

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**[Docket No. FR-4188-N-01]****Notice of Sale of Single Family Mortgage Loans**

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner, Department of Housing and Urban Development.

ACTION: Notice of sale of single family mortgage loans.

SUMMARY: This notice announces the Department's intention to sell approximately 19,100 Secretary-held single family mortgage loans (the "loans") in a sealed bid auction. The majority of loans were insured under various sections of the National Housing Act, 12 U.S.C. 1701 *et. seq.* (the "Act") and thereafter assigned to the Department pursuant to Section 230 of the Act (12 U.S.C. 1715u). The loans are secured by single family properties located nationwide. This notice also describes the bidding process for these loans.

DATES: Bid Packages will be available to eligible bidders on or about November 27, 1996. The auction is currently scheduled for January 28, 1997.

ADDRESSES: Bid Packages will be available from FHA's Financial Advisor, Merrill Lynch Mortgage Capital Inc. ("Merrill") 250 Vesey St., New York, NY 10281. Bid Packages will be made available only to parties who complete a Confidentiality Agreement and Qualification Statement and are determined to be eligible bidders. Interested parties can obtain a Confidentiality Agreement and Qualification Statement by calling 1-800-363-4704. This is a toll free number. Merrill will forward Bid Packages to eligible bidders via overnight courier. Imaged asset files for the loans included in the sale are available for review by eligible bidders who visit the due diligence facility located at 1140 Connecticut Ave, N.W., Suite 302, Washington, D.C. 20036. To schedule a visit to the due diligence facility or to order supplemental information on the loans, eligible bidders should contact Henry Kiema at 202-496-1170. This is not a toll-free number. The due diligence facility will be open between the hours of 8:00 a.m. and 8:00 p.m., Monday through Friday and 8:00 a.m. to 5:00 p.m. on Saturday. The facility will open on or about December 2, 1996 and will close on or about January 24, 1997.

FOR FURTHER INFORMATION CONTACT: Joseph McCloskey, Director, Single

Family Servicing Division, Office of Insured Single Family Housing, Room 9178, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410; telephone 202 708-1672. This is not a toll free number. Hearing or speech-impaired individuals may access this number via PT (text telephone) by calling the Federal Information Relay Service at 1-800-877-8339. This is a toll-free number.

SUPPLEMENTARY INFORMATION: The Department intends to sell approximately 19,100 single family loans in this auction. The loans are secured by single family properties. Some of the loans are performing and some are non-performing. The loans will be divided into one million dollar (\$1,000,000) mortgage loan blocks, which will be further arranged into groups. A list of specific loans, mortgage loan blocks and group descriptions will be contained in the Bid Package. No loans will be sold individually. Prior to assignment to HUD, the loans were insured by the Federal Housing Administration (FHA). The loans are not now insured and will be sold without FHA insurance. In the case of most of the loans, HUD has agreed to forbear, under certain conditions, from enforcement of its rights upon default and, for those loans that are within the initial 36-month period of forbearance, mortgagors' payments may be reduced or suspended under the terms of the forbearance agreements. This sale contains loans from both inside and outside of the 36-month period. The Department will offer interested parties an opportunity to bid competitively on loan pools which they may create from combinations of loan blocks, subject to conditions set forth in the Bid Package. The Department shall use its sole discretion to evaluate and determine winning bids.

The Bidding Process

These are the essential terms of sale. To ensure a competitive bidding process, the terms of sale are not subject to negotiation.

The Department will describe in detail the procedure for participating in the Bid Package, which will include bid forms, a nonnegotiable loan sale agreement prepared by the Department (Loan Sale Agreement), specific bid instructions, as well as pertinent information on the loans such as total outstanding unpaid principal balances, interest rate ranges, maturity terms, geographic locations and performance. The Bid Packages also include computer diskettes containing data on all of the loans.

Bid Packages will be available approximately 8 weeks prior to the Bid Date. The Bid Package will also include instructions for bidder registration and will contain procedures for obtaining supplemental information about the loans. Any interested party may request a copy of the Bid Package by sending a written request together with a duly executed Confidentiality Agreement and Qualification Statement to the address specified in the **ADDRESSES** section of this notice.

