



## About ISN

ISN Corporation is focused on helping federal agencies run programs to ensure the highest level of quality, timeliness, and integrity to eliminate fraud, waste, and abuse. ISN's technology-based approach not only achieves results, but allows our clients and partners to meet their missions with full compliance.

ISN's work has included field service management, investigations, property management, contractor oversight, audit and inspection services, software and application development, litigation support, and independent quality control services. ISN also prides itself on ensuring proper eligibility determinations are made for program participation and access.

ISN has performed work for over 135 Public Sector clients and received numerous Quality Awards and Commendations for outstanding work. ISN has been recognized as one of the fastest growing businesses nationally and has been profiled in numerous industry publications. Most recently, ISN was named 43<sup>rd</sup> on the Washington Technology Fast 50.

As a company appraised at CMMI Level III, ISN understands the full life cycle of successfully ran programs, processes, and systems. Our technical and managerial solutions ensure that government programs meet not only their current objectives, but their long-term goals as well.

ISN is headquartered in Bethesda, MD and delivers a nationwide footprint of diverse professionals to provide services across the United States and around the world.

ISN Corporation has provided the very best technical solutions and talent to Federal, State, and Local governments for nearly 40 years. Past performance includes work on some of the most important mission-critical systems of the US government. Some clients include:



### ISN CORPORATE HQ - BETHESDA, MD

ISN Corporate Headquarters is located @ 10411 Motor City Drive Bethesda, MD 20817 close to the heart of downtown Washington, D.C.



### ISN WESTERN OPERATIONS CENTER - OKC, OK

ISN's Western Operations Center is located @ 2401 NW 23<sup>rd</sup> Suite 1d OKC, OK 73107 which currently houses the MCM 2.0 staff and operations. It's located near the HUD National Servicing Center in downtown OKC.

# ISN as the MCM 2.0

ISN was awarded the Mortgagee Compliance Manager contract by the U.S. Department of Housing and Urban Development (HUD) in June 2015. Please check our website periodically for updates including contact information.

ISN's objectives for this contract are to oversee the conveyance process for FHA insured homes from mortgage lenders to HUD. ISN's goal is to assist lenders with conveyances of properties with good and marketable title and ensure the property is in conveyance condition per HUD regulations.

ISN reviews claims that are filed against FHA insurance funds considering two components:

1. Ensure that conveyance of the physical property is in compliance with HUD regulations and Code of Federal Regulations.
2. Audit expenses claimed by the mortgagee to confirm that expenses are accurate, reasonable, and incurred.



ISN processes approximately 75,000 various types of transactions each month submitted from the mortgagees as they relate to the conveyance process.

Examples of the types of transactions ISN is processing monthly:

- Over-allowable Requests and Appeals
- Extension Requests and Appeals
- Surchargeable Requests and Appeals
- Occupied Conveyance Requests and Appeals

- 27011 A,B,C,D,E Claim Package Reviews and Demands
- Title Packages
- Demands for Reimbursement and Appeals
- AM/FSM/NSC Requests for Reconveyance and Appeals
- Reacquisition Requests from Mortgagees
- Document Execution
- QCD Processing
- HECM Over-allowables and Appeals
- CWCOT Claims

ISN provides information that mortgagees can easily access via a website that provides data on best practices, new developments, and changes to HUD regulations. The website has a Q&A portal to help facilitate transactions.

**For More Information on HUD  
Regulations**

**Visit [HUD.gov](http://HUD.gov)  
HUD Handbook 4000.1  
ML2017-15  
ML2016-04  
ML2016-03  
ML2016-02  
ML2015-10**

## ISN MCM MANAGEMENT



*Pictured Left to Right: Greg Nelson, Gwen Van Every, Tim Brandt, Amanda Walker, Justin Park, Danyale Matthews, Joseph Bagby, Lissa Gates, Ryan McDoulett and Jim Nelson. The ISN MCM Management Team brings over 150 years of combined industry experience to the MCM 2.0 contract.*

# RECONVEYANCE

## P260 Module and Reporting Widgets

### NEW & IMPROVED


The new Reconveyance Module in P260 provides several enhancements that were included to help simplify and streamline both the reconveyance and reacquisition processes.

### Widgets

0	PNOIR Letter Issued to Mortgagee (05)
0	PNOIR Appealed by Mortgagee/MCM Review Required (06a)
0	Claim Reimbursement Letter Requested by Mortgagee (6b)
0	Mortgagee Initiates Re-Acquisition Request/ MCM Approval Required (15)
0	Mortgagee Submits Updated Claim Forms/MCM Review Required (20)
0	MCM Approval of Claim Forms in Last 7 Days/Property Re-Acquired by HUD (21a)

One of the most significant updates was the implementation of the dashboard and widgets functionality into P260. The widgets are updated in real time and provide instantaneous updates as actions occur in HUD's system of record. The widgets allow tracking of reconveyance statuses as the case steps or actions occur. This is extremely helpful in determining the status on any active reconveyance or reacquisition in P260.

