entity is a direct recipient of NSP funds from HUD, identify your NSP grant number and include a list of any and all organizations and entities that are subawardees/subrecipients of your entity (including contact information, names, titles, addresses, telephone, fax, and email addresses)
- If your entity is a subrecipient of a direct NSP grantee, identify the grant number of the direct NSP grantee partner and include their contact information (names, titles, addresses, telephone, fax, and email addresses)
- If your entity is associated with more than one NSP grant or NSP grantee either as a direct grantee and/or subrecipient, the letter must identify all associations, and provide the required information above for each NSP grant from which the entity received funds directly or indirectly.

If the entity is a nonprofit organization, the NAID application package should include a copy of the most current version of the nonprofit's approved bylaws or equivalent legal document, identifying which elected nonprofit board officials and/or staff have signatory authority to execute the purchase of real property on behalf of the organization.

As a reminder, the form SAMS 1111 requires the following information from nonprofit applicants (refer to the instructions under box 6 above):

IRS documentation showing your entity's name and tax identification number, such as the 147C, tax returns, payment coupons, etc. If your entity is a nonprofit, the IRS Ruling/ Determination Letter will need to be attached to demonstrate proof of tax exempt status.

### ***How do I submit my NAID application?***

All documents in the application package may be sent by standard mail or by email to the appropriate FHA Homeownership Center (HOC). Find your HOC jurisdiction on <http://www.hud.gov/offices/hsg/sfh/hoc/hsg/hocs.cfm> and **use the mailing addresses below**. Mark the envelope or the email subject line with "**ATTENTION-NSP NAID PROCESSING**" and send the application package to the appropriate HOC. NOTE: For NAID application packages submitted by email, completed forms and other required attachments must be converted to **Portable Document Format (pdf)** for submission purposes

**Mail your NAID application package to one of the following HOCs:**

<b>Atlanta HOC</b> <b>ATTENTION-NSP NAID PROCESSING</b> U.S. Dept of HUD Atlanta Homeownership Center 40 Marietta Street Atlanta, GA 30303-2806	<b>Philadelphia HOC</b> <b>ATTENTION-NSP NAID PROCESSING</b> U.S. Dept of HUD Philadelphia Homeownership Center The Wannamaker Building <b>100 Penn Square East</b> Philadelphia, PA 19107-3389
<b>Denver HOC</b> <b>ATTENTION-NSP NAID PROCESSING</b> U.S. Dept of HUD Denver Homeownership Center 1670 Broadway Denver, CO 80202-4801	<b>Santa Ana HOC</b> <b>ATTENTION-NSP NAID PROCESSING</b> U.S. Dept of HUD Santa Ana Homeownership Center Santa Ana Federal Building 34 Civic Center Plaza, Room 7015 Santa Ana, CA 92701-4003

**OR, email your NAID application package to one of the following HOCs:**

Denver:	<a href="mailto:NSP-NAIDDENHOC@hud.gov">NSP-NAIDDENHOC@hud.gov</a>
Philadelphia	<a href="mailto:NSP-NAIDPHILAHOC@hud.gov">NSP-NAIDPHILAHOC@hud.gov</a>
Atlanta	<a href="mailto:NSP-NAIDATLHOC@hud.gov">NSP-NAIDATLHOC@hud.gov</a>
Santa Ana	<a href="mailto:NSP-NAIDSAHOC@hud.gov">NSP-NAIDSAHOC@hud.gov</a>

***How can I gain access to the First Look Website?***

Your HUD-issued NAID will be used for initial log-in purposes at the First Look web site. The NAID approval and issuance process is described below:

- The HOC will review and approve a successful application package in approximately 7 business days.
- Once the application package has been approved by the HOC, it will be sent to HUD HQ for data entry and NAID issuance.
- After approval, HUD will notify the contact person listed on the form SAMS1111 by email that they have been approved to purchase FHA REO properties. The email will include:
  - the NAID number,
  - a description of the information you will receive from HUD when a new property is available in your designated area, and
  - a description of the notification that HUD will provide when appraisal information for a property in your designated area is available.
- This email will also contain instructions to login and use the NSP First Look website to access maps and property-specific information (e.g. number of units, bedrooms, and square footage) in your designated area, and finally explain the role and responsibilities of the account administrator for the grantee.

- If you have any questions about how to use the website, please contact Community Connections at 1-800-998-9999, option 4.

### ***How long does the First Look Period last?***

- FHA First Look properties are FHA's most recently acquired properties. No other FHA sales method occurs before the First Look. The next day after FHA acquires a new property in a NSP designated area, the corresponding eligible NSP purchaser is notified via email. This time period, from the day that the property first appears in FHA's inventory until the day of appraisal, is referred to as the **consideration period**. It typically lasts about 12 days, however circumstances surrounding a given property may extend this period.
- During the first few days of the consideration period, the property is still being cleaned and prepared for entry. Eligible purchasers must wait until the Asset Manager is assigned to the property, this typically happens about 7 days after acquisition. Once assigned, Asset Managers (AM) will facilitate **property inspections**. The NSP eligible purchaser must contact the AM by using the contact information provided on the FHA First Look Website, [www.hud.gov/nspfistlook](http://www.hud.gov/nspfistlook). There will be an automated email notification sent to the eligible purchaser when an AM is assigned to a property. It is highly recommended that purchasers make contact and establish a relationship with the Asset Manager during this consideration period. If the purchaser would like the utilities activated during the home inspection, the purchaser must submit their request to the Field Service/Asset Manager. The purchaser is responsible for all out pocket expenses resulting from the utility activation during the inspection.
- Once the appraisal has been received, the eligible purchaser will be notified via email again. This marks the beginning of the **offer period**. The period will only last for 2 business days following the day of appraisal. The grantee will be able to review the website to see the appraised value the property available for purchase. The eligible purchaser will submit a purchase offer to the AM (see below). **Note: Only those individuals listed by the grantee as having signatory authority to purchase properties should submit the purchase offer. Offers submitted by those individuals without signatory authority may be rejected by the FHA Property Agent.**

