

## Facilitating the FHA “First Look” Sales Method Under M&M III

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The Management and Marketing (M&M) III contract provides that the Asset Manager shall assist HUD in the marketing and disposition of HUD-owned properties to support HUD’s mission of preserving communities and promoting affordable housing. As such, the Contractor is aware that HUD may amend or develop new, additional or enhanced procedures and guidelines for marketing HUD-owned properties. Following written notice of such change, the Contractor shall adjust its property maintenance, marketing and related administrative activities to accommodate such changes, as provided under the M&M III contract. The FHA “First Look” sales method for eligible Neighborhood Stabilization Program (NSP) purchasers represents just such a change that HUD may implement without modifying the M&M III contracts. Per the First Look Notice published in the Federal Register, eligible NSP purchasers are defined as “Governmental entities, nonprofit organizations, and subrecipients that have received a HUD-issued Name and Address Identification Number (NAID) are eligible to participate in the First Look Sales Method.”

These FHA NSP “First Look” facilitation procedures are developed in accordance with Section 5.2.2.2, of Attachment A under the M&M III Asset Manager Contract, and in accordance with the FHA First Look sales method. This method is authorized and described under Federal Register Notice 5410-N-01, “Federal Housing Administration (FHA) First Look Sales Method for Grantees, Nonprofit Organizations, and Subrecipients under the Neighborhood Stabilization Programs (NSP).” This Notice is available online: <http://www.gpo.gov/fdsys/pkg/FR-2010-07-15/pdf/2010-17335.pdf>

### **NSP “First Look” Sales Method under M&M III**

1. The FHA Single Family Acquired Asset Management System (SAMS) transmits a daily property status report to Lockheed Martin (Office of Community Planning and Development’s contractor for NSP) with the following information about FHA REO properties that are located within NSP designated areas:
  - a. Newly-conveyed properties that have been received by FHA within the past 24 hours; and
  - b. The status of previously-conveyed properties within the approximately 14-day First Look period, including the sales price of any such property that has been appraised during this period.
2. Using this data, Lockheed Martin shall transmit a daily Property Status Report to eligible NSP purchasers. Each report contains a summary of all available properties in the NSP designated areas, including:



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- a. Information about each FHA REO property that is newly-conveyed to FHA (Step 1); and
  - b. Updated status information about properties that have already been conveyed to FHA and are still within the NSP First Look time period, including information about the appraised property value and sales price for any given property, as applicable; and
  - c. The purchase offer submission deadline for each such appraised First Look property.
3. Asset Manager staff may also be granted password access to view FHA REO First Look properties via the Lockheed Martin online First Look property map<sup>1</sup> in order to verify the First Look status of any given REO property file in P260 with an “NS” tag. Access to the First Look online map can be provided through any valid email address for Asset Manager staff/organizations. M&M III Asset Managers should visit <https://www.hudexchange.info/nsp/fha-first-look-sales-method-for-nsp-grantees> for assistance registering their email addresses for access to the online First Look property map.
4. Once a First Look property has been transferred from the Field Service Manager to the Asset Manager, the Asset Manager shall schedule an appraisal of the property with an appraiser from HUD’s roster of approved appraisers.
5. During the period between receipt of the available property report and receipt of the property appraisal and sales price report, NSP grantees can conduct due diligence, including a physical inspection of the property.
6. Eligible NSP purchasers may request assistance from the applicable Asset Manager to gain access to FHA First Look properties for the purpose of conducting a physical inspection. Below are procedures First Look participants must follow to obtain access to First Look properties:
  - a. The eligible NSP purchaser must contact the Asset Manager assigned to a given First Look property to request access. Contact information for a given First Look property’s Asset Manager is provided as an addendum to the daily First Look Property Status Report transmitted by Lockheed Martin to each eligible NSP purchaser.
  - b. Before providing access to a First Look property, the Asset Manager must verify the eligible NSP purchaser’s approved “NS” NAID in P260.
  - c. Once the Asset Manager has verified that the eligible NSP purchaser has an approved First Look/”NS” NAID, the Asset Manager shall contact the NSP purchaser to make arrangements for accessing the property. Each Asset Manager shall respond to any such request and provide access to First Look properties according to their standard policies and procedures governing property access.

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- d. Each eligible NSP purchaser that accesses a First Look property for the purpose of conducting a site inspection is required to ensure that each such property is left in the same condition that it was found, and is required to otherwise secure the property after completing the inspection visit.
7. Once the Asset Manager is in receipt of the property appraisal report, it shall enter property appraisal information into P260 and place the property into Single Family Disposition Monitoring Step 2 (“Receipt of Property Condition Reports”). Notification that any appraised First Look property is available for purchase shall be provided to NSP grantees and subrecipients under the daily transmission of the Lockheed Martin property status report.

