

**Matt Martin**  
REAL ESTATE MANAGEMENT

**AMIRE**  
Asset Management Real Estate

# Broker Training

Good Neighbor Next Door Program

Brokers Guide



# Good Neighbor Next Door Program

## **About Good Neighbor Next Door**

- Law enforcement officers, pre-Kindergarten through 12th grade teachers and firefighters/emergency medical technicians can contribute to community revitalization while becoming homeowners through HUD's Good Neighbor Next Door Sales Program. HUD offers a substantial incentive in the form of a discount of 50% from the list price of the home. In return you must commit to live in the property for 36 months as your sole residence.

## **How the Program Works**

- Eligible Single Family homes located in revitalization areas are listed exclusively for sales through the Good Neighbor Next Door Sales program. Properties are available for purchase through the program for seven days.



# Good Neighbor Next Door Program

## **How to Participate in Good Neighbor Next Door**

- Check the listings for your state. Follow the instructions to submit your interest in purchasing a specific home. If more than one person submits on a single home a selection will be made by random lottery. You must meet the requirements for a law enforcement officer, teacher, firefighter or emergency medical technician and comply with HUD's regulations for the program.
- HUD requires that you sign a second mortgage and note for the discount amount. No interest or payments are required on this "silent second" provided that you fulfill the three-year occupancy requirement.
- The number of properties available is limited and the list of available properties changes weekly.



# Good Neighbor Next Door Program

## **FHA Revitalization Area Sales Programs**

- Revitalization Areas are HUD-designated geographic areas authorized by Congress under provisions of the National Housing Act. Revitalization Areas are intended to promote "the revitalization, through expanded homeownership opportunities, of revitalization areas."
- The criteria for designating an area as a Revitalization Area relate to:
  - Household Income,
  - Homeownership Rate, and
  - FHA-insured mortgage foreclosure activity.



# Good Neighbor Next Door Program

**HUD-owned single family properties located in a Revitalization Area are eligible for discounted sale through special programs, including:**

- **Asset Control Area (ACA):** Foreclosed properties conveyed back to FHA that are located in a designated ACA are first offered for sale to an ACA participant. Under the ACA Program, state, county and local units of government, as well as approved nonprofit organizations may enter into a two-year contract with HUD requiring HUD to first make FHA properties located in an ACA exclusively available for sale to the ACA participant. ACA properties with an appraised value of \$25,000 or less may be purchased for \$100; all other properties sold under the ACA Program are offered for sale at a minimum discount of 50 percent of the appraised property value.
- **Good Neighbor Next Door (GNND):** Under GNND, HUD offers certain single family properties for sale to police officers, teachers, fire fighters, and emergency medical technicians at 50 percent off of the list price.



# Good Neighbor Next Door Program

- There are hundreds of revitalization areas across the country. HUD is always working with localities to designate new areas. For information on Revitalization Area Evaluation Criteria, please see **Housing Notice 09-01**.

Contact your **regional HUD Homeownership Center** to discuss designating a Revitalization Area in your community. For more information about purchasing HUD Homes through FHA's Revitalization Area programs, contact your local, state or regional **Management and Marketing (M&M) contractor**.



# Good Neighbor Next Door Program

## **Good Neighbor Next Door Eligible Participants**

- The U.S. Department of Housing and Urban Development (HUD) wants to make American communities stronger and to build a safer nation. The Good Neighbor Next Door (GNND) program helps make this goal a reality by encouraging law enforcement officers, pre-K through 12th grade teachers and firefighters/emergency medical technicians to become homeowners in revitalization areas.



# Good Neighbor Next Door Program

## Who Can Participate?

### Law Enforcement

- You may participate in the Good Neighbor Next Door program as a law enforcement officer if you are employed full-time by a law enforcement agency of the federal government, a state, a unit of general local government, or an Indian tribal government; and, in carrying out such full-time employment, you are sworn to uphold, and make arrests for violations of, federal, state, tribal, county, township, or municipal laws.

### Teachers

- You may participate in the Good Neighbor Next Door program as a Teacher if you are employed as a full-time teacher by a state-accredited public school or private school that provides direct services to students in grades pre-kindergarten through 12. In addition, the public or private school where you are employed as a teacher must serve students from the area where the home you are purchasing is located in the normal course of business.

### Firefighter/Emergency Medical Technicians

- You may participate in the Good Neighbor Next Door program as a Firefighter/Emergency Medical Technician if you are employed full-time as a firefighter or emergency medical technician by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government serving the area where the home is located.



# Good Neighbor Next Door Program

## Q&A: Good Neighbor Next Door Sales

- **Question: What Is the Good Neighbor Next Door (GNND) Sales Program?**

Answer: HUD wants to strengthen America's communities. The Good Neighbor Next Door Program offers HUD owned single family (one-unit) homes that are located in revitalization areas to eligible participants at a 50% discount.

- **Question: Am I Eligible for the GNND Sales Program?**

Answer: Law enforcement officers, teachers and firefighters/emergency medical technicians and who meet all other requirements of the program are eligible to purchase an available home.

- **Question: How Much of a Discount Can I Get on a HUD Home?**

Answer: You can get a 50 percent discount off the HUD appraised value. For example, if HUD lists a home at \$100,000, you can buy it for \$50,000 provided, you occupy the home as your personal residence for the required occupancy period. If you qualify for any FHA-insured mortgage program, your down payment is only \$100 and you may finance closing costs.



