



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

Questions and Answers: ML 2010-18 Updated Property & Preservation (P&P) Requirements and Cost Procedures

FAQs updated as of June 7, 2011

Note: *The answers provided in these FAQs are directly related to the question asked. It may not be appropriate to apply certain answers to different questions. HUD cannot anticipate each potential scenario so there may be other interpretations or variations to each situation.*

Updates from March 28, 2011 FAQs:

- HUD has updated the FAQ for personal property storage (FAQ #79)

60-Day Extension of ML 2008-31 Cost Exhibit:

- 1) Due to programming time constraints in transitioning P&P costs from ML 2008-31 to ML 2010-18, would HUD consider extending the implementation time?

Answer – HUD will allow for a 60 day extension for the continued use of ML 2008-31 cost schedules listed as Attachments 1 through 10 in the Mortgagee Letter. During this time, we expect the lender to migrate towards ML 2010-18 pricing and system coding.

- Work completed post 7/13/10 may be charged at the ML 2008-31 costs with appropriate documentation during the 60 day extension.
- As of 7/13/10, the property cap of \$2,500 will go into effect for all loans, including those in the pipeline.
- The lender is allowed an aggregate cost per property of \$2,500 whether the cost schedule of ML 2008-31 or ML 2010-18 is used; documentation to support the cost should be readily available at the request of the MCM.
- As of 7/13/10, “spent to date” is the aggregate of all work completed on the property, including all items considered “routine” per ML 2010-18 (inspections, pool securing, interior debris removal, etc.)
- During this 60 day extension timeframe, if aggregate cost is greater than \$2,500 and subsequent work can be completed for the allowable cost of either ML 2008-31 or ML 2010-18, no overallowable is needed.

- If the mortgagee has previously received an overallowable approval for a re-occurring expense or one-time major repair/event, there is no need to obtain another approval.

The lender will be required to indicate which cost schedule has been used on an overallowable request in the individual line item section "Mortgagee Remarks". If no overallowable is needed, the cost schedule used must be notated in Part B Claim submission. **If this clarification is not documented the line item cost will be denied.**

Grass Cuts:

- 2) Grass cut season begins April 1, 2011. Will the yard maintenance pricing from ML 2010-18 go into effect at this time?

Answer – No, HUD will continue to utilize ML 2008-31, Attachment 6 "Yard Maintenance and Snow Removal Requirements, Page 39 through the end of the 2011 grass cut season. It is anticipated that after this timeframe, HUD will have a permanent cost estimator product in place.

- 3) Exhibit A, Section F, indicates in certain states "an initial grass cut may be completed when needed during any month of the year." If the grass needs maintaining outside of the 4/1 to 10/31 timeframe, should it be submitted in P260 for approval?

Answer – When it is determined a grass cut is needed outside of the grass mowing season timeframe the mortgagee should mow the grass in accordance with ML 2010-18. The mortgagee should remember that maintenance on the property is required to avoid code violations from local municipalities, including grass cuts.

- 4) In ML 08-31, there were 5 states for which year-round grass cuts were required; however, this isn't addressed in ML 10-18. How should these states be handled?

Answer – HUD will continue to allow year round grass cuts in the 5 states listed in ML 08-31.

Arizona/California/Nevada

Grass should be cut year-round. Properties with desert landscaping require only once a month weed removal and are reimbursed as a re-cut.

Hawaii/Pacific Islands

Grass should be cut year-round.

Florida

Grass should be cut year-round.

ML EFFECTIVE DATE:

- 5) The opening statement of the Mortgagee Letter states the guidance is for “foreclosed” properties. Can you please clarify the guidance is for both pre-foreclosure sale properties found vacant and abandoned as well as properties that have already been foreclosed?

Answer - Any property subject to an FHA-insured mortgage must be maintained in accordance with the regulations of 24 CFR 203.377, when it comes to preserving and protecting the property. The guidelines provided in ML 2010-18 outline some guidance to the mortgagee as to how this is done but in no way is it all inclusive. It is inherently the responsibility of the mortgagee to take prudent actions to document property condition when discovered vacant or abandoned, to secure and to prevent further damage. It is not HUD’s intent to prescribe to the mortgagee how this is done.

- 6) How should the effective date of ML 2010-18 be applied to loans in the pipeline for conveyance?

