



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**June 12, 2013**

**Mortgagee Letter 2013-20**

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<b>To</b>	<b>All Approved Mortgagees All Homeownership Center Directors All Real Estate Owned (REO) Directors All Management and Marketing Contractors</b>
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<b>Subject</b>	<b>Good Neighbor Next Door Sales Program</b>
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<b>Purpose</b>	The purpose of this Mortgagee Letter is to: <ul style="list-style-type: none"><li>• Clarify that the mortgage insurance premium shall be based on the first mortgage only; and</li><li>• Clarify the process for submitting requests for an interruption in the owner-occupancy term.</li></ul>
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<b>Effective Date</b>	This Mortgagee Letter is effective upon publication.
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<b>Affected Policy</b>	The policies set forth in this Mortgagee Letter clarify the relevant provisions of 24 CFR §§ 291.500 – 565 and 24 CFR §§ 203.284-285.
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<b>Background on Good Neighbor Next Door Sales</b>	HUD regulations establishing the Good Neighbor Next Door Sales program (GNND), effective December 1, 2006, were published in the Federal Register at 71 Federal Register 64422–64428 (November 1, 2006) and are codified at 24 CFR §§ 291.500 - 565. This program enables eligible program participants to purchase, at a 50 percent discount from the list price, a specially designated HUD-acquired single-unit home that is located in a HUD-designated Revitalization Area. In return, the eligible purchaser must: <ul style="list-style-type: none"><li>• Own and live in the home as his/her sole residence for a term of 36 months, and</li><li>• Execute a note and second mortgage on the home, payable to HUD, for the difference between the list price and the discounted sales price. See Attachment A (Note) and Attachment B (Second Mortgage).</li></ul>
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**Eligible  
Program  
Participants**

To qualify to purchase a home through the GNND Sales Program, a potential purchaser must (1) live and work in the community the property is located in and (2) be employed as a:

- Law Enforcement Officer;
  - Pre-kindergarten through 12<sup>th</sup> grade Teacher; or
  - Firefighter/Emergency Medical Technician.
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**Available  
GNND  
Properties**

Eligible purchasers may search for properties available under the GNND program at <http://hudhomestore.com/HudHome/Index.aspx>. Additional information regarding the program is available at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/reo/goodn/gnndabot](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/reo/goodn/gnndabot)

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**MIP for GNND  
Sales**

The note and second mortgage, mandatory under the GNND program, are not to be included in the upfront and annual Mortgage Insurance Premium (MIP) associated with the purchase of a GNND property. The upfront and annual MIP should be based on the average outstanding principal obligation of the first mortgage.

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**Owner-  
Occupancy  
Term and  
Interruptions**

The required thirty-six (36) month owner-occupancy term shall commence either thirty (30), ninety (90) or one hundred eighty days (180) days following closing depending on the amount of required home repairs as provided in 24 CFR § 291.540. HUD may allow interruptions to the occupancy term when necessary to prevent hardship, but only if the borrower submits a written and signed request to HUD with the following information:

- The reason(s) why the interruption is necessary;
- The dates of the intended interruption; and
- A certification that:
  - The GNND program participant is not abandoning the home as his/her permanent residence; and
  - The GNND program participant will resume occupancy of the home upon the conclusion of the interruption and complete the remainder of the 36-month owner-occupancy term.

The written request for approval of an interruption of the owner-occupancy term must be submitted to HUD at least 30 calendar days before the anticipated interruption. Eligible GNND program participants who are also military service members protected by the Servicemembers Civil Relief Act (SCRA) need not submit their written request to HUD 30 days in advance of an anticipated interruption, but should submit their written request as soon as practicable upon learning of a potential interruption.

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<b>Submitting Written Requests for Owner Occupancy Interruption</b>	<p>Written and signed requests for “Temporary Interruption in Owner-Occupancy Term” must be submitted to HUD’s Secretary-Held Assets Servicing Contractor. Contact information for the contractor is available at: <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/fmaddr">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/fmaddr</a>. Present contact information is as follows:</p> <p>DEVAL, LLC Westpoint 1 1255 Corporate Drive, Suite 300 Irving, TX 75038 (877) 622-8525 (toll free) (469) 647-4450 (local) (469) 647-4451 (fax)</p> <hr/>
<b>Second Mortgage and Note Payable to HUD</b>	<p>The required content for the subject note and second mortgage are provided in Attachment A and Attachment B, respectively.</p> <p>GNND program participants needing pay off amounts, mortgage releases or other servicing information should contact HUD’s Assets Servicing Contractor at (877) 622-8525.</p> <hr/>
<b>Information Collection Requirements</b>	<p>The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0570. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.</p> <hr/>
<b>Questions</b>	<p>Any questions regarding this Mortgagee Letter may be directed to HUD’s National Servicing Center at (877) 622-8525. Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at (800) 877-8339. For additional information, please visit <a href="http://www.hud.gov/answers">www.hud.gov/answers</a>.</p> <hr/>
<b>Signature</b>	<p>Carol J. Galante Assistant Secretary for Housing-Federal Housing Commissioner</p> <hr/>

**ATTACHMENT A**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FHA GOOD NEIGHBOR NEXT DOOR PROGRAM**

**NOTE**

\$ \_\_\_\_\_, 20\_\_

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(Property Address)

**1. BORROWER'S PROMISE TO PAY**

(a) For valuable consideration that I have received, I, the Borrower, promise to pay the sum of U.S. \$ \_\_\_\_\_ (this amount being called "principal"), together with interest as computed below, to the order of the Secretary of Housing and Urban Development ("Secretary") or ("Lender"). The initial principal balance of this Note is the difference between the list price and the discounted sales price of the property at the address shown above (the "Property").