# Good Neighbor Next Door Program

- **Question: What Kind of Mortgage Financing Do I Need?**

Answer: You may use FHA, VA, or conventional mortgages, or cash. HUD requires you to sign a Second Mortgage and Note on the discounted amount (which is \$50,000 in the example above). No interest or payments are required on this "silent second" mortgage if you live in the home for the entire 36 month occupancy period. You may be required to pay a pro-rata portion of the discount to HUD should you fail to fulfill the three year occupancy requirement.

- **Question: What is the Occupancy Period?**

Answer: You must live in the home as your sole residence for a full 36 months. The purpose of the program is to strengthen communities by encouraging employed, professional law enforcement officers, teachers and firefighters/emergency medical technicians to live in the community. You will have 30, 90 or 180 days to move into the home you purchase, depending on HUD's determination of the condition of the home and the level of repairs that may be required, if any. The 30th, 90th or 180th day is the start date for the occupancy period. You are released from all obligations under this program at the end of the 36th month following the start date. HUD views the occupancy obligation seriously and vigorously pursues violators to the fullest extent of the law.



# Good Neighbor Next Door Program

- **Question: What Is an FHA Rehabilitation Mortgage and How Can It Help Me Buy a HUD Home?**

Answer: The FHA 203(k) mortgage program helps homebuyers buy a home and have enough money to rehabilitate or repair it. Repairs must cost more than \$5,000. The cost of the repairs and the mortgage are combined into a single monthly payment. Consider FHA's 203(b) program if needed repairs are under \$5,000. FHA also has a new Streamlined 203(k) program which may be useful.

Discuss these financing options with your lender!

- **Question: Can I Sell the GNND Home after 3-years and Keep the Profit?**

Answer: Yes. After you live in the GNND home 3 years, you can sell the home and keep any equity and/or appreciation.

- **Question: Do I Have to Use a Real Estate Broker or Agent to Buy a GNND Home?**

Answer: Yes.



# Good Neighbor Next Door Program

- **Question: Do I Have to Be a First Time Homebuyer to Take Advantage of the Program?**

Answer: No. However, you may not own any other residential real property at the time you submit your offer to purchase a home and for one year previous to that date. For example, if you submit an offer to purchase a home on August 1, 2007, you may not have owned a home during the period from July 31, 2006.

- **Question: Where Are These Homes Located?**

Answer: The home offered through the GNND program are located in designated Revitalization Areas. There are hundreds of Revitalization Areas located in the United States.

- **Question: Does HUD Provide a Home Warranty?**

Answer: No. All GNND homes are sold "as is," without any kind of warranty.

- **Question: Can I Buy Multiple Unit Properties (E.g., Duplexes, Triplexes, Etc.) through the Officer Next Door Program?**

Answer: No. You can only buy single unit homes, townhouses, and condominiums through the GNND Program.



# Good Neighbor Next Door Program

- **Question: Do I Have to Pay Earnest Money or Other Deposits in Order to Submit a Contract for a GNND Home?**

Answer: Yes. The amount of the earnest money deposit required is an amount equal to one percent of the list price, but no less than \$500 and no more than \$2,000. HUD considers all offers to be a commitment to purchase a home if you are awarded the sale. Therefore, please carefully consider your offer and be aware of HUD's policy on earnest money as stated here: If an offer is accepted, the earnest money deposit will be credited to the purchaser at closing. If the offer is rejected, the earnest money deposit will be returned. Earnest money deposits are subject to total forfeiture for failure of the participant to close a sale.

- **Question: Can I Bargain with HUD on the Price of a GNND Property?**

Answer: No. You must offer the exact HUD list price when bidding on any GNND property. Then you get a 50 percent discount off of that list price.



# Good Neighbor Next Door Program

- **Question: What if I Leave the employment, that made me eligible, for Any Reason, during the Mandatory 3-year Residency Period?**

Answer: Nothing happens, but you must continue to live in the home for the full 36-month mandatory occupancy period. If you move out of the GNND home, you will have to repay HUD on a prorated schedule. In addition, you must certify that it is your good faith intention to remain employed as a law enforcement officer, teacher or firefighter/emergency medical technician for one year beginning with your purchase. Do not attempt to participate in the program if you know in advance that you will not be employed as required for at least one year.

- **Question: Some Agencies Have Other Home buying Programs. Can the GNND Program Work in Conjunction with These?**

Answer: Yes, as long as you can meet all the GNND program rules while participating in these other programs.

- **Question: What Happens if a Participant Fails to Honor the 3-year Occupancy Requirement?**

Answer: HUD can demand repayment of the discounted amount on a prorated basis. That means you would have to repay 1/36th of the discount you received for each month that you did not occupy the home. HUD also may initiate administrative sanctions including, but not limited to, barring the officer from participating in any HUD/FHA programs, as well as other federal programs. In any case of fraud or abuse, HUD will refer the case to HUD's Office of the Inspector General for investigation and possible criminal prosecution. HUD may also notify the officer's employing agency. Criminal prosecution and conviction for fraud and abuse concerning the GNND Program can result in a fine of up to \$250,000 and/or two years in federal prison.