Answer –

- a. Loans ready to convey, prior to 7/13/10 – conveyance condition should comply with ML 2008-31
- b. Loans ready to convey, post 7/13/10 – conveyance condition must comply with ML 2010-18

- 7) Please clarify HUD’s definition of conveyance condition per ML 2010-18.

Answer –

- a. Broom swept condition: Property that is free of dust, dirt, hazardous materials or conditions, personal belongings and interior and exterior debris. The cost to put the property in broom swept condition is included in the cost per cubic yard of the interior debris allowable. A separate fee may not be charged.
- b. Interior repairs: Any necessary repairs should have been discovered and addressed before the final cleaning.

- c. Interior/Exterior debris removal: It is the mortgagee's responsibility to obtain fiscally responsible pricing for both interior and exterior debris removal.
- d. Roof Tarp:
 - i. Prior to ML 2010-18 effective date, if an active leak is discovered within 30 days of conveyance, the mortgagee may convey the property tarped with prior notification to the MCM of the tarping.
 - ii. After July 13, 2010, the lender may utilize a temporary tarp to mitigate the damage prior to repairing the roof. HUD will not accept a property tarped once ML 2010-18 becomes effective. If an extension of time is needed to complete the roof repair prior to conveyance it must be requested in a timely manner.

ALLOWABLE COST LIMIT PER PROPERTY:

- 8) The ML states that the maximum property allowable has been increased to \$2,500 and excludes the cost of one time major repair items – e.g. roof replacement and demolition. Do we no longer need to submit overallowable requests?

Answer – The \$2,500 allowable P&P amount is for routine preservation and protection. Overallowable requests will be required when the aggregate costs of all preservation and protection (P&P) functions specified in 24 CFR 203.377 and in ML 2010-18 exceed \$2,500 and the work cannot be completed for the line item allowable cost. If the aggregate cost for routine P&P work exceeds \$2,500 and subsequent work can be completed for the line item allowable cost, the mortgagee is not required to submit an overallowable request.

- 9) What constitutes “routine” preservation and protection included in the \$2,500 property allowable?

Answer – Routine preservation includes, but is not limited to, property inspections, securing, debris and hazard removal, boarding, pool securing, winterization and yard maintenance.

The \$2,500 property cap is inclusive of all work completed on a property, with the exceptions of repairs completed with insurance proceeds or repairs that can be considered a “major repair”.

- 10) Please define “major repair”.

Answer – A “major repair” is a single extraordinary item or event that will cost more than \$1,500 to repair. The cost of this item or event will not be included in the \$2,500

per property allowable.

- 11) The ML states that if a property is conveyed damaged, or if a title defect is discovered the Department may re-convey; however, the letter does not outline the process. Can you please provide information on the guidelines and timeframes for the re-conveyance process?

Answer – When a title or property condition issue is discovered, the Mortgagee is alerted by the MCM issuance of the Preliminary Notice of Intent to Reconvey letter (PNOIR) via email through P260. The Mortgagee has 30 days to correct the issue before the reconveyance process continues.

Under 24 CFR 203.363 – Effect of Non-Compliance with Regulations:

“In the alternative to holding processing in abeyance, the Secretary may reconvey title to the property to the mortgagee, in which event the application for insurance benefits shall be considered as cancelled and the mortgagee shall refund the insurance benefits to the Secretary as well as other funds required by 203.364 of this part.”

HUD and its contractors make every attempt to process a reconveyance within 30 days. However, certain circumstances arise that may prevent HUD, or its contractors, from meeting that deadline. Regardless, not meeting the 30 day timeframe in no way relinquishes HUD’s right to reconvey.

While ML 2008-31 states that the M&M would provide a preliminary email of a possible reconveyance within 30 days of conveyance, there is no such language in ML 2010-18. ML 2010-18 superseded ML 2008-31 in its entirety.

- 12) Under Mortgagee Responsibility, Mortgagee Neglect, item (a) states “...adequately verify the occupancy status of a home”. Please define “adequately”.

Answer – The Mortgagee should provide necessary inspection and investigation documentation, including photos, in order to verify and report accurate occupancy status and attempt to identify the occupant of the property. See 4330.1 Rev 5, Section 9-9 for additional clarification on inspection requirements.

The Mortgagee is responsible to secure and maintain the property as required to protect the property from damage or deterioration until the property is conveyed.

- 13) Under Mortgagee Neglect, item (d), HUD has removed the securing timeframes and replaced the measurable timeframe with "promptly." Please define “promptly”.

