



OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

Special Attention of:

All Homeownership Center Directors
All REO Division Directors
All Real Estate Owned Branch Chiefs
All Management and Marketing Contractors
All HUD Contract Closing Agents

Notice: H 2006 –12

Issued: September 12, 2006
Expires: September 30, 2007

Cross References:

Subject: Closing Costs Paid by the U.S. Department of Housing and Urban Development

This Notice supersedes Notice H 2005-12, and announces a new and simplified policy on closing costs payable by the Department on sales of single-family properties owned by the U.S. Department of Housing and Urban Development (HUD). This change is intended to align HUD home sale policies with the industry practices.

Upon closing of a HUD-owned single-family property, the Department will allow to be deducted from its proceeds, purchaser financing and closing costs considered to be reasonable and customary in the jurisdiction where the property is located. Form-HUD-9548 (Sales Contract – Property Disposition Program), shall be used to reflect the total dollar amount HUD is expected to pay towards a purchaser's financing and closing costs. However, in no event may the costs exceed three percent (3%) of the property's gross purchase price. If the total closing costs reflected on the HUD 1 settlement statement are less than the amount indicated on the sales contract, HUD will reimburse only the actual costs charged and will not credit the purchaser with any difference either in cash or through a reduced purchase price.

Within the three percent (3%) allowance, HUD will reimburse loan origination fees up to one percent of the mortgage. However, on an FHA 203(k) rehabilitation mortgage loan, HUD will reimburse one and a half percent (1.5%) of the mortgage.

The closing cost policy announced in this Notice shall be effective for all sales contracts executed on or after the thirtieth day following the issuance date reflected above.

If you have any questions, please contact our toll free number for assistance at 1-800-CALL FHA or 1-800-225-5342.

Brian D. Montgomery
Assistant Secretary for Housing-
Federal Housing Commissioner