

# DISCOUNT SALES ADDENDUM

FHA Case No: \_\_\_\_\_

**U.S. Department of Housing and Urban Development**  
Office of Housing  
Federal Housing Commissioner

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**This Discount Sales Addendum must be used for all discounted sales of HUD Homes made to Nonprofit Organizations and Governmental Entities.**

**Public Reporting Burden** for this collection of information is estimated to average 5 minutes per response, including the time for searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. This information is required in order to administer the Property Disposition Sales Program (24 CFR Part 291). The collection of information is required in order to provide a binding contract between the property purchaser and HUD. A real estate broker or one of its agents completes this form. If this information were not collected, HUD would not be able to administer the Property Disposition Sales Program properly to avoid waste, mismanagement, and abuse. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

**Privacy Act Notice** – The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested on this form by virtue of Title 12, United States Code, Section 1701 et seq. The Housing and Community Development Act of 1987, U.S.C. 3543 authorized HUD to collect Employer ID and/or Social Security Numbers. These numbers are used to provide information to the IRS regarding payment of commissions or other fees. HUD may also disclose this information to Federal, State, and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released outside of HUD, except as required and permitted by law. Failure to provide the Employer ID Number or Social Security Number could affect your participation in HUD’s Property Disposition Program.

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This Addendum is incorporated into, and made part of, the Sales Contract for the property located at \_\_\_\_\_ (“Property”) executed of even date between \_\_\_\_\_ (“Purchaser”) and the Secretary of the United States Department of Housing and Urban Development (“HUD” or “Seller”) (“Sales Contract”).

- A. Rehabilitation. Purchaser shall, at a minimum, rehabilitate the Property to be in compliance with local building and housing codes, where applicable.
- B. Resale or Leasing.
  1. Within one year from execution of this Sales Contract, and upon completion of the rehabilitation under paragraph A, Purchaser shall transfer title to or lease the Property to a person who intends to occupy the Property as his or her principal residence and whose annual income, as defined in 24 CFR 5.609, is at or below one hundred and fifteen percent (115%) of the area median income, when adjusted for family size.
  2. In the case of a lease, the rent shall not exceed thirty percent (30%) of the lessee’s income as defined above. In the case of resale, the resale price shall not exceed \_\_\_\_\_%, which is the established maximum percent, of the allowable Net Development Cost, the total eligible development costs to make housing affordable to low-to moderate-income families as listed and defined in HUD Mortgagee Letter \_\_\_\_\_.

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3. Purchaser shall not transfer, lease, or permit the occupancy of Property to: (a) any director, officer, employee, elected official, or appointed official of Purchaser or their agents and contractors, either during their tenure or for one year thereafter; (b) Seller's employees or to any member of or delegate to Congress; (c) anyone related by consanguinity or affinity within the third degree as determined under State law, or legally married to, any individual identified in the previous two clauses; or (d) any non-occupant who has defaulted on a HUD-insured mortgage on the Property. Notwithstanding the foregoing, if Purchaser is a governmental entity, Purchaser may transfer, lease, or permit occupancy of the property to a law enforcement officer, teacher, firefighter, or emergency medical technician employed by Purchaser and who meets the eligibility requirements of 24 CFR part 291 subpart F.
- C. Childhood lead poisoning prevention. Purchaser will comply with HUD's regulations at 24 CFR part 35, subpart A, which impose certain requirements on the sale or lease of housing constructed prior to 1978, including disclosure to subsequent purchaser or lessee of any known lead-based paint, providing available records, reports, and a lead hazard information pamphlet, and giving purchasers a 10-day opportunity to conduct a risk assessment or inspection.
- D. Non-discrimination. Purchaser will comply with HUD's antidiscrimination and equal opportunity requirements listed in 24 CFR § 5.105(a) including but not limited to the Fair Housing Act (42 USC §§ 3601-3619); Title VI of the Civil Right Act of 1964 (42 USC §§ 2000d-2000d-4), including the provision of language assistance services to persons of limited English proficiency; the Age Discrimination Act of 1973 (42 USC §§ 6101-6107); the Rehabilitation Act of 1973 (29 USC § 794); Title II of the Americans with Disabilities Act (42 USC §§ 12101 *et seq.*); and Section 3 of the Housing and Community Development Act of 1968 (12 USC § 1701u); and shall display a Fair Housing Poster in the manner required under HUD's rule at 24 CFR part 110.
- E. Single Audit Act. To the extent that the total purchase price discounts or other Federal financial assistance provided to Purchaser equals \$500,000 or more during Purchaser's fiscal year, Purchaser shall have a single audit conducted in accordance with Office of Management and Budget Circular A-133.
- F. Historic Preservation. Property is/is not [select one] listed or eligible for listing on the National Register of Historic Places ("Register"). Property is/is not [select one] located in a district listed on the National Register of Historic Places. Seller has determined that the proposed sale of the Property has/does not have [select one] the potential to cause adverse effects on historic property. If Property has potential to cause adverse effects on historic property, Seller's deed shall contain a restriction consistent with the direction and opinion of the appropriate State Historic Preservation Officer ("SHPO") on the historic significance of the Property and Seller shall comply otherwise with section 106 of the National Historic Preservation Review Act and regulations of the Advisory Council on Historic Preservation at 36 CFR part 800.
- G. Flood Insurance. Property is/is not [select one] located in a Special Flood Hazard Area. If any improvement on the Property is located within a Special Flood Hazard Area, Purchaser shall obtain flood insurance covering all improvements on the Property, whether in existence at the time this Sales Contract is executed or subsequently erected, in an amount equal to the lesser of (a) the greater of (i) the cost of acquiring and repairing the Property as determined by HUD, less estimated land cost, or (ii) any purchase money