Answer – Promptly is defined as “as soon as reasonably practical”. The property should be secured no more than 5 calendar days following the determination that the property is vacant and/or abandoned post-foreclosure or 15 business days following the determination that the property is vacant and/or abandoned pre-foreclosure.

- 14) Under Mortgagee Neglect, item (e) it states the mortgagee must “Promptly notify the MCM of receipt of code violations, demolition notices and/or take appropriate action.” Please define the expected notification period required by HUD. Additionally, please confirm that the timely submission of bids for approval will be considered notification.

Answer – Specific notification is required immediately upon receipt of notices by sending an e-mail to mcm-violations@mcbreo.com. A copy of the code violation should be uploaded into P260 attached to the corresponding FHA case. The submission of an overallowable request does not constitute notification.

- 15) Exhibit A, 1, states “...the maximum property preservation allowance is the maximum reimbursement for all P&P on an individual property. Maximum amounts for individual line items are set forth in Exhibit B.” Does this mean we have to still submit an overallowable request if an individual line item exceeds the line item allowable in Exhibit B?

Answer – No. Each property has an allowable of \$2,500 for routine preservation work. If a routine item is greater than the individual line item in Exhibit B and the \$2,500 property allowable has not been reached, the work may still be completed without MCM approval and claim submitted with the verifiable and auditable documentation substantiating the cost of work. The \$2,500 property allowable excludes major repairs and it is calculated based on a chronological order of repairs/maintenance.

- 16) Language in the Mortgagee Letter references approving/denying/adjusting overallowable requests utilizing an industry standard cost estimator. Does this mean the second bid requirement has been eliminated?

Answer – Yes. ML 2010-18 does not require the submission of bids. It is the mortgagee’s responsibility to perform the work at the most reasonable and appropriate cost, unless additional information is specifically requested by the MCM.

- 17) Has HUD determined which industry standard cost estimator tool will be utilized by the MCM? Is the cost estimator available to mortgagees and field service vendors?

Answer - Vendors may continue to utilize any method of cost estimating that produces an accurate and independently verifiable cost proposal. This estimate will be reviewed and verified by the MCM utilizing a cost estimator that is commonly used by the preservation industry. The current Pilot Cost Estimator Contract has been awarded to Marshall & Swift (MSB) and for more information regarding their services please contact Dick Brooks at 262-798-3662. MSB's help line regarding assistance with cost estimates is 888-337-9667.

18) Please confirm that material receipts are required for dump fees and extermination receipts only.

Answer – Receipts and/or other appropriate documentation are required to justify and verify any item where reimbursement is requested.

19) The letter advises that requests must be submitted at least 5 business days prior to the conveyance due date or they will be rejected. Will an overallowable request be automatically denied if not submitted prior to the 5 day deadline? Also, please confirm work completed can still be claimed.

Answer – If the conveyance deadline has not passed, the lender should submit an extension of time request with justification to substantiate the timing of the overallowable request. An overallowable request is not automatically denied regardless of whether an extension of time to convey has been submitted and/or is pending review. Work completed may still be claimed.

20) What is the timeframe for the MCM to respond to overallowable requests?

Answer – The MCM has 5 business days to respond.

21) If a timely response is not received, does the mortgagee receive an automatic extension?

Answer – No, extensions will be determined on a case-by-case basis. Any delays caused by HUD or its agents will receive appropriate consideration.

22) In instances where a property sustains new damage (within the 5 day over-allowable review timeframe) and the max cap has been reached, should mortgagees file an extension and over-allowable request explaining the new damages?

Answer – If the mortgagee has determined it is prudent to do so.

- 23) If mold is present at FTV and if the root cause is addressed promptly by the mortgagee, please confirm no further action required to prevent growth prior to conveyance. How would HUD wish the existing mold be remediated? Should mitigation of the mold be bid or just documented as mortgagor neglect with no preservation action required?

Answer - The source of the mold is to be repaired or remediated as required to prevent further water infiltration or damage to the property.

Any repair or remediation required to prevent further damage that results in costs exceeding a one time major repair item of \$1,500 or an aggregate amount of \$2,500 shall be submitted as an overallowable.

- 24) The letter states, “As a matter of Administrative Practice, HUD generally will not deny conveyance of properties if the Government’s estimate of the cost to repair the damage attributable to the mortgagee is equal to or less than \$2,500. The claim is generally reduced by that amount.” Is the \$2,500 review going to be performed prior to or after the Part B-E claim is filed?

