



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-8000

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 2005 -12

Issued: May 27, 2005

Expires: May 31, 2006

Cross References:

---

### Subject: Allowable Closing Costs Paid by HUD Single Family Property Disposition

This Notice supersedes Notice H 2004-05, which identified allowable closing costs paid in connection with the sale of a HUD-owned single-family property. The effective date of this Notice is 30 days from the date of issuance. The allowable closing costs identified below will be in effect for sales contracts executed on or after the effective date of this Notice. Sales contracts executed prior to the effective date will be held to the allowable closing costs identified by Notice H 2004-05.

In an effort to ensure that purchasers, real estate brokers and/or sales agents, HUD's management and marketing contractors, and HUD's contracted closing agents are provided with consistent information, the following list distinguishes closing costs that are automatically paid by HUD and those which may be paid if amounts are indicated on Lines 5 and/or 6a and 6b of the Sales Contract.

#### Closing costs automatically paid by HUD

- Proration of property taxes and any special assessments such as Homeowner's Association (HOA) fees and utility bills
- Condominium or HOA Transfer Fee, if applicable
- Cost to provide condominium documents to purchaser
- Repair Escrow Fee of \$200 where applicable

---

**HSIP Distribution:** W-3-1, W-2(OGC)(H)(Z), W-3(A)(H)(ZAOO), W-4(H), R-1, R-2, R-3, R-3-1(H)(RC), R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-1, R-7-2, R-8, R-8-1

{D0204241.DOC / 1}

- Settlement or Closing Agent Fee      The Department will only pay HUD’s contracted closing agent. This is the purchaser’s cost if another agent is chosen.
- Recording Fees      HUD will automatically pay recording fees and charges for the deed only (i.e., nominal amount charged per page for recordation).

**Closing costs that may be paid by HUD**

Purchasers may specify a dollar amount on Line 5 of form HUD-9548, Sales Contract that they expect the Department to pay towards their financing and closing costs. Homeownership Center Real Estate Owned Directors have the flexibility to prescribe the maximum amount of the closing costs that HUD will pay on line 5, which may range from three to five percent of the purchase price. That guidance will be communicated to the Management and Marketing (M&M) contractors by their Government Technical Representative (GTR). Any changes to these amounts will be identified on the M&M contractor’s website. HUD will pay the lesser of the amount requested in Line 5 or the actual costs of the items specified. Any funds remaining after the allowable closing costs have been paid **will not be** credited to the purchaser(s) at sales closing.

Sales commission for the selling broker will be paid by HUD only if indicated on Line 6a of form HUD-9548, Sales Contract.

The following list represents the complete list of additional allowable closing costs that may be paid by HUD at sales closing if there are sufficient funds on Line 5 of form HUD-9548, Sales Contract, to cover the expenses:

- Appraisal Fee      HUD will pay for the Appraisal on an FHA 203(k) loan that is necessary to determine the “after rehab” value.  
  
HUD will pay for a new appraisal if the previous appraisal expired prior to the execution of form HUD 9548, Sales Contract.
- Credit report      Up to \$20
- Flood Certification      If the property is being offered with FHA insurance and is in a flood plain, HUD will pay for the Flood Certification.
- Home Inspection  
(Includes testing for lead based paint, radon and mold if not already tested)      The actual cost of the home inspection provided there are sufficient funds remaining on Line 5 of the sales contract.

- Homeowner's Warranty

The actual cost not to exceed the maximum amounts in the following table:

| State                | Maximum Cost Paid by HUD |
|----------------------|--------------------------|
| Alabama              | \$375                    |
| Alaska               | \$400                    |
| Arizona              | \$300                    |
| Arkansas             | \$385                    |
| California           | \$300                    |
| Colorado             | \$350                    |
| Connecticut          | \$650                    |
| Delaware             | \$300                    |
| District of Columbia | \$350                    |
| Florida              | \$325                    |
| Georgia              | \$399                    |
| Hawaii               | \$300                    |
| Idaho                | \$400                    |
| Illinois             | \$400                    |
| Indiana              | \$400                    |
| Iowa                 | \$350                    |
| Kansas               | \$385                    |
| Kentucky             | \$400                    |
| Louisiana            | \$399                    |
| Maine                | \$375                    |
| Maryland             | \$200                    |
| Massachusetts        | \$600                    |
| Michigan             | \$250                    |
| Minnesota            | \$400                    |
| Mississippi          | \$445                    |
| Missouri             | \$385                    |

| State          | Maximum Cost Paid by HUD |
|----------------|--------------------------|
| Montana        | \$350                    |
| Nebraska       | \$415                    |
| Nevada         | \$300                    |
| New Hampshire  | \$350                    |
| New Jersey     | \$425                    |
| New Mexico     | \$325                    |
| New York       | \$500                    |
| North Carolina | \$225                    |
| North Dakota   | \$360                    |
| Ohio           | \$250                    |
| Oklahoma       | \$399                    |
| Oregon         | \$350                    |
| Pennsylvania   | \$385                    |
| Puerto Rico    | \$325                    |
| Rhode Island   | \$225                    |
| South Carolina | \$225                    |
| South Dakota   | \$400                    |
| Tennessee      | \$400                    |
| Texas          | \$325                    |
| Utah           | \$250                    |
| Vermont        | \$300                    |
| Virginia       | \$360                    |
| West Virginia  | \$255                    |
| Washington     | \$350                    |
| Wisconsin      | \$345                    |
| Wyoming        | \$350                    |

- Loan Discount Points

Up to three percent to buy down the rate with certification from lender.

- Loan Origination Fee

Up to one percent will be paid on conventional/FHA mortgages; up to one and a half percent will be paid on FHA 203(k) mortgages.

- Prepaid and Escrow Items for  
*Owner-occupant Purchasers Only*

(excludes Hazard insurance)

- Recording and/or transfer taxes or fees (i.e., amounts charged as a percentage of value)

If, under state or local law, the recording fees and/or transfer charges or taxes are imposed on the Seller (i.e., HUD), then HUD is immune from paying these charges and will not pay them. If however, the charges are imposed on the purchaser, HUD may pay these charges on behalf of the purchaser if funds remain in line 5. Please consult with the Homeownership Center for additional information.
- Survey, if required by lender

Actual cost subject to funds available on Line 5
- Title Insurance Coverage for Lender

Actual cost subject to funds available on Line 5
- Title Insurance Coverage for Owner

Actual cost subject to funds available on Line 5

The above represents the complete listing of allowable closing costs in conjunction with the sale of properties owned by the Department. If you have any questions, please contact Wanda Sampedro of the Asset Management and Disposition Division at (202) 708-1672.

---

Assistant Secretary for Housing-  
Federal Housing Commissioner