

## **FORFEITURE OF EARNEST MONEY POLICY**

All HUD Property Disposition sales of HUD-acquired properties are to close within 45 days of acceptance of a HUD-9548 Sales Contract offer to purchase.

### **Forfeiture of Earnest Money Deposits:**

The failure by a Purchaser to close on the sale of property within the allowable time period, including any extensions granted by HUD, will result in the forfeiture of the earnest money deposit, except where special circumstances exist and are documented and accepted by HUD.

### **Investor Purchasers:**

- Uninsured Sales – The purchaser will forfeit 100% of the earnest money deposit for failure to close, regardless of reason.
- Insured Sales – The purchaser will forfeit 50% of the earnest money deposit for failure to close if purchaser is determined by HUD or Direct Endorsement underwriter to be an unacceptable buyer. The purchaser will forfeit 100% of the earnest money deposit if the sale fails to close for any other reason.

### **Owner-Occupant Purchasers:**

- The purchaser will have 100% refund of the earnest money deposit under the following circumstances:
  1. There has been a death in the immediate family (contract holder, spouse, or children living in the same household);
  2. There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely affecting the purchaser's financial ability to close the sale;
  3. There has been a loss of job by one of the primary breadwinners, or substantial loss of income through no fault of the purchaser;
  4. On an insured sale, HUD or a Direct Endorsement underwriter determines that the purchaser is not an acceptable borrower;
  5. On an uninsured sale, the purchaser was pre-approved for mortgage financing in an appropriate amount by a recognized mortgage lender and, despite good faith efforts, is unable to obtain mortgage financing. "Pre-approved" means a loan commitment has been obtained from a recognized

mortgage lender for mortgage financing in a specific dollar amount sufficient to purchase the property; and

6. For other good cause, as determined by the field office.
- On an uninsured sale, the purchaser will forfeit 50% of the earnest money deposit where, despite good faith efforts by the purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender.
  - On either type of sale, the purchaser will forfeit 100% of the earnest money deposit in those instances where no documentation is submitted, where the documentation fails to provide an acceptable cause for the buyer's failure to close, or where documentation must be received by Cityside Management no later than close of business on the tenth day following cancellation of contract.

**Buyer Certification:**

I/we acknowledge that I/we have been interviewed, completed a loan application and received a Pre-Qualification Letter from an approved lender. I/we have read and understand this policy and will forfeit our earnest money deposit if we enter into this contract without completing the qualification process.

**Signatures:**

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**(Purchaser)**

**(Date)**

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**(Purchaser)**

**(Date)**

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**(Purchaser)**

**(Date)**