Answer - The review will be performed at the time of conveyance after filing the Part A claim.

- 25) Can the mortgagee reduce the claim by damage amount and convey?

Answer – The MCM, upon recommendation by the FSM, will make a determination and notify the Mortgagee accordingly upon request for a surchargeable damage inspection.

- 26) The new letter indicates “If at any time local codes require more extensive protection than stated in this guidance, mortgagees shall contact the MCM.” To whom should this information be provided and what specific documentation is required?

Answer – Documentation to support the more extensive work should be attached to the overallowable request.

- 27) Will the one-time \$30 photo fee still be allowed?

Answer – HUD will continue to allow this photo fee to be claimed.

28) Is HUD eliminating the need to perform twice per week hot zone inspections?

Answer - Hot zones are established by local jurisdiction. Absent HUD guidelines, the mortgagee must follow local code. HUD will no longer provide prescriptive guidelines to mortgagees.

29) The letter states “Inspection reports and photographs shall be submitted in P260 in support of the 27011 parts B-D claim request.” Document packages, including inspection reports and photographs, oftentimes exceed 100 pages. Please confirm HUD is requesting that the entire claim package be submitted to P260 at this time.

Answer - Documentation, including photos, to support routine preservation work will not be required during the Part B Claim submission. P&P work that includes previously reviewed and approved overallowables will require photos to document that the P&P work has been completed. As a reminder, mortgagees may upload photos at any time into P260 to document any P&P work to substantiate their claim.

HUD expects a quality control review and editing of large photo files and/or supporting documentation to ensure only the necessary and applicable information is uploaded into P260.

MCB may request supporting documentation to substantiate the claimed amount at any time.

30) Are we required to go back and upload photos documenting completed previously approved P&P overallowables?

Answer – Photos documenting that P&P work was completed will be required on all overallowables submitted and approved on or after July 13, 2010.

31) What are the documentation requirements for the Part A Claim?

Answer – The Part A Claim submission has not changed.

32) HUD mailers were referenced in the 2008-31 regulations stating we should send out a mailer and wait 5 business days prior to inspecting. There is no mention of HUD mailers and the 5-day wait period, was HUD's intent that we still follow this directive?

Answer – Mailers are a good business practice but are not detailed in ML 10-18. A mortgagee may choose to use an occupancy mailer, door hanger or another form of contact; however, there is no requirement to wait a minimum of 5 days for a mortgagor to respond to the efforts. Further, HUD regulations require a mortgagee to inspect properties in a 25 – 35 day cycle unless contact has been made with the mortgagor and occupancy of the property has been verified. HUD reimburses up to 13 inspections per calendar year unless there is a need for additional inspections for which the lender must provide justification and supporting documentation.

33) Initial vacant property inspections are performed on the date the mortgagee takes physical possession of a vacant or abandoned property. The initial inspection is when the mortgagee ascertains the condition of the property and may be of critical importance in distinguishing between mortgagor neglect following conveyance. Please distinguish between vacant and abandoned properties.

Answer - Local jurisdictions define this requirement.

34) If a property is vacant and the loan is in bankruptcy, in active loss mitigation, etc., please confirm mortgagees will not be held liable for mortgagee neglect.

Answer - Mortgagees will be held responsible for any damage that occurs to a property during the time it is vacant or abandoned and the mortgagee failed to:

- a. Establish contact with the mortgagor and adequately verify the occupancy status of a property;
- b. Initiate foreclosure within the required timeframe;
- c. Obtain timely and accurate property inspections;
- d. Promptly secure and continue to protect all vacant properties; or
- e. Promptly notify the MCM of receipt of code violations, demolition notices and/or take appropriate action.

35) The letter states, "Vacant property inspections are performed after the initial inspection and physical possession by the mortgagee have occurred." Please confirm that inspections on occupied properties and vacant/unsecured properties can be claimed. Should these inspections be labeled as subsequent inspections rather than vacant property inspections? Please confirm that occupied inspections will be reimbursed.

Answer – Pursuant to 4330.1 Rev 5, Section 9-9, a (1.), during the course of any continuing delinquency reimbursement will be made for only one “initial inspection”.

When the conditions continue necessitating the occupancy inspections to continue; within the previous 30 days there have been no payments, no contact with the defaulting mortgagor and increased probability of potential abandonment, the mortgagee should consider having a visual inspection performed within thirty days from the date of the last visual inspection.

