

**COMPLIANCE PROCEDURES FOR SINGLE
FAMILY BULK SALES TO PUBLIC AGENCIES
AND NONPROFITS**

9.1 OVERVIEW

This chapter applies only to owners who have purchased one-to-four unit AHP properties (hereafter referred to as “single family”) for rental or resale purposes under the LURA entitled "Sale of Single Family Properties to Public Agencies and Nonprofit Organizations," also referred to as the Single Family Bulk Sale LURA.

When operated as rental housing, these properties are subject to the provisions of the first six chapters of this manual, in accordance with Set-Aside provisions of the LURA.

This chapter summarizes the requirements governing the rental of such properties, the provisions governing the resale of such properties to individual homebuyers, and the administrative fees applicable to these purchases.

9.2 RENTAL OF ONE-TO-FOUR UNIT PROPERTIES

Leasing practices for one-to-four unit properties purchased under the Single Family Bulk Sale LURA are governed by occupancy requirements and rent restrictions comparable to those for AHP multifamily properties as described in previous chapters. Owners can follow the same basic AHP procedures used for leasing units in multifamily rental properties when renting units in these properties.

However, there are two important exceptions for one-to-four unit properties:

1. In contrast to the occupancy requirements for most AHP multifamily properties under which only a portion of the units are set aside for LI and VLI tenants, **100 percent** of these units are set aside for LI and VLI households.
2. There is **no VLI Set-Aside** applicable to these properties. Owners may rent all the units to LI tenants, or they may lease the units to a mix of LI and VLI households. However, even though there is no VLI Set-Aside requirement for single family properties,

QUs leased to VLI households are restricted to the AHP VLI rent limits. QUs leased to LI households must comply with the LI rent limits.

9.3 RESALE OF ONE-TO-FOUR UNIT PROPERTIES TO INDIVIDUAL HOMEBUYERS

FDIC anticipates that most units will eventually be sold to individual homebuyers. The Single Family LURA establishes that, when sold, all units must be purchased by LI or VLI homebuyers.

When selling such properties to individual homebuyers, a number of conditions apply.

- ◆ **Sales Requirement** -- All sales must be to eligible LI or VLI households. There is no requirement that owners have to sell some portion of the units to VLI buyers.
- ◆ **Homebuyer Income Certification** -- For any purchasers of units reserved to meet the Set-Aside, owners must obtain a written income certification from LI buyers documenting that their annual (gross) income as defined in Chapter 4 is within the applicable AHP income limit. The buyer's income must be verified by the owner using the procedures in Section 4.5. This verification is good for 90 days. Delays in completion of the sale may require updated HICs. Appendix I contains an FDIC-approved Homebuyer Income Certification (HIC) form and instructions.
- ◆ **Recapture LURA for Sales** -- For any units sold, owners must require the buyers to execute a LURA establishing the condition that the purchaser will retain ownership of the unit for a period of at least 12 months after the date of sale. The LURA also includes a provision allowing FDIC to recapture the profits from any resale of the unit by the homebuyer before the end of this 12-month period. A copy of this Recapture LURA is included in Appendix H.
- ◆ **Price Not Restricted for LI Sales** There is no ceiling restricting the price an owner can charge a LI buyer for a unit, or establishing affordability standards. The unit need only be purchased by an income eligible buyer. It is recommended that owners take into account the amount which a LI buyer can realistically afford, and that the lender(s) will assess affordability in the course of underwriting.

- ◆ **Notice to Agency of Property Sales** -- Owners must notify the monitoring agency of all pending sales and provide a copy of the sales contract and other items as described below for each property to be sold.
- ◆ **Pay Processing Fee to Agency** -- Owners must pay the monitoring agency a reasonable fee to process an AHP Recapture LURA and release the property from the Bulk LURA.

9.4 REQUIRED SUBMISSIONS PRIOR TO THE SALE OF INDIVIDUAL UNITS

Agencies will monitor owner compliance with the resale provisions of the Single Family Bulk Sale LURA, as well as the occupancy and rent requirements governing the rental of these units.

When an owner notifies an agency of the anticipated sale of a property to an eligible household (LI or VLI), the owner must provide the agency with:

- ◇ a completed Homebuyer Income Certification (HIC) verifying the buyer is an income eligible household;
- ◇ a copy of the signed sales contract with the purchaser;
- ◇ a completed AHP Recapture LURA, signed by the owner and the buyer;
- ◇ payment of any processing fee required by the agency; and
- ◇ any other documentation required by the monitoring agency.

These items are necessary to establish that the property will be sold to a qualified buyer.

GOOD PRACTICE: Owners should submit the four items above to their monitoring agency for review **no later than 14 days prior to final closing.**

If each of the items has been properly submitted and the proposed buyer meets the applicable income limits, the

agency will approve and forward the AHP Recapture LURA to FDIC for signature, and the executed document will be forwarded to the closing agent for the sale.

Properties sold to individual buyers will not be released from the requirements of the Single Family Bulk Sale LURA, unless the AHP Recapture LURA has been executed by the monitoring agency (or FDIC) and properly recorded at final closing.

9.5 ADMINISTRATIVE FEES

A. Monitoring Fees

The annual monitoring fee is charged for each property. The total fee is based on the number of properties that remain covered by the Single Family Bulk Sale LURA. The fee for future years is reduced for units sold in compliance with this chapter.

The additional administrative fee for non-compliance is also established based upon the number of units remaining in the Bulk Sale LURA.

B. Processing Fee for Release from LURA

Agencies may also charge owners a reasonable fee for processing Recapture LURAs to release properties sold to eligible buyers from the requirements of the bulk sale LURA. Such a fee must be paid to the agency when the owner gives notice of a proposed sale, and submits the Recapture LURA and other items for review.

Agencies will advise owners of the applicable processing fee.