(b) I understand that the Lender may transfer this Note. The Lender or anyone to whom this Note is transferred and who is entitled to receive payment under this note is hereafter called the "Note Holder."

**2. INTEREST**

I will have no obligation to pay interest upon the principal of this note unless I am in default under the terms of paragraph 5 below, in which case I will pay interest at the United States Treasury's current value of funds rate in effect on the date of default.

**3. PAYMENTS**

(a) No regular monthly payments will be due under this Note.

(b) The principal balance of the loan will be reduced over the 36 month Owner-occupancy period, according to the following formula:

The principal shall be reduced by  $1/36^{\text{th}}$  on the last day of each month following the occupancy start date of **[insert date of commencement of Owner-occupancy**

**period -- thirty (30), ninety (90), or one hundred eighty (180) days after closing].**

(c) However, upon any default described under paragraph 5 of this Note, the principal of the Note due and owing at the time of the default shall become immediately due and payable.

(d) I will pay any amount that becomes due and payable under this Note to the Note Holder at the address below, or at a different address if I am notified of a new address:

Address for payments and inquiries:

U.S. Department of Housing and Urban Development

National Servicing Center, Attn: GNND

Williams Center, Tower II

2 W. 2nd Street, Suite 400

Tulsa, OK 74103

Fax: (918) 292-8984

Toll free customer service no. for inquiries (including payoffs): (888) 297-8685

#### **4. OWNER-OCCUPANCY TERM**

I agree to own and live in the Property as my sole residence for a term of not less than thirty-six (36) months, commencing on **[insert date of commencement of Owner-occupancy period -- thirty (30), ninety (90) or one hundred eighty days (180) days after closing].**

#### **5. BORROWER'S FAILURE TO PAY AS REQUIRED**

##### **Default**

I will be in default if:

(a) I cease to occupy the property as my sole residence prior to the end of the 36-month Owner-occupancy period referred to in paragraph 4 of this Note, unless the Note Holder expressly elects to waive this requirement for a specified period upon an evaluation of the relevant facts and circumstances;

(b) I sell or transfer the Property prior to the end of the 36-month Owner-occupancy period without the prior written consent of the Note Holder;

(c) I violate any provision of the first or second mortgages that I executed in connection with the purchase of the Property through the Good Neighbor Next Door Program (the “Program”);

(d) I violate or fail to fulfill any condition, requirement or continuing obligation under the Program as set forth in applicable notices or regulations issued by the Secretary;

(e) I falsely certify or fail to certify that I am occupying or will occupy the Property as my sole residence for the 36 month Owner-occupancy term; or

(f) I give false or inaccurate information or statements to the Secretary (or fail to provide the Secretary with material information) in connection with the second security instrument (“mortgage”) securing payment of this Note or in connection with any first note and mortgage, including, but not limited to, representations concerning my occupancy of the Property as my sole residence.

## **6. NOTICE OF DEFAULT/ACCELERATION OF DEBT**

If I am in default under paragraph 5, the Note Holder may send me a written notice telling me that if I do not cure the default by a certain date, the Note Holder may require me to pay immediately the full amount of the outstanding principal balance due under this Note. The date of the cure must be no later than 30 days after the date on which the notice is issued to me. Interest shall accrue on the principal as set forth in paragraph 2 of this Note, as of the date of the default notice.

## **7. NO WAIVER BY NOTE HOLDER**

Even if, at a time when I am in default, the Note Holder does not require me to pay in full immediately and/or perform as described above, the Note Holder will still have the right to do so if I am in default at a later time.

## **8. PAYMENT OF NOTE HOLDER’S COSTS AND EXPENSES**

If the Note Holder requires me to pay immediately in full and/or perform as described above, the Note Holder will have the right to collect from me for all of its costs and expenses incurred in enforcing the provisions of this Note and its other rights to the extent not prohibited by applicable law. These expenses may include reasonable attorney’s fees.

**9. GIVING OF NOTICES**

(a) Any notice that must be given to me under this Note will be given by delivering it, or by mailing it by first class mail, to me at the Property address above.

(b) Any notice that is to be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in paragraph 3(d) above or at a different address, if I am given notice of that different address.

**10. WAIVERS**

I waive the right of presentment. "Presentment" means presenting the note to the maker and demanding payment of amounts due.