HUD will reimburse mortgagees for occupancy inspections which were performed in accordance with the requirements of the Administration of Insured Home Mortgages Handbook (4330.1) and are adequately documented including the valid follow-up attempt to confirm occupancy. The acceptance of a payment when a loan is in default does not constitute contact with the mortgagor.

- 36) Since ML 2010-18 has superseded ML 2008-31, the clear directive regarding occupancy inspections has been removed. Can you please clarify HUD's intent regarding the circumstances in which an occupancy inspection is required where there is no contact with the borrower but a payment on a delinquent loan is made? Is it HUD's intent that the clear directive in ML 2008-31 still apply?

Answer – Yes, the example in ML 2008-31 regarding occupancy inspections has not changed and it still follows HUD Handbook 4330.1 Rev. 5, Section 9-9b(1)(2). The acceptance of a payment when a loan is in default does not constitute contact with the mortgagor.

- 37) There is no allowance for Voluntary Pre-Conveyance Inspections. In the case of extensive, non-surchargable damages should the servicer convey and document the Part A accordingly?

Answer – HUD will allow Mortgagees to claim the cost of one additional inspection at the rate of a Vacant Property Inspection, provided the Pre-Conveyance Inspection does not coincide with the regular inspection schedule.

- 38) Pre-eviction inspections are no longer defined and no longer reimbursable. Please confirm that eviction legal fees will not be denied reimbursement should the property be found vacant at the time of lockout.

Answer – If there is any doubt of a property's occupancy status, the mortgagee may perform a pre-eviction inspection within 72 hours of a scheduled eviction. If this inspection falls outside of the 25-35 day cycle, it may still be claimed and reimbursed as an occupancy inspection as HUD reimburses up to 13 inspections per calendar year unless there is a need for additional inspections for which the lender can provide justification and supporting documentation.

39) Previously, HUD required both interior and exterior inspections on properties once the initial securing had occurred. Is this still required?

Answer – Yes. In order to confirm property maintenance and security, the mortgagee should conduct interior and exterior inspection and surveillance of the property as necessary to prevent damage.

40) Exhibit A, Section B states, “All exterior doors shall be secured.” Please confirm that only one lock should be changed for pre-sale properties.

Answer – Correct, it is appropriate that only one lock be changed on a pre-sale property; however, all other exterior doors should be re-keyed to correspond with the new lockset.

41) Is HUD eliminating the pre-approved boarding areas and preferring to always re-glaze except in the case of severe damage or high vandalism?

Answer – If local law or ordinance requires boarding, the property must be boarded.

42) Many servicers wish to have consistent key codes across their portfolio. Is this acceptable?

Answer – No. Follow the guidelines in ML 2010-18, Section B, Securing.

43) How should the servicer address antique locks? These previously were not removed or damaged; instead the door would be secured with a pad and hasp. Does HUD want servicers to continue this practice?

Answer – Yes, where the servicer is unable to re-key without removal or damage in special circumstances such as the presence of an antique lock, the mortgagee may utilize whatever method is available to secure the property and prevent damage.

44) If there are no locks present on windows in a property, how should the lender secure?

Answer – As directed in ML 2010-18, doors and windows must not be nailed or braced. Replace missing or inoperable locking mechanisms on windows or doors.

45) If a garage door is damaged and cannot be opened and closed, should the servicer repair or replace the door?

Answer – Garage doors should allow for opening and closing. It is the mortgagee’s discretion as to how this should be accomplished.

46) The letter states that HUD does not tarp. However, in some instances it is needed to protect the property until the roof is repaired or replaced, especially when there may be insurance claim proceeds available. Will the cost of a tarp be reimbursed in this type of situation?

Answer – Yes, with the appropriate documentation to support the claim, this cost may be reimbursable. Any repair, temporary or permanent, required to prevent further damage that results in costs exceeding \$2,500 shall be submitted as an overallowable.

47) The boarding requirement for pools has been eliminated. Please confirm that servicers may secure the pool in any fashion they see fit.

Answer – If local code is present, pools should be secured per those guidelines. If the area is absent of local guidelines, the pool should still be secured in a manner that will prevent access.

48) If a pool is found unsecure and could pose an immediate danger if not secured, will the cost to secure be reimbursed?