#### Unrecovered Administrative Remedies Report

Unrecovered Administrative Remedies 

One of the new widgets available on the P260 dashboard is the Unrecovered Administrative Remedies Report. This report can be used to track all outstanding demands for reimbursement. Utilizing this widget will allow mortgagees to determine and track outstanding demands, enabling them to avoid offsets, track trends based on types of demands, and many other functions.

#### Active Claim Block

Active Claim Block 

The Active Claim Block widget is useful because it allows the mortgagee to review the active claim blocks placed by the MCM. Once a claim block is removed the widget will update and the claim block will no longer be visible in the Active Claim Block widget reporting.

### Reconveyance Module Benefits

One of the greatest benefits of the reconveyance module is that all information pertaining to each case is captured within the module itself, reducing the unnecessary email traffic between mortgagees, servicers, the MCM, FSMs, AMs, and HUD personnel. All information is readily available with the information being transparently available for review at any time.

Reconveyance appeals and reacquisition requests have been implemented into the module eliminating the need for email submissions to general inboxes, therefore reducing the opportunity for human error. The ability to track requests has resulted in faster review times industry wide for both reconveyance appeals and reacquisition requests.

### Reconveyance

The reconveyance module has streamlined all aspects of reconveyance activity across the industry. The transparency allows any applicable party to access and review case information in real time, case status can be accurately determined instantly. Unnecessary email traffic has been eliminated and all case specific information is provided within the module. The ability for the mortgagees to update the mortgagee contact module ensures that email notifications are being sent to the correct recipients or contacts.

#### Appeals to Reconveyance

Mortgagee Functions

Appeal HUD Finding

Request Reconveyance Billing

Implementation of the new reconveyance module has resulted in new processing actions and requirements. A significant update is that all reconveyance appeals must be submitted through the reconveyance module. The appeal must be submitted timely with all supporting documentation included with the appeal submission. This will allow the appeal reviewer to consider all appeal information and render an appropriate decision. A timely appeal and review will result in the mortgagee being aware of the response well before offset can potentially occur, preventing unnecessary offsets against future claims. For Title reconveyances, the mortgagee can request a MCM review of title evidence at any time. If the title evidence provided confirms that the title issue has been cleared, the reconveyance will be rescinded. A case will not offset if title

evidence is pending review. Submitting title evidence should only be utilized when the title issue has been resolved, it shouldn't be used as a way of determining if documentation is acceptable or to dispute the reconveyance.

The functionality of the reconveyance module in P260 has resulted in reduced MCM inbox traffic, which has enabled the MCM to focus on legitimate questions and reduces response timeframes from the general inboxes. There is no longer a need to submit a reconveyance appeal to the MCM-Appeals inbox.

#### Submitting Additional Title Evidence

Mortgagee Functions

MCM Review Title Evidence

There are some circumstances where a title issue can be resolved, but the issue will take longer than the appeal timeframe to correct. If documentation can be provided to confirm that the reconveyance is no longer valid, ISN will review these circumstances and if the documents submitted warrant recession, the reconveyance can be rescinded. This option to address title issues is available until the property has been sent for offset. While it is not an additional avenue to appeal the reconveyance, it is an opportunity to provide documentation to avoid the completion of the reconveyance.

#### Requests for Early Billing

Mortgagee Functions

Appeal HUD Finding

Request Reconveyance Billing

Mortgagees still have the opportunity to request early billing, however instead of being requested through the MCM-Reconveyance inbox, mortgagees can now request the billing letter through the reconveyance module under Mortgagee Functions.



*The option to request early billing and appeal the reconveyance are found under Mortgagee Functions in the reconveyance module.*



# RECONVEYANCE

## P260 Module and Reporting Widgets

### Submitting Claim Reimbursement Evidence

#### **Mortgagee Functions**

#### Submit Claim Reimbursement Evidence

Once the billing has been issued, mortgagee functions will update and the option to submit claim reimbursement verification will be available. By notifying the MCM of fund remittance, the timeframe between fund remittance and when the reconveyance process completes is greatly reduced. The benefit to the mortgagee is that this returns a property to the mortgagee quickly, allowing necessary work to be completed and the reacquisition processes to be initiated. To remit funds please visit:



### Funds Remitted – Due for QCD

Once the MCM has verified funds have been received either via offset or fund remittance, the QCD process is initiated. QCD typically takes between 2 to 3 weeks depending on location and local requirements. When the reconveyance status moves to "13-Offset/Claim Paid/Due for QCD", properties are in the process of deeding.

