

U. S. Department of Housing and Urban Development
Atlanta Homeownership Center
40 Marietta Street
Atlanta, Georgia 30303-2806
(800) CALLFHA or (800) 225-5342



HUD Home Discount Sales Approval

Approval Date: June 9, 2008

Approved for the Following Areas:

Zip codes within the State of Georgia:

30901 30904 30905 30906 30907 30909
30911 30912 30809 30814 30813 30802
31201 31204 31206 29801 29803 29805
29841 29860

June 9, 2008

Mr. Michael D. Harden
Executive Director
Mach Academy, Inc.
1850 Chester Avenue
Augusta, GA 30907

Dear Mr. Harden:

The Atlanta Homeownership Center is pleased to inform you that Mach Academy Inc. has been approved as a nonprofit agency to perform the following activities:

- Purchase HUD foreclosed properties, in certain cases, at a discounted price.
(This is NOT approval for a lease-to-purchase program on HUD properties.)

At this time you will be restricted to purchasing and having in your inventory at one time (5) HUD foreclosed properties. (this is a revolving number). In addition, agencies are now required to report on properties of HUD Home purchases 60 days after the resale using the Data Manager. (See enclosed SPECIAL NOTICE).

Although this approval will be recognized by all other HOCs, should you wish to expand into geographical areas other than those presented in your application, a new Affordable Housing Plan for each area must be submitted to, and approved by the HOC with jurisdiction over that area. For information on this requirement, please see Attachment 2 of Mortgagee Letter 2002-01. In addition,

HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination.

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approving offices must be notified immediately of any changes to an approved Affordable Housing Plan.

A copy of this approval letter should be provided to your lender for each mortgage transaction. Please be aware that this approval is not an automatic acceptance of your ability to qualify for an FHA-insured mortgage loan. Your lender will perform due diligence prior to making a decision to approve or reject your agency as a borrower.

All organizations are subject to the following limitations:

- Unless an exception is granted in writing by the HOC, the nonprofit purchaser of a property at a discount shall not resell the property for an amount in excess of 110% of the net development costs.
- All FHA properties purchased with a discount and re-sold by a nonprofit agency must be sold to homebuyers who intend to occupy the property as their principal residence, unless rental is approved, and whose income is at or below 115% of median income in the area when adjusted for family size.
- Your organization must have a functional accounting system that operates according to generally accepted accounting principles in order to properly capture property related costs and revenues.
- Agencies are also subject to a limitation on the number of 203(k) FHA insured mortgages. Borrowing under the 203(k) program, if the agency has ten (10) or more incomplete 203(k) developments at one time, is prohibited. Nonprofit agencies with an exceptional performance record of successfully completing 203(k) developments may apply to HOC for a waiver of the limitation on 203(k) loans.
- Please be advised that any borrower, including nonprofit agencies that acts as a borrower, is restricted from obtaining FHA insured financing for a property that may be rented if it has or will have, a financial interest in more than seven (7) rental units (regardless of financing type) in a contiguous area, generally defined as a two-block radius.
- Agencies are subject to the purchase of no more than seven (7) units in a specific neighborhood (defined as a two (2) block radius). Should you wish to purchase more than seven (7) units within a two (2) block radius, a properly documented request for waiver of Departmental regulations must be submitted to this office.

Please provide a copy of this letter to any lender providing FHA financing for properties included in the approved homeownership program. This approval is limited to the geographic areas listed above. Any substantive changes that may affect the use of your Affordable Housing Plan with FHA insurance must be reported to this office for review and approval. Should you wish to expand into other areas, please refer to Mortgagee Letter 02-01 for clarification or contact the individual listed below.

Your nonprofit approval will expire two (2) years from the approval date. You must submit a recertification package at least thirty (30) days prior to the expiration date.

As a participant in FHA programs, your agency must maintain a working knowledge of all program policies and procedures. Enclosure 1 is a list of Mortgagee Letters and Handbooks that contain basic program information. These publications are available on HUD's website at <http://www.hud.gov/offices/hsg/hsgrrroom.cfm>. Updates and changes are also posted on the website at <http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>. You should check it regularly to keep apprised of all relevant program information. Agencies that do not adhere to program policies, procedures and limitations may be subject to temporary and/or permanent removal from the Approved Roster.

Handbook 4155.1, REV-5 CHG-1, Section 3: Borrower's Cash Investment in the Property, paragraph C., Gift Funds, provides guidance on gifts. This section of the handbook restricts gifts from donors that have an interest in the sale of the property with FHA insurance, such as the seller. Gifts of Equity Credit from the seller are normally considered an inducement to purchase, however, because your organization is an established nonprofit/government entity as determined by the Internal Revenue Service or Statute, and is approved to purchase, rehabilitate and resale HUD homes, this restriction is waived for the duration of this approval. Please be aware, gift funds may NOT be included in NET Development costs.

