



MAY 2017 HUD/MBA PRESERVATION & CLAIMS SUBCOMMITTEE MEETING NOTES

Old FAQ's:

Are no longer considered policy and should not be used.

General Information Regarding Volume:

HUD has approximately 15K properties in inventory. At the height of the crisis they had 65K. April is the first month that CWCOT (claims without conveyance of title) claims were greater than conveyance claims.

- <https://www.housingwire.com/blogs/1-rewired/post/37733-heres-the-best-way-to-interpret-the-fhas-cwcot-program>
- <https://portal.hud.gov/hudportal/documents/huddoc?id=91-16ml.txt>

Pre-conveyance Inspection:

In January 2017 HUD announced a pilot program with three servicers (Chase, B of A and Wells). Unfortunately this has progressed slower than anticipated. Initial date shows 15 of 20 properties passed and five did not. Target for June is to find 50 properties per month for three months and then evaluate.

HUD is looking at options for addressing fails (no details provided). If issue(s) are minor enough they may allow a ten day window to correct.

HUD currently has expectation of conveyance/claim filing within five days of a successful inspection. This could change after final pilot numbers are analyzed.

P260 (HUD System of Record):

Yardi has made some enhancements. One is the ability to see a claim block in the system if DC has imposed one.

Supplemental Claims are not currently being processed in P260.

Clear Boarding:

HUD has no intention of requiring clear boarding. Servicers are welcome to do it but it would be at the .90 UI plywood allowable. In jurisdictions where clear boarding is required an OA can be submitted along with jurisdiction requirements.

Reconveyance/Reacquisition:

The issue discussed concerned central AC units. Currently in high crime areas it is acceptable to place a new unit in the house to prevent theft during conveyance. There

have been instances where after reconveyance work is completed, servicers have been prevented from placing them inside. HUD states placing inside is acceptable.

William Collins, Program Director – HUD National Servicing Center mentioned a concern with additional deterioration to a property that occurs with delayed conveyances.

It was confirmed that an additional inspection with the FSM could be used to smooth the process much as the pre-conveyance inspection is designed to do.

CWCOT (claims without conveyance of title):

Properties with surchargeable damage are NOT eligible unless there were **insurance proceeds and the damages have been fixed**. If there are issues on this subject servicers are to appeal to William Collins.

Although documentation is being uploaded into P260 they currently do not have anyone reviewing. They are looking to amend a current third party contract with a third party vendor to have them perform.

Currently indemnified loans do not qualify for CWCOT.

The definition of acquisition of a CWCOT property is when the new owner takes possession.

BY Pass Agreements (Performing work after conveyance to prevent a reconveyance):

They are available to all HOC's (home ownership centers) however not all REO Directors support them. This may be changing. The REO Directors do support raising the surchargeable damage threshold from \$ 2,500 to \$ 5,000 which theoretically should reduce reconveyances.

REO Directors Meeting:

HUD is evaluating the possibility of another meeting similar to the one held in 2010 in Denver.

Reimbursement Curtailments:

24 CFR 203.402 has been on the books since the early 90's. This provision allows for disallowance of preservation expenses that are incurred after a property should have conveyed. ISN is not enforcing however claims auditors could pick this up. If a servicer has issues they should appeal to HUD DC.

HUD will take back the question of reimbursement of expenses that are within the conveyance timeframe but due diligence timeframes were exceeded.

FC Timelines & Attorney Fees and Costs:

HUD is currently reviewing and expects changes to be announced at a future date via the servicing handbook.

Emergency Repairs:

BATF(bid after the fact) is acceptable for emergency repairs with proper documentation and photographs. **Non-emergent conditions will be denied if BATF, OA bid should submitted.**

Reoccupied Properties:

The FTV date (first time vacant) should be updated in circumstances where a previously vacant property becomes reoccupied and then vacant again. **Justification needs to be provided.**

Dump Receipts:

HUD is still requiring dump receipts for all debris removal.

Utility Bills:

HUD will be addressing utility bills in an upcoming ML. These expenses should not count against the P&P cap.

Partial Denials of O/A's:

This is occurring in cases where there is not enough documentation to support a line item in a bid. Ex. Roof bid- not seeing attic/interior photos that show the roof is leaking.

They should be handled through resubmission and NOT on an appeal. Doing so extinguishes any more appeal rights.

Personal Property Evictions:

Per ISN extensions requests should not be needed in these cases.

Email Clarifications:

If it is solely a clarification they should be acceptable as documentation however it should be from either William or Matt Martin.

Photos and Dates:

There should not be a problem on a claim if additional photos to document work completion have to be obtained and the date stamp shows a date different than when the work was completed. It needs to be properly documented and justified and the evidence should be retained in the claim file.

Inspections:

ISN reiterated that the actual inspections must be included with the claim.

Description of Damages:

Industry has expressed concern regarding reporting of damages. There is a difference between damages that are due to normal aging (wear and tear) versus those caused by various acts (vandalism, weather, etc). The requirement to document all damages is especially concerning as it has the ability to impact reconveyance and the necessary repairs to marketable condition. HUD understands the industry's concern and will look to provide guidance in a future communication.