Answer - To mitigate potential risk, HUD considers pool securing an immediate issue to be addressed. The allowable cost for this maintenance is listed in Exhibit B of ML 10-18. If the work cannot be completed for the allowable or could be considered a one time major repair/event, the mortgagee should do the work and bid after the fact if necessary.

49) Please define both "operational" and "maintaining" of the pool. Is HUD expecting the utilities be maintained?

Answer – Utilities must remain on in accordance with local code or state law when required to maintain pool as described in ML 2010-18.

50) If the pool is found empty, does it need to be filled so that it becomes operational?

Answer – Pools are to be secured and maintained according to local code or state law. If local jurisdiction regulates the maintenance of pools, please follow local code.

51) If the pool filtration and other systems are broken, should the mortgagee submit a repair bid as a "major repair" to HUD for review?

Answer – If local jurisdiction/code regulates the maintenance of pools, please follow local code and repair as required.

52) New regulations state to keep pool filter system operating, if we are in the winterization time period, and we need to winterize the pool for the season, does HUD expect the servicer to turn the pool filtration system on once we are in the spring and summer months?

Answer: Pools must be maintained in operational condition according to local code and climatic conditions.

53) The specifications provided in the new letter indicate that openings should be secured with "plywood or equivalent." Is HUD recognizing particle board (OSB) as an acceptable alternative to plywood?

Answer – No, HUD does not consider this an equivalent alternative.

54) The directive in Exhibit A, Section E states "all openings shall be boarded" is in conflict of earlier passage under securing which indicates the mortgagee is responsible for replacing a broken window-pane (re-glazing), unless the opening is to be boarded. Please confirm intent and which action is desired.

Answer – Re-glazing is the preferred method of securing a broken window or glass opening, unless required to be boarded by local code or ordinance.

55) The letter states "small openings, such as pet openings in doors should be secured and not boarded." If there is not an existing lock present, how would HUD want this action to be performed?

Answer – The mortgagee should provide security, as required, to prevent unauthorized entry.

56) In Exhibit A, Section B, it states that if local codes differ from HUD requirements for boarding, the mortgagee should contact the MCM for direction. Is the MCM to be contacted prior to work being completed on a property or after the work is completed?

Answer: Contact with the MCM is not required unless the repair needed to prevent further damage results in costs for a one time major event of \$1,500, or in aggregate exceeds \$2,500. The mortgagee should provide documentation to support P&P work completed as per local code requirements.

57) Awaiting response from the MCM could delay the protection of the property leading to further vandalism or damage. Please advise how this potential delay should be handled.

Answer – The mortgagee should repair or secure as necessary to protect the property

and prevent damage. The mortgagee should provide appropriate documentation to support the expenditure.

- 58) Please confirm the previously existing pre-approved boarding areas (i.e. certain zip codes within Chicago, IL) no longer exist.

Answer – The mortgagee is responsible for adhering to local code and ordinance requirements regarding boarding, other property maintenance and security regulations.

- 59) If local code does not dictate boarding requirements yet it is known the property is located in a high vandalism area, should the property be boarded? If so, what type of documentation should be provided to support the decision to board?

Answer – If the property is located in a high risk vandalism area and/or previously re-glazed windows have been broken, it would be in the best interest to board the property unless local ordinances do not allow for boarding. Documentation to support this action could include crime statistics for the area or proof that windows had been previously re-glazed and subsequently broken.

- 60) Exhibit A, Section G states “properties are to be winterized between October 1 and March 31, unless, climatic conditions require earlier and extended winterization treatment periods.” Please advise how climatic conditions will be defined.

Answer – Mortgagees must be prudent in the preservation and protection of the property. If climatic conditions require early or late winterization then the property should be winterized in accordance with ML 2010-18. Documentation to support this action could include weather reports or similar evidence to justify local climatic conditions.

- 61) Under the same section, sub-part Utilities, it states, “Utilities accounts...should be in the mortgagee’s name until conveyance of the property to HUD...if there is any reason to believe that a mortgagor may abandon a property, the mortgagee shall contact the utility company...so that utilities can be transferred to the mortgagee’s name and the heat remain on if the mortgagor vacates.” Will the mortgagee be reimbursed for the cost of utilities if it was determined the mortgagor did not abandon the property?

Answer – The MCM will review the supporting documentation provided by the mortgagee to determine if the cost will be reimbursed.

62) In this sub-part, it does not outline which utilities are to remain on. If local ordinance does not mandate, should the servicer not maintain or connect utilities provided there is not a sump pump present?

