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Chapter 1 Introduction

[Sample Client] is committed to the highest standards of federal consumer compliance and requires all management, employees, and third-party vendors to follow these policies and adhere to these standards.

1.1 Goals and Objectives

The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout [Sample Client]'s operations. These requirements are intended to prevent [Sample Client], its employees, and third-party vendors from violating federal regulations related to mortgage servicing and consumer compliance.

1.2 Required Review

[Sample Client] requires this policy be reviewed no less than annually. The review shall include the compliance of this policy with current law, regulation or directive, the procedural implementation of this policy within the then-current scope of [Sample Client]'s business lines and operations, internal or external audit results received during the previous year, and then-current industry trends or regulatory guidance.

1.3 Applicability

The purpose of this policy is to implement consumer protection mechanisms as required by the United States statutes and related federal regulations administered by the Consumer Financial Protection Bureau (CFPB) and other prudential regulators as identified by the CFPB including the Board of Governors of the Federal Reserve System (FRS), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC).

Wherever state or local regulations overlap and are stricter than the requirements set out in this policy, the more conservative approach shall be applied. If any applicable laws or prudential regulator requirements conflict with this policy, [Sample Client] must consult with the appropriate legal counsel to resolve the conflict and to set forth [Sample Client]'s policies and procedures for compliance.

Chapter 4 Property Preservation Requirements

As directed in this and other policies, [Sample Client] is responsible for performing all property maintenance functions to ensure that the condition and appearance of the property is satisfactorily maintained. While a loan is in a default status, [Sample Client] requires that all vacant properties be preserved and protected in accordance with company, investor, Fannie Mae, Freddie Mac, FHA, USDA and VA guidelines, as applicable.

4.1 General Property Maintenance and Management

Throughout the foreclosure process, [Sample Client] is responsible for performing all property maintenance functions to ensure that the condition and appearance of the property are maintained satisfactorily. This includes securing the property, mowing the grass, removing trash and other debris that violate applicable law or pose a health or safety hazard, winterizing the property, etc. [Sample Client] must manage the property until it is conveyed to the insurer or guarantor or otherwise disposed. [Sample Client] must take whatever action is necessary to protect the value of the property. This includes making sure that no apparent violations of applicable law are occurring on the property (such as violations of laws relating to illegal narcotics and similar substances) and that the property is protected against vandals and the elements.

[Sample Client] must take the following actions:

- Determine whether utility services should be continued. Generally, the utilities are left on unless the property is expected to be vacant for an extended period of time, and even then, the heating source may be left on to prevent damage in cold weather areas. However, the varying weather conditions in different parts of the country and the conditions and circumstances that exist when the property is acquired must be considered in the decision on the continuation of the utility services.
- Secure a vacant property by changing exterior locks, securing all windows, garage doors, and exterior doors, repairing fences, and otherwise securing potentially dangerous areas and facilities (such as swimming pools) against entry or use by children or others who could be harmed. Knob locks and lockboxes are recommended by the agencies as an economical method of securing abandoned property. Only one lockbox may be installed for the life of the loan. Properties should not be boarded unless absolutely necessary to prevent vandalism or secure the property, or where required by law.
- Notify the loss mitigation, collections, and insurance departments about any damage to the property, any injury to a person on the property, or any conditions that could result in injury to

Property Maintenance and Preservation Policy Manual

Property Preservation Requirements
U.S. Department of Housing and Urban Development
Inspection, Preservation, and Protection
Requirements

[Sample Client]

4.3.2 Inspection Requirements

For all inspections, [Sample Client] must document the general condition of the property, and any actions required to adequately protect and preserve the property. Proper documentation includes copies of all completed inspection forms and accompanying follow-up documentation for occupancy inspections.

The following items must be documented in each inspection report, as applicable:

- Date of the inspection
- Identity of the inspector
- Is the property occupied?
- Is the house locked?
- Is the grass mowed and/or shrubs trimmed?
- Is there any apparent damage?
- Is any exterior glass broken?
- Are there any apparent roof leaks?
- Does the house contain personal property and/or debris?
- Are any doors or windows boarded?
- Is the house winterized?
- Are any repairs necessary to adequately preserve and protect the property?

[Sample Client] must maintain proper documentation on the performance of inspections and follow-up activities. HUD defines proper documentation, for the purposes of reimbursement, as copies of all completed inspection forms and accompanying follow-up documentation for occupancy inspections. This documentation must be available for verification and must be maintained in each claim review file for which [Sample Client] is seeking reimbursement.

4.3.3 Preservation and Protection Actions

If it is determined the property is vacant or has been abandoned, [Sample Client] must take all reasonable action short of illegal trespass, to secure and protect the property from damage from the elements and from vandalism. [Sample Client] is expected to comply with all requirements set forth by the local HUD office for the preservation and protection of insured properties.

Key requirements for preservation and protection are as follows:

4.6.1 Coordination with First Lien Mortgage Loan Servicer

[Sample Client] will work with the first lien mortgage loan servicer to identify specific servicing responsibilities that might be more effective if they were shared or handled by only one servicer instead of by the two servicers acting independently. This may be especially true when the same investor also has an ownership interest in the first lien mortgage loan, because the servicer of that mortgage loan is already obligated to take certain actions on the investor's behalf. Any agreement that may be reached should concentrate on limiting duplication of effort and avoiding unnecessary expenses.

4.6.2 Advances to Protect Second Lien Mortgage Loan Investment

As a servicer of second lien mortgages, [Sample Client] must advance reasonable amounts for expenditures that are required to protect the investor's investment in the second lien mortgage loan. While these advances usually relate to the second lien mortgage loan, they may occasionally be required for the first lien mortgage loan. Typically, when the same investor has an ownership interest in the first lien mortgage loan, the servicer of that loan will make all of the advances required to protect the security. However, if the second lien mortgage loan is insured by a conventional mortgage insurer, [Sample Client] may have to advance funds to reinstate and satisfy the first lien mortgage loan if the mortgage insurer requires that as a condition for claim filing.

4.6.3 Second Lien Mortgage Property Inspection Requirements

Before [Sample Client] conducts a property inspection, [Sample Client] will contact the first lien mortgage holder to avoid a duplication of effort. As a servicer of second lien mortgages, [Sample Client] must complete a property inspection of the property securing the mortgage loan by the earlier of the date foreclosure proceedings are initiated or the 45th day of delinquency. Further, [Sample Client] must schedule subsequent property inspections as often as necessary. If [Sample Client] initiates the foreclosure proceedings, property inspections must continue every calendar month until the required property inspection prior to the foreclosure sale is complete. [Sample Client] must notify the first lien loan servicer of the property inspection results.

4.7 State and Jurisdictional Requirements

Several cities and states have enacted ordinances that include, but are not limited to, the following:

- Standards for landscape maintenance
- Registration by lender/service or trustee
- Structural conformity of the properties to the neighborhood