The Reconveyance Inbox no longer should be contacted to request early billing, inform the MCM of fund remittance, or to request status of a case. This information can now be obtained or requested through HUDs system of record, P260. For any other reconveyance specific inquiries including but not limited to inquiries on a PNOIR that isn't an appeal, requests for bypass consideration, and information directed to the reconveyance department, the Reconveyance inbox remains the correct contact point. ISN continues to request that emails are directed to the inboxes rather than specialists.



## Reacquisition

Another major update is the inclusion of reacquisitions into the reconveyance module. Mortgagees can now submit all requests for reacquisition through the module within P260.

### Submitting for Reacquisition

#### **Mortgagee Functions**

#### Convey Case Back to HUD

For cases with an extended period of time between completion of the reconveyance and submission of the reacquisition requests, the module will prompt the mortgagee to provide a detailed chronology. The chronology should include routine inspections and preservation actions with applicable photo documentation to support, similar to what is provided with a reconveyance appeal. The same documentation required prior to the module implementation is still necessary and needs to be provided. For all reconveyance and reacquisition submissions, all supporting documentation must be uploaded to the reconveyance module so the MCM can complete a review.

### Requesting Final Reacquisition Approval

#### **Mortgagee Claim Form Upload**

The MCM reacquisition process remains unchanged with the exception of submitting the requests through the reconveyance module. Once the property conditions are reviewed and contingent approval has been issued, the mortgagee needs to send a deed executed for recording and upload the updated 27011A with the word "Reconveyance" written at the top within 48hrs. Once the documents are uploaded into P260, click the "Mortgagee Claim Form Uploaded" link in the **View Reconveyance Screen**. Then click yes on the option to "Submit Request to MCM", click save, and the request is pending MCM review.



### Same Day Reacquisition Requests

ISN offers same day reacquisition reviews for certain circumstances. This can be very beneficial and confirms property conditions at the time of reacquisition, once the review is complete.

A request for same day reacquisition should be sent to [mcm-reacquisition@isncorp.com](mailto:mcm-reacquisition@isncorp.com) with a brief explanation as to why the same day review is being submitted. Providing a chronology of events or actions that have occurred at the property supporting the need for the same day review would be beneficial to the MCM. Once the MCM confirms a same day review is possible, the reacquisition request should be submitted in P260 immediately and the MCM notified.

The same day reviews can be completed for both contingent and final reacquisition, however until final reacquisition is approved in P260 the property remains mortgagee responsibility. A good practice would be to have all documents ready to submit for contingent and final reacquisition. If circumstances prevent all documents from being ready to submit on the same day, the more imperative stage for a same day reacquisition review would be the final request and eventual approval to reacquire. Lastly, due to compliance deadlines and scheduling, please be sure to direct all same day email communications to the reacquisition inbox and not a supervisor/manager, and also be aware that the earlier in the day that the request is made, the easier it will be to facilitate the same day review.



Tim & Danyale working a same-day request submitted by a mortgagee.

# RECONVEYANCE

## P260 Module and Reporting Widgets

Del	Mortgagee Name	Lender ID	First Name	Last Name	Email Address	Receive Demand Letters	Receive Reconveyance Letters	Receive Title Emails	Receive Appeal Response Letters	Receive Claim Emails	Receive 27011A Inactive Emails
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Mortgagee Contacts Module

Emails generated through P260 are automatically sent via the Mortgagee Contact Module. This list should be updated by the mortgagees any time a contact email needs to be added or removed. Doing so will ensure timely and accurate contact updates are completed real time. By allowing mortgagees to update their own contact list, Yardi has created a way for mortgagees to ensure that all contact sent through HUD's system of record (P260) is going to the correct contact. The Mortgagee Contact Module allows for as many email addresses as needed for each mortgagee, and also provides the different scenarios where an email would need to be included. By updating the module internally, there is no delay between when an email is added to a specific mailing list and when that email address is included in any communication.

If the Mortgagee Contacts Module isn't populated with current or updated mortgagee contacts, it could result in your office not receiving the following notifications from P260:

- Demands for Reimbursement
- Title Approval Letters (TAL)
- Title Package Rejection Notices
- PNOIRs
- Reconveyance Billing Letter
- Notice of Intent to Offset
- Reconveyance Appeal Response
- Demand Appeal Response
- Document Requests
- QCD Notifications/Requests

The MCM also utilizes the module as a reference tool for mortgage contacts when issuing general email inquiries. If additional assistance is needed for updating contacts, please feel free to reach out to [hudhelp@yardi.com](mailto:hudhelp@yardi.com)

### Reconveyance Status

Within P260, Reconveyance & Reacquisition Statuses have been incorporated for easy identification. These can be found on the front page of a case in P260 and are utilized for determining which stage of the reconveyance process any case is in as well as what date the most recent reconveyance action occurred.