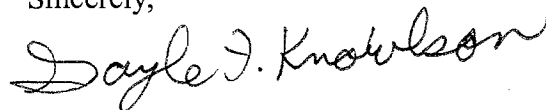
Enclosure 2 is a list of record keeping requirements. Please become familiar with those that pertain to this approval. Agencies that do not adhere to program policies, procedures and limitations are subject to temporary and/or permanent removal from the Approved Roster.

In order to access the list of properties available for sale to nonprofit organizations, please access the Department's property list at the following web site: <http://www.hud.gov>, or at the internet site listed on Enclosure 4. This Management and Marketing contractor is currently responsible for the sale of HUD Homes in the states served by the Atlanta Homeownership Center. Questions regarding access to properties, bid results and instructions, and available properties should be address directly to the company listed.

Before you can purchase HUD Homes at a discount, you must have a Name Address Identifier Number (NAID). Within two (2) weeks of the date of this letter we will establish a NAID for you, after which time you may call the HUD Real Estate Owned (REO) division at 404-331-1263, extension 2065 to get it. **If you have previously been issued a N.A.I.D., you may continue to use that number to purchase REO properties.**

We appreciate your interest in FHA programs and your commitment to meeting the housing needs of low and moderate-income persons. If we can be of further assistance, please call Sheila Hughey, Housing Program Specialist, at 312-353-6236, extension 2076 or Belinda Robinson, Supervisory Housing Program Specialist, at 312-353-6236, extension 2143.

Sincerely,



Gayle F. Knowlson
Director
Program Support Division

Enclosures

Enclosure 1

LIST OF REFERENCE DOCUMENTS

The following list of documents applies to qualified non-profit organizations that have been pre-approved to participate in HUD's Single Family Housing Programs. Non-profit organizations must have knowledge of, and comply with, the instructions contained in these documents, any amendments to these documents, and any future documents issued.

HUD periodically publishes new documents relating to the activities of non-profit organizations and government entities. Non-profit organizations and government entities can register for automatic e-mail notification of new HUD handbooks, mortgagee letters and housing notices on the Internet at: <http://www.hud.gov/offices/hsg/sfh/ref/hsszrcont.cfm>.

All documents listed herein may be accessed online at:
<http://www.hudclips.org/cgi/index.cgi>.

HUD Regulations

- 24 CFR Part 291, governs the sales of HUD homes
- 24 CFR Part 203, governs HUD's Single Family Mortgage Insurance programs

HUD Mortgagee Letters

- ML# 92-33 Clarifications and Modifications to the 203k Program
- ML# 94-02 Secondary Financing for Non-profit Agencies
- ML# 94-11 Revisions to the 203(k) Program
- ML# 95-40 Revisions to the 203(k) Mortgage Program
- ML# 96-21 203(k) w/Participation by State & Local Housing Agencies
- ML# 96-52 Non-Profit Agencies as Mortgagors
- ML# 96-59 Moratorium on Investor Loans in Conjunction with the 203(k)
- ML# 97-05 Revised Escrow Commitment Procedure
- ML# 98-02 Combining EEM and 203(k)
- ML# 98-11 Concerns about 203(k) Underwriting, Loan
- ML# 00-08 Non-profit Agency Participation in Single Family FHA Activities
- ML# 00-25 203(k) Mortgage Program – Single Family Loan Production
- ML# 01-30 Clarification of NET Development Cost for Non-Profits
- ML# 02-01 Nonprofit Participation in Single Family FHA Activities – New Requirements and Restrictions Participation by State and Local Housing Agencies and Nonprofit Organizations
- ML# 02-02 Credit Policy Issues – Payment of Borrower Obligations by Non-profits
- ML# 02-22 Down payment Assistance Programs Operated by Governmental Agencies and Non-profits Using Subordinate Financing
- ML# 03-07, Prohibition of Property Flipping
- ML#05-19, Streamline (k) Program
- ML#06-14, Flipping Rule Amendment

HUD Handbooks

- HUD Handbook 4155.1 REV-5: Underwriting the mortgage, Section 1-5 Nonprofit organizations and state and local government agencies, and Section 2-21, Gift Funds

HUD Notices

HUD Property Disposition Notice 94-74, SFPD Sales Procedures

HUD Property Disposition Notice 05-09, Revitalization Areas

**Participation as a Provider of Secondary Financing
Nonprofit Approval/Recertification Guidance
(this information can be found on www.hud.gov)**

- Mortgagee Letter (ML) #94-02, Secondary financing for Nonprofit agencies
- ML 96-18, Single Family Production - Refinance Transactions, Property Inspections and Other Credit Policy Issues
- ML 96-21, Single Family Loan Production - Using 203(k) Rehabilitation Mortgage Insurance with Participation by State and Local Housing Agencies and Non-Profit Organizations
- ML 00-8, Nonprofit Agency Participation in Single Family FHA Activities
- ML 02-01, Nonprofit Participation in Single Family FHA Activities – New Requirements and Restrictions
- ML 02-22, Downpayment Assistance Programs Operated by Governmental Agencies and Nonprofits Using Subordinate Financing
- ML 06-13, Charitable Organizations Making Downpayment Gifts
- HUD-Handbook 4155.1, Revision 5, Change 1 – Mortgage Credit Analysis
- HOC National Reference Guide: Secondary financing by non-profit agencies Chapter 2, page 2-5