Prior to the Bid Date a Bid Package Supplement will be mailed to all eligible bidders. It will contain the final list of loans to be conveyed to the successful bidder(s).

Each bidder must include with its bid a deposit equal to 10% of the amount of its highest bid. If a successful bidder fails to abide by the terms of the Loan Sale Agreement, including paying the Department any remaining sums due pursuant to the Loan Sale Agreement and closing within the time period provided by the Loan Sale Agreement, the Department shall retain any deposit as liquidated damages.

Due Diligence Facility

A bidder due diligence period will take place beginning on or about December 2, 1996. During the bidder due diligence period, eligible bidders may, for a non-refundable fee of \$500, review all asset file documents which have been imaged onto a database by visiting the due diligence facility located at 1140 Connecticut Ave., N.W., Suite 302, Washington, D.C. 20036 and/or via modem. Finally, bidders may purchase at a cost of \$500 CD Rom discs containing substantial due diligence materials such as approximately 34 month payment histories and Brokers' Price Opinions.

Specific instructions for ordering information in electronic format or making an appointment to visit the due diligence facility will be included in the Bid Package. The Department reserves the right to charge a reasonable fee to cover its costs in duplicating and forwarding any information requested by an interested party.

FHA Reservation of Rights

The Department reserves the right to remove loans from the sale at any time prior to the Bid Date for any reason and without prejudice to its right to include any loans in a later sale. The Department also reserves the right to terminate this sale at any time prior to the Bid Date.

The Department reserves the right to use its sole discretion to evaluate and determine winning bids. The

Department reserves the right at its sole discretion and for any reason whatsoever to reject any and all bids.

The Department reserves the right to conduct a "best and final" round among tied bidders, wherein bidders will be given the opportunity to increase their bids. A best and final round shall not be construed as a rejection of any bid or preclude the Department from accepting any bid made by a bidder.

Ineligible Bidders

Notwithstanding a bidder's qualification as an eligible bidder and approved servicer the following individuals and entities (either alone or in combination with others) are ineligible to bid on any one or combination of the loans included in the sale:

(1) Any employee of the Department, and any member of any such employee's household and any entity controlled by an FHA employee or by a member of such employee's household;

(2) Any individual or entity that is debarred or suspended from doing business with the Department pursuant to 24 CFR part 24;

(3) Any contractor, subcontractor, consultant, and/or advisor (or any agent, employee, partner, director, principal, or affiliate of any of the foregoing) who

performed services for, or on behalf of, the Department in connection with this sale;

(4) Any individual that was an employee, partner, director, agent, or principal of any entity or individual described in paragraph (3) above at any time during which the entity or individual performed services for, or on behalf of, the Department in connection with this sale; and

(5) Any bidder that uses the services, whether directly or indirectly, of anyone who is deemed to be ineligible under any of paragraphs 1-4 above.

Number of Bids

Bidders may bid on any or all of the mortgage loan blocks and/or create their own pools of one or more mortgage loan blocks within a mortgage loan group.

Ties for High Bidder

If a tie continues after the best and final offers are submitted, the successful bidder will be determined by lottery.

Single Family Loan Sale Procedure

The Department has selected a competitive sealed bid auction as the method to sell the blocks of loans. Historically, this method of sale optimizes the Department's return on the sale of loans, affords the greatest opportunity for all interested parties to bid on the defaulted loans, and provides the quickest and most efficient vehicle for the Department to dispose of the loans.

Single Family Loan Sale Policy

Post Sale Servicing Requirements

The loans will be sold with servicing released by FHA. The loans must be serviced by an FHA approved mortgagee for the remaining lives of the loans, unless a loan is modified, refinanced or satisfied of record.

Successful bidders, or purchasers of these loans, and their successors and assigns, will be required to service the loans in accordance with the applicable provisions of the Loan Sale Agreement. The Department intends to take any and all steps possible to ensure enforcement of these provisions.

Scope of Notice

This notice applies to the Single Family Loan Sale Number 4, and does not establish Departmental procedures and policies for the sale of other mortgage loans. If there are any conflicts between this Notice and the Bid Package, the contents of the Bid Package prevail.

Dated: December 10, 1996.

Nicolas P. Retsinas,

Assistant Secretary for Housing-Federal Housing Commissioner.

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