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mortgage, or (b) the maximum limit of coverage made available under the National Flood Insurance Act of 1968, whichever is less. Upon resale to an eligible homebuyer, Purchaser shall require that flood insurance be maintained during the life of the Property, regardless of transfer of ownership of the Property.

- H. Noise Abatement and Control. In accordance with HUD's rule at 24 CFR § 51.101(a)(5), Seller encourages Purchaser to incorporate noise attenuation features in keeping with the nature and extent of any rehabilitation to be undertaken.
- I. Energy Star. In rehabilitating the property, Purchaser is encouraged to purchase and use Energy Star labeled appliances, lighting, and other products.
- J. Reports and Record-Keeping.
1. Purchaser shall maintain records relating to the rehabilitation and disposition of Property to permit a speedy and effective audit. Seller shall have access to and the right to examine and audit such records. In order to accommodate on-site reviews, Seller may require Purchaser to maintain records in a specific format. Specific items to be maintained in records include the work write-up and/or contractor estimate of repair costs; change orders; inspection reports on repairs prepared by any governmental entity; contractor invoices; copies of payments made to contractors; copies of executed leases. If Property will be part of a lease-purchase program, Purchaser shall maintain income verification information, evidence of proactive work by a governmental entity to move tenants into homeownership, and appraisal or other third party documents to determine fair market rents. If Property's purchase is financed with a mortgage insured by Section 203(k) of the National Housing Act, Purchaser shall maintain draw requests, lien waivers, and final release notices. Files must be maintained individually for each property purchased, sold, or leased. In addition to the individual property files, Purchaser shall maintain copies of reports specified in subparagraph (2) below. Accounting records should be maintained in a property-specific format so that cost calculations can be made for all expenses related to each specific property. Files shall be maintained for a minimum of three years after Purchaser sells the property.
  2. Purchaser shall prepare and provide reports to Seller concerning the rehabilitation and disposition of Property as requested by Seller.
- K. Inspection. Purchaser shall provide reasonable access to Seller to inspect the Property to ensure compliance with the provisions of the Sales Contract.
- L. Drug-Free Workplace. Purchaser will comply with HUD's requirements for recipients of financial assistance at 24 CFR part 21 which requires purchaser to maintain a drug-free workplace and to take such actions as publishing a drug-free workplace statement, establishing a drug-free awareness program, and taking actions concerning employees convicted of violating drug statutes in the workplace. Purchaser shall also maintain documents identifying all of its workplaces relating to performance of its obligations under the Sales Contract.
- M. Debarment and Suspension. Purchaser will comply with HUD's requirements for participants at 24 CFR part 24, subpart C, that include prohibiting Purchaser from doing

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business to undertake the activities under this Sales Contract with persons who are excluded or disqualified from Federal programs.

- N. Enforcement. In the event of Purchaser’s noncompliance with the terms of the Sales Contract, Seller may take any or all of the following actions: (1) in the case where Purchaser is a nonprofit organization, removal of Purchaser’s placement on HUD’s Nonprofit Organization Roster as authorized under 24 CFR 200.195(a); (2) initiation of debarment and suspension proceedings under 24 CFR part 24; and (3) initiation of any other administrative or non-administrative proceeding against Purchaser. In addition to the preceding remedies, in the case where Purchaser has violated the resale price limitation of paragraph (B) of this Addendum, the resale price exceeding the established allowable percentage of Net Development Cost specified in paragraph 2 shall be owed as liquidated damages, payable by Purchaser either to Seller or to the subsequent buyer of the property, as Seller may direct.
  
- O. Survival. The provisions of this Addendum shall survive the expiration, if any, by operation of law or otherwise, of the Sales Contract.

Purchaser(s) Signatures:

**Purchaser:**

\_\_\_\_\_  
Type or print Purchaser Name

\_\_\_\_\_  
Tax Identification Number

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Date

\_\_\_\_\_  
Telephone Number

**Co-Purchaser:**

\_\_\_\_\_  
Type or print Co-Purchaser Name

\_\_\_\_\_  
Tax Identification Number

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Date

\_\_\_\_\_  
Telephone Number

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