**NOTE:** Newly-appraised FHA REO properties that are still within the First Look purchase period are **NOT** to be promoted by the Asset Manager to Step 6/Listed For Sale until or unless the First Look purchase period expires and the property has not been approved for sale to an eligible NSP purchaser through First Look.

The Asset Manager is instructed that only eligible NSP purchasers may submit purchase offers for any such appraised NSP First Look property during this First Look purchase period. This period lasts for two (2) business days after the appraisal report has been entered into P260 **and** the NSP purchaser has been notified that the property is available for purchase.

Upon receipt of property appraisal and purchase availability status report from Lockheed Martin, the NSP grantee or subrecipient has two (2) business days to submit an offer to purchase a given FHA REO property to the applicable Asset Manager.

**EXAMPLE:** An NSP grantee receives a notification message from Lockheed Martin that an FHA REO property within its NSP designated area has been appraised and is ready for purchase. The message is received on a Monday. The eligible NSP purchaser has until 11:59 pm of the following Wednesday, two (2) entire business days after receipt of the notification, to submit a purchase offer to the applicable Asset Manager, in order to secure the benefits of a First Look purchase. Offers must be submitted by fax or by email.

**NOTE:** Purchase offer submissions that are faxed or emailed by an eligible NSP purchaser before the expiration of the two (2) business day deadline, but which are not actually viewed by the Asset Manager until after the expiration of this deadline, for whatever reason, shall be considered to have been submitted on time. As such, these offers **shall be accepted by the Asset Manager** for purposes of selling the FHA REO property to the eligible NSP purchaser under the First Look sales method, so long as the submitted offer is otherwise acceptable according to First Look requirements and guidelines.

Each eligible NSP purchaser must use the Asset Manager contact-information listed with



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a given property for the submission of purchase offers (fax, email) and contracts (fax or email and overnight mail). In order to determine which Asset Manager should receive a purchase offer for a given property, eligible NSP purchasers are instructed to refer to the Asset Manager Contact Information that is provided as an addendum to the daily First Look Property Status Report transmitted by Lockheed Martin.

8. Each eligible NSP purchaser shall submit each offer to purchase a First Look REO property at the listed sales price, which shall reflect the appraised value of the property. In turn, the property will be sold to the NSP purchaser at a discount of 10% off of the listed sales price, less any applicable commissions, and at a discounted sales price of not less than 1% off of the listed sales price. The Asset Manager is responsible for calculating the applicable discount for each such sale, and determining the final sales price.
9. Complete purchase offer submissions must include **ALL OF** the following documents and information:
  - a. Name of the offering entity;
  - b. 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);
  - c. 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;
  - d. A copy of a completed sales contract for the M&M contractor’s review.
10. In the event that an FHA REO First Look property is located in more than one NSP designated area, and purchase offers for the property are submitted by more than one eligible NSP purchaser, the tiebreaker shall be determined by the timing of the offer submission. As such, the Asset Manager must date and time stamp a hard copy of each submitted First Look purchase offer. In other words, first come, first served: the eligible purchaser whose offer is submitted first shall have the right to purchase the property so long as the offer meets the other terms described herein.
  - a. For property sales approved under any such tiebreaker scenario that fail to go to settlement, for whatever reason, the Asset Manager shall immediately contact the runner-up and provide that eligible NSP purchaser with the option to acquire the property.
    - i. Upon notification by the Asset Manager, the runner up shall have two business days to decide whether or not to purchase the property.
    - ii. Should the runner-up decline to purchase the property, the Asset Manager shall proceed to market and sell the property according to standard FHA single family disposition policies and procedures.



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11. Once the Asset Manager has notified an eligible NSP purchaser that its purchase offer has been accepted, a conditional purchase contract shall be submitted by the eligible NSP purchaser to the 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. Per the [First Look Notice](#): “Eligible NSP purchasers shall be permitted to submit, and FHA M&M vendors shall accept, sales contracts for the purchase of FHA REO properties with the assistance of NSP funds under the FHA First Look Sales Method that include contingency clauses pertaining to the successful completion of the environmental review process, the lead paint inspection, and other requirements, as applicable under the NSP. Contingency clauses concerning the environmental review process must meet the provisions of the [NSP Guidance on Conditional Purchase Agreements](#).”
12. If an eligible NSP purchaser does not submit an offer to purchase a given FHA REO First Look property before the expiration of the 2-day First Look purchase period, the property shall be promoted by the Asset Manager through the standard FHA Single Family REO disposition process, and shall no longer be available for preferential First Look discount purchase by an NSP purchaser.