

FLORIDA BULLETIN 03-02

TO: ALL AGENTS AND TITLE PLANT OPERATIONS
FROM: UNDERWRITING DEPARTMENT
DATE: JULY 11, 2003
RE: HUD FLIP REGULATIONS, 24 CFR PART 203

The Department of Housing and Urban Development (HUD) recently published their final rules prohibiting property flipping on HUD's Single Family Mortgage Insurance Programs. For those desiring to review the entire regulatory Supplementary Information, it is published in the Federal Register dated May 1, 2003, Volume 68, Number 84, pages 23369 – 23376.

The rule prohibits "property flipping," the reselling of a newly acquired parcel at an artificially high price. In order to prevent such transactions, the FHA will not insure any sale unless the property is purchased from the owner of record and no assignment of the purchase contract has taken place. Lenders must obtain and submit proof of ownership such as a deed, tax bill or title commitment to HUD.

In addition, there are new time restrictions on resales. The FHA will not insure the sale of any property sold within the previous 90 days. For resales occurring within 91-180 days, where the value of the property is at least double the prior purchase price, the FHA will require a second appraisal (the cost of which cannot be charged to the buyer). The lender may supply additional information to document improvements. HUD may also ask to see proof of value on transactions occurring as long as 12 months after a prior sale where the new price is as little as 5% greater than the previous purchase price. The time period in question begins running on the original closing date and ends on the date a new sales contract is signed. HUD proposals and regulations are published in "The Federal Register" at www.gpoaccess.gov/fr/index.html.

These new rules have several implications for title agents relating to lenders' collection of documentation to support HUD applications. We suggest the following:

1. Be wary of any request to falsify a commitment to show title vesting any way other than what is currently recorded of public record;

**This Bulletin is to become a permanent part of your Bulletin Manual,
and you are to comply with the requirements contained herein.**

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2. Do not sign any separate letter or document delineating the chain of title (unless you are an attorney) as this could be construed to be title insurance coverage on a form that has not been approved by the Department of Financial Services (formerly Department of Insurance). As an alternative, we suggest that you issue your commitment showing title on Schedule A vested in "John and Jane Doe by virtue of that certain warranty deed recorded in OR Book ____, Page ____, on (date), Public Records of ____ County, Florida."
3. Do not make or alter any disbursements, particularly to sellers, that are inconsistent with the HUD-1 closing statement.

You also need to be aware that there are restrictions on flips within the first year.

Please note that these new rules do not modify Old Republic National Title Insurance Company's previously published Bulletin 99-04 on flip transactions as they relate to non-FHA insured loans.

Should you have any questions, please contact Old Republic's Underwriting Department.