Answer – If there is not a valid reason, including but not limited to, winterization, the presence of a sump pump, pool maintenance or local ordinances, the mortgagee is not required to connect the utilities.

63) In certain areas, utility companies do not allow the transfer of utilities into the mortgagee's name. If there is a valid reason to connect utilities how should the mortgagee address this issue?

Answer – The mortgagee should fully document the refusal of the utilities provider to transfer the utilities into the mortgagee's name. The requirement for P&P work to continue will not cease and the work must be performed to the best of the mortgagee's ability.

64) Upon conveyance of the property, what should the mortgagee do with the utility account?

Answer – If utilities cannot be transferred from the mortgagee to the FSM, the mortgagee should disconnect the utilities and notify the FSM.

65) If HUD approves an over-allowable for a demolition, does that automatically approve conveyance of a vacant lot or should permission still be sought as a "convey as is" package in P260?

Answer – At the time of submission request for demolition also note that the request is to convey the property "as is". If the MCM grants approval for demolition, it will also be noted that the conveyance of a vacant lot is approved as well.

66) The letter states approval must be obtained for demolition, but Exhibit B lists an allowable cost for demolition. If the property can be demolished for the provided allowable, does approval still need to be obtained?

Answer – Yes, the MCM should be notified prior to the demolition of the property.

67) In the event that a conveyance timeframe shifts due to a county recording date, please confirm that a request for extension of time can still be submitted for consideration provided the servicer performed diligence in follow up with the local recording agency?

Answer – The conveyance timeframe does not shift since it does not begin until the

latter of the date of the Foreclosure Deed being recorded or the date of possession. Extensions of time required to place the property in conveyance condition must be submitted within 30 days of this date.

Example – Foreclosure Deed recorded 5/1/10

Eviction completed and possession is obtained 6/1/10

Conveyance timeframe begins 6/1/10 and an extension must be requested prior to 7/1/10

HUD Handbook 4330.1 provides: Convey the Property to the Secretary within 30 calendar days after acquiring possession of and good marketable title to the property (24 CFR 203.359). For mortgages insured under a firm commitment issued on or after November 19, 1992, or under Direct Endorsement processing when the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992, within 30 days of the latter of:

- a. Filing for record the foreclosure deed; (Filing for record has been established as the date the deed was mailed or carried to the recording authority)
- b. Recording date of a deed-in-lieu of foreclosure;
- c. Acquiring possession of the property;
- d. Expiration of the redemption period; or
- e. Such further time as HUD may approve in writing.

68) The letter states, "If a mortgagee believes that a demand decision is not supported by regulation or circumstances, the mortgagee may request a review of the indebtedness determination...by submitting a request to the MCM through HUD's P260 portal within 20 days of receipt of the Secretary's notification." Will mortgagees be notified of the decision via email, P260, or by another method?

Answer – The mortgagee will be notified via P260 and email.

69) Will non-compliance letters no longer be issued?

Answer – Non-compliance letters will continue to be issued via P260 and email.

COST SCHEDULE:

70) Previously, traditional recurring inspections were reimbursed at \$30/\$20. Will HUD accept multiple \$30 charges in the event a property goes from occupied to vacant more than once during the life of the loan?

Answer – Yes, with the appropriate documentation to support the charge this would be acceptable.

71) If more than one vacant property permit is required, please confirm the allowable is \$250 per permit?

Answer – Yes, with the appropriate documentation to support the expense.

72) Will the mortgagee be required to re-secure at their cost if vandalism causes the need for a re-securing?

Answer – If the mortgagee initially secured the property appropriately and a re-secure is needed due to vandalism, the cost to re-secure will be reimbursable at the price of the initial secure. The mortgagee must provide documentation to support the claim for re-securing.

73) The Debris/Trash Removal line item reads “Maximum allowable for 1 unit \$600 (Minimum load of 12 cu. yds of waste). Would HUD consider adjusting this allowable to a larger cubic yard amount due to the new requirement to remove interior debris?

Answer – The intent of the debris removal allowable is simply to advise that the cost should be no more than \$50/cubic yard. If the mortgagee discovers a situation where excessive debris must be removed and it would constitute a major one-time event/repair an overallowable should be submitted for review. There is no maximum number of cubic yards per unit.

74) The letter does not indicate how to address personal property such as swing sets or dog houses in good condition. Should these remain at the property or be removed as exterior debris?