Enclosure 2

RECORDKEEPING FOR ON-SITE REVIEW OF NONPROFIT

In each file, the agency must have the following:

- (1) Certified copy of the HUD-1 for the purchase from HUD, and a certified copy of the HUD-1 for the sale of the property to the purchaser.
- (2) Copy of a signed Land Use Restriction Addendum
- (3) Income verification on the purchaser who bought from the nonprofit. This can be in the form of a copy of W-2, pay stubs, employer verification, or tax returns. Record number of dependents to facilitate calculation of low-to-moderate income status.
- (4) Appraisal reports if property purchased as 203(k) or financed with 203(b) or other FHA insurance funds
- (5) Rehabilitation documents should include:
 - (a) Work write-up/contractor estimate of repair costs
 - (b) *Draw Requests
 - (c) *Lien waivers
 - (d) Change orders
 - (e) Inspection of repairs by non-profit
 - (f) Invoices from contractors
 - (g) Copies of payments to contractors
 - (h) *Final Release Notice

*Required on 203(k) only

(6) If property is leased under an approved Lease/Purchase Program:

- (a) Copies of executed lease
- (b) Income Verification
- (c) Evidence of pro-active work of non-profit to move tenants into homeownership
- (d) Appraisal or document from Independent 3rd party to determine Fair Market Rent.

The above information must be retained for 3 years after the property is sold by the non-profit.

In addition to documents in each individual file, the following should be available for review:

- (1) Bank statements and monthly reconciliations for last 2 years.
- (2) Cancelled checks (front and back) for last 2 years
- (3) Last financial statement and evidence of funding sources
- (4) Rental ledger cards and evidence of receipts/deposits
- (5) General ledger entries for last 2 years
- (6) Contractor licenses and qualification records
- (7) Marketing Plan and evidence of marketing efforts
- (8) Affordable Housing Plan
- (9) Quality Control Plan and monitoring reports.

Enclosure 3

The organization responsible of the sale of HUD Home in your area is one of the following:

ILLINOIS and INDIANA

Harrington, Moran, Barksdale, Inc.
8600 W. Bryn Mawr Avenue, Suite 600 South
Chicago, IL 60631
Phone Number: 773-714-9200
Toll Free: 866-702-6600
Fax Number: 773-714-1669
Website: www.hmbireo.com

MISSISSIPPI and ALABAMA

Hooks VanHolm, Inc.
The Noble Building
1021 Noble St., Suite 212
Anniston, AL 36201
Telephone: 256-241-1415
Toll-free: 1-866-851-5476
Fax: 256-247-1425
www.hooksvanholm.com

TENNESSEE and KENTUCKY
Pyramid Real Estate Services, LLC

616 Marriot Drive, Suite 300
Nashville, TN 37214
Telephone: 615-885-2002
Toll-free: 877-451-4680
Fax: 615-885-2064
www.pyramidrealestate.com

PUERTO RICO

Atlantic Alliance of Asset Managers
Iturregui Plaza, Suite 14A
1135 65th Infantry Avenue
Rio Piedras, Puerto Rico 00924
Local: 787-300-2194
Fax: 787-300-2199
www.atlanticallianceassetmanagers.com

FLORIDA

National Home Management Solutions
2100 Coral Way, Suite 504
Miami, FL 33145
Phone Number: 305-854-1711
Toll Free: 888-653-8357
Fax Number: 786-433-1709
Website: www.nhmsi.com

NORTH and SOUTH CAROLINA
HMBI

5350 77 Center Drive, Suite 200
Charlotte, NC 28217
Telephone: 704-522-3590
Toll-free: 1-866-316-4624
Fax: 704-565-6852
www.hmbireo.com

GEORGIA

PEMCO, LTD
Piedmont Center
3525 Piedmont Road, NE
Building, Five, Suite 310
Atlanta, GA 30305
Local: 404-995-7111
Fax: 404-995-7110187

Internal HUD Distribution:					
4AHHS	OFFICIAL FILE	4AHHS1	APPLINE	4AHHP	P&U
4AHHS	READING FILE	4AHHS3	ALLEN	LAMBERT (DATA BASE) (WEB UPDATE)	
4AHH	GARDNER	4AHHS1	ROBINSON		
4AHHS3	HOGANS	4AHR	REO		

Identification Lines: Chicago Staff : Sheila Hughey : 6-09-08

J : SF / HHP / Shared / Non profit Restored / GA /Mach Academy, Inc. Approval Ltr 6.11.08

Correspondence Code	Originator	Concurrence	Concurrence	Concurrence	Concurrence	Concurrence
	4AHHS1	4AHHS3	4AHHS3	4AHHS3		
Name	S. HUGHEY	LAMBERT	ALLEN	HOGANS		
Date	6/9/08	6/11/08	6/11/08	6-11-08		