### ***How do I submit a purchase offer?***

- Once a property has been appraised, the offer period has begun and the grantee has **2 full business days** to submit an offer to the FHA Asset Manager **by fax or email**. The offer must be submitted by 11:59 pm Eastern time on the last day of the First Look period. Grantees should contact the Asset Manager to confirm that offer has been received in a timely manner. The contact information for the property's assigned Asset Manager is available on the First Look website, [www.hud.gov/nspfistlook](http://www.hud.gov/nspfistlook).
- **To obtain the contact information** for the Asset Manager assigned to a property of interest:

- Click on the Name of the Asset Manager in property data table under the column heading “**Contact Asset Manager**”; or,
- Click on the property, and click on the “**Asset Manager Contact Info**” button in the pop-up window.

After either of these clicks, another pop-up window will appear, reminding users of several key program requirements. The purchaser must:

- a. Represent an Eligible NSP Purchaser: a Governmental entity, nonprofit organization, or subrecipient, (For-profit entities are not eligible),
- b. Have received a HUD-issued Name and Address Identification Number (NAID) with the Payee Type “NS”,
- c. Be the person identified as the government official or staff person who has been granted signatory authority to purchase any FHA REO properties with the assistance of a grantee’s NSP funds, per the letter from the chief executive official, director, president, chairperson, or equivalent which was sent to the FHA Homeownership Center with the NAID application package,
- d. Confirm that the property is within the boundaries of the NSP designated area as it was accepted by CPD, regardless of any possible errors or generalizations made to the representation of that designated area in the boundary file or made by HUD when determining that an FHA REO property is within a designated area,
- e. Finance the purchase with the assistance of NSP funds, and
- f. Follow all other applicable FHA and NSP program rules, such as affordability, environmental review, tenant protections, etc.

Click the button “**I Have Read the Requirements**”, and the Asset Manager Contact information will be shown.

- Eligible purchasers should offer 100% of the appraised value and the Asset Manager will calculate the discount.
- Complete purchase offer submissions **must include all** of the following documents and information:
  - Name of the offering entity;
  - A printout of the email notification of the offering entity’s HUD-issued NAID number;
  - The offering entity’s NSP Grant Award Number (if the offering entity is not a HUD direct grantee, it should provide the grant number of the direct NSP grantee partner);
  - A copy of the web listing that indicates the address, FHA case number and appraised value of the subject property covered by the purchase offer;

- A copy of a “conditional” sales contract for the Asset Manager’s review and, if applicable, an addendum for any contingencies. **See \* below.** The standard FHA single family sales contract – HUD Form 9548 – must be used:

<http://www.hud.gov/offices/adm/hudclips/forms/files/9548.pdf>

**It should be noted that, if the applicant fails to submit all of these documents the Asset Manager has the discretion to reject the sales offer.**

- For purchase offer packages submitted by email, completed forms and other required attachments must be converted to **Portable Document Format (.pdf)** for submission purposes.

Note, when the offer is accepted the grantee will be notified and will have a limited period of time to submit a final purchase contract with an ink signature to applicable Asset manager either by Fax or Email. Original copies of these documents shall also be transmitted by the eligible NSP purchaser to the applicable Asset manager via overnight express mail.

\*Contingent contracts will be accepted which will allow eligible purchasers time to satisfy NSP program requirements such as environmental reviews and other requirements. Each contract shall include specific contingencies pertaining to the purchase’s compliance with any cross-cutting federal requirements, as applicable. The NSP grantee is the required to meet all NSP program rules and requirements. Please refer to the following guidance for the preparation of a contract contingency language for NSP purchases:

[http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/cond\\_purchase\\_agreement.pdf](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/cond_purchase_agreement.pdf).

- In the event that multiple eligible offers are received from NSP purchasers for the same First Look property (this would happen for overlapping NSP designated areas), the Asset Manager will give preference to the submission that was **first received** during the 2-day offer period.
- The grantee will be required to close on the property within the same timeframes as other (non-NSP) purchasers. That timeframe is 30 days. Extension dates to close on the property may be available on a case by case basis. **FHA’s standard fee for an extension is \$150.00.**

#### ***What happens if property is not purchased during the 2-day First Look Offer period?***

The property will be removed from the First Look website and the Asset Manager will proceed to market the property for direct and/or public sale. Information about how to purchase an FHA home through the standard FHA property disposition process can be found online:

<http://www.hudhomestore.com/hud/PropertyAllSearchResult.aspx?sLanguage=English>.

Please note that properties purchased through standard FHA disposition procedures are not eligible or otherwise offered for purchase *with the preferences* that are provided to eligible NSP purchasers under the FHA NSP First Look sales method. Finally, additional approvals from FHA may also be necessary.