Answer – If personal property similar to that described above, is in good condition and may add to the value of the property, it may remain in place.

75) There is no longer an allowable addressing Large Appliance Removal (as related to decaying and rotting food) and Pest Infestation. Is the mortgagee to assume no action is required?

Answer – The mortgagee must be prudent and diligent in its actions and properties must be conveyed undamaged and free of any health and safety hazards. If appliances found inside are inoperable, notation must be made on the initial inspection report and submitted to the MCM. Large appliances found outside should be discarded as debris.

76) Under Hazard Abatement, there is no allowable provided for paint or oil. These cannot be removed as debris in many locations. Should we submit an overallowable

request for these items? Are these costs reimbursable and what documentation should be provided?

Answer - Local and state regulations frequently delineate what is hazardous and must be disposed of by special handling. Provide the special requirements per state or local code for special handling and the receipt(s).

Miscellaneous Questions:

77) Please provide clarification that eviction man hours and/or sheriff directed services are not to be included in the max cap for a property.

Answer – The eviction process has not changed. Man hours are not included in the \$2,500 property cap.

78) The reimbursement rate for evictions is not defined. Please confirm the allowable rate will remain at \$20 per man hour?

Answer – Yes, that rate will remain \$20/man hour.

79) How should lenders address the cost of the storage of personals? Are these fees reimbursable? Will HUD accept a storage fee receipt as a dump receipt?

Answer – HUD understands not all states have requirements to evict and store personal property. Since ML 2010-18 now requires properties to be in broom swept condition there may be certain situations in which the mortgagee deems it necessary to store personal property. HUD has established an allowable not to exceed \$300 for storage and final disposition of the personal property. An overallowable request should not be submitted for any costs greater than \$300 as this is the maximum HUD will reimburse. The initial cost of removing the personal property from the property is included in the customary \$50/cubic yard allowance for debris removal.

The mortgagee must exercise good judgment when distinguishing between personal property and debris. HUD would not expect there to be a need to store personal property on every case. Additionally, the size of the storage unit should be appropriate to the amount of the personal property stored. If the Mortgagee has questions differentiating between personal property and debris, they should consult their legal counsel to assess the risk or exposure in the removal of these items.

The costs related to the storage and final disposition of personal property are considered fees associated with the foreclosure action and will not be included in the \$2,500 preservation and protection maximum property cap. This is an expense which

will not be considered as money spent after the deed to HUD is filed. This fee should be claimed on Part D line 305 "Disbursements for HIP, ground rents and water rates, eviction costs and other disbursements".

The MCM audits all Part B-E claims and if the cost for personal property storage is not appropriately documented, through photographs and receipts, a demand will be issued to the mortgagee for reimbursement of the full amount claimed.

Example:

- 12 cyd of interior debris @ \$50/cyd \$600
- 2 cyd of personal property @ \$50/cyd \$100
- Storage of personal property \$ As appropriate - not to exceed \$300

80) We frequently find piles of bricks, concrete, or cinderblocks at houses. Will HUD approve removal of non-hazardous debris that is not measured in cubic yards? Specifically, concrete weighs 2 tons per cubic yard (which is about \$160 for disposal alone, not counting handling and transportation) - can heavy/bulky debris be bid separately from regular trash?

Answer - Exhibit B allows a fee per cubic yard of debris or trash. If the dump where the debris is being disposed of charges more by weight then this must be documented on the dump receipt and the receipt must indicate the name of the dump to verify the debris has been disposed of legally.

81) There are still concerns that clarification provided in the FAQs specifically relating to Preservation and Protection issues will be ignored or not recognized on a HUD post claim review. Some members have indicated that the FAQ's are being recognized on the HUD post claim reviews, while others are indicating they are not.

Answer – The NSC has confirmed with the Claims Audit Team that FAQs will be recognized as policy interpretation for ML 10-18.

HECM Questions:

- 1) Are Occupancy Inspections which are required after the HECM loan is called due and payable claimable?

Answer – No. If a servicer is unable to secure the property after the loan has been called due and payable due to tenants or adverse occupants, the required monthly occupancy

inspections through acquisition of title are considered a normal cost of business and not claimable.

2) Does broom-swept condition mean that the property is free from dust?

Answer – Broom swept condition is free of dust, dirt, hazardous materials or conditions, personal belongings and interior and exterior debris. It is understandable that a vacant property may collect a usual amount of dust between inspections.