Code	Description
4a	04-Request Approved by NSC
05	05-PNOIR Issued to Mortgagee
06a	06-HUD Finding Appealed by Mortgagee
06b	06-Mortgagee Requests Billing Letter
07a	07-Mortgagee Appeal Approved by MCM
07b	07-Mortgagee Appeal Denied by MCM
08a	08-Claim Reimbursement Letter Issued to Mortgagee
08b	08-Reconveyance Rescinded by NSC
08c	08-Rescind Request Rejected by NSC
09a	09-Claim Amount Evidence Submitted by Mortgagee
09b	09-Claim Amount Verified by MCM
09c	09-Claim Evidence Rejected by MCM
10	10-Notice of Intent to Offset Issued to Mortgagee
11a	11- Claim Amount Evidence Submitted by Mortgagee
11b	11-Claim Amount Verified by MCM
11c	11-Claim Evidence Rejected by MCM
11d	11-NSC Offset Approval Required
11e	11-Offset Approved by NSC
11f	11-Offset Denied by NSC
11g	11-Mortgagee Offset Appeal Approved by NSC
11h	11-Mortgagee Offset Appeal Rejected by NSC
12	12-Offset Package Sent to MAIS-SFC
13	13-Offset/Claim Paid/Due for QCD
14	14-Reconveyed to Mortgagee

### Reacquisition Status

Within P260, Reconveyance & Reacquisition Statuses have been incorporated for easy identification. These can be found on the front page of a case in P260 and are utilized for determining which stage of the reacquisition a case is in, as well as determining what date the most recent reconveyance action occurred.

Code	Description
15	15-Re-Acquisition Request Initiated by Mortgagee
16a	16-Contingent Re-Acquisition Request Approval by MCM
16b	16-Re-Acquisition Request Denied by MCM
20	20-Updated Forms Uploaded by Mortgagee
21a	21-Property Re-Acquired by HUD
21b	21-Updated Forms Rejected by MCM

# Reconveyance Appeals

## Hud Regulation & Best Practices

### IV. CLAIMS AND DISPOSITION

#### A. Title II Claims

#### 4. Withdrawal or Cancellation of Insurance Claims

##### (1) Appealing to the MCM

If the Mortgagee disagrees with HUD's decision to reconvey, the Mortgagee may appeal the Reconveyance via email in P260 to the MCM within 10 Days from the date the response was due or received from HUD.

##### (2) Appealing to HUD

If the Mortgagee believes that the MCM's decision is not supported by regulation or circumstances and has exhausted all appeal methods available through the MCM, the Mortgagee may appeal the decision to reconvey the Property to HUD's Government Technical Representative (GTR).

The Mortgagee must submit the written appeal to the GTR within 10 Days from the date the response was due or received from the MCM.

#### Reconveyance Appeals

It's important to take note of the HUD regulation posted above this article. (*HUD Handbook 4000.1 IV. Claims and Disposition A. Title II Claims 4. Withdrawal or Cancellation of Insurance claims*) If your office fails to submit a reconveyance appeal timely, the opportunity to appeal the reconveyance will no longer be available. If your office receives a PNOIR (Preliminary Notice of Intent to Reconvey) it's imperative to act fast so that the ability to appeal isn't lost. The PNOIR notices issued from the MCM should have the highest priority, as far as review requirements. It's also critical to utilize the "Mortgagee Contacts Module" described on page 5 in this newsletter, to ensure all notifications from the MCM are being received timely and that the proper contacts are being notified. If your office does decide to appeal the reconveyance findings, please ensure your office verifies that the reconveyance status in P260 has converted from "o5- PNOIR Issued to Mortgagee" to "o6- HUD finding appealed by Mortgagee". This is a simple way to confirm that the reconveyance appeal has is pending review by the MCM. Your office will need to continue monitoring the reconveyance module for an update to the reconveyance status. The MCM has 30 calendar days to review the appeal once it has been submitted on HUD's system of record (P260).

The status will remain as "o6-HUD finding appealed by Mortgagee" until the appeal request has been reviewed and a decision has been rendered.

#### Best Practices

When appealing "Preliminary Notice of Intent to Reconvey" or PNOIRs, it's imperative that the issues listed in the PNOIR are addressed within the appeal submission to the MCM. If your office only disputes a portion of the PNOIR, please ensure its clear