**11. GOVERNING LAW; SEVERABILITY**

The provisions of this Note shall be governed by Federal Law. In the event that any provision or clause of this Note conflicts with applicable law, such provision shall not affect other provisions of the Note, which can be given effect without the conflicting provision. To this end, the provisions of this Note are declared to be severable. If any provision of this Note, or the application thereof to any person, place or circumstance shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Note and other such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

**WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.**

\_\_\_\_\_

(Borrower)

\_\_\_\_\_

(Borrower)

**[Include any required or customary form of authentication]**

**ATTACHMENT B**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FHA GOOD NEIGHBOR NEXT DOOR SALES PROGRAM**

**SECOND MORTGAGE**

\$ \_\_\_\_\_, 20\_\_

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**(Property Address)**

This Second Mortgage ("Security Instrument") is given on \_\_\_\_\_, 20\_\_. The Mortgagor(s) is/are \_\_\_\_\_, whose address is \_\_\_\_\_ **[property address]** ("Borrower"). This Security Instrument is given to the Secretary of Department of Housing and Urban Development ("Secretary"), whose address is \_\_\_\_\_ ("Lender"). Borrower owes Lender the principal sum of \_\_\_\_\_ Dollars (U.S. \$\_\_\_\_\_). This debt is evidenced by Borrower's Note ("Note") dated the same date as this Security Instrument, which provides for the circumstances under which the principal sum will become due and payable.

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note and in accordance with the terms of the Note, and (b) the performance of Borrower's promises and agreements under this Security Instrument and the Note. For this purpose, borrower does hereby mortgage, grant and convey to the Lender, the following described property located in \_\_\_\_\_ County:

**[insert legal description or statement regarding its attachment]**

which has the address of \_\_\_\_\_ [Street],  
\_\_\_\_\_ [City], \_\_\_\_\_ [State] \_\_\_\_\_ [Zip Code].  
("Property Address");

**TOGETHER WITH** all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

**BORROWER PROMISES** that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered,

except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances or record.

**1. Payment of Principal and Interest.** Borrower shall pay, when due and payable, the principal sum of the debt evidenced by the Note and according to the terms of the Note.

**2. Occupancy.** Borrower shall own and occupy, establish and use the Property as Borrower's sole residence and shall continue to occupy the Property as Borrower's sole residence for at least 36 (thirty-six) months, beginning on \_\_\_\_\_ [insert date of commencement of Owner-occupant period – thirty (30), ninety (90) or one hundred eighty (180) days after closing] and ending on \_\_\_\_\_ [36 (thirty-six) months after date of commencement].

**3. Fees.** Lender may collect fees and charges authorized by the Note.

**4. Grounds for Acceleration of Debt.** Lender may require immediate payment in full of all sums secured by this Security Instrument as evidenced by the Note after any default by the Borrower occurs as described in paragraph 5 of the Note.

**5. Foreclosure Procedure.** *[For illustration only. Needs adaptation, per the instruction relating to paragraph 18 of the model mortgage form in appendix II of HUD handbook 4165.1 REV-2.]* If Lender requires immediate payment in full under Paragraph 4 above, Lender may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in the paragraph 5, including but not limited to, reasonable attorney's fees and cost of title evidence.

If Lender invokes the power of sale, Lender shall give notice to borrower in the manner provided in paragraph 7 below. Lender shall publish and post the notice of sale, and the Property shall be sold in the manner prescribed by applicable law. Lender or its designee may purchase the property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including but not limited to, reasonable attorney's fees; (b) to all sums secured by this Security Instrument as evidenced by the Note; and (c) any excess to the person or persons legally entitled to it.

*[The following language is mandatory in all cases.]* If the Lender's interest in this Security Instrument is held by the Secretary and the Secretary requires immediate payment in full under Paragraph 4, the Secretary may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C.3751 et seq.) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights otherwise available to a Lender under this Paragraph 5 or applicable law.

**6. Joint and Several Liability; Co- Signers.** Borrower's promises and agreements shall be joint and several. Any borrower who is not a law enforcement officer, teacher or firefighter/emergency medical technician who co-signs this Security Instrument, but does not execute the Note is: (a) co-signing this Security Instrument only to mortgage, grant and convey

that Borrower's interest in the Property under the terms of this Security Instrument; (b) not personally obligated to pay the sums secured by the Security Instrument as evidenced by the Note; (c) not obligated to live in the Property as his or her sole residence for three years; and (d) agrees that Lender and any other Borrower may agree to make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signing Borrower's consent

**7. Notices.** Any notice that must be given to Borrower under this Security Instrument will be given by delivering it or by mailing it by first class mail to Borrower at the Property address above.

Any notice that may be given to the Lender under this Security Instrument will be given by mailing it first class mail to the Lender at the address stated above or at a different address, if Borrower is given notice of that different address.

**8. Governing Law; Severability.** This Security Instrument shall be governed by Federal Law. In the event that any provisions or clauses of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end, the provisions of this Security Instrument and the Note are declared to be severable.

**9. Borrower's Copy.** Borrower shall be given one conformed copy of this Security Instrument.

**BY SIGNING BELOW,** Borrower accepts and agrees to the terms of this Security Instrument.

Witness(es):

\_\_\_\_\_  
\_\_\_\_\_

Borrower(s):

\_\_\_\_\_  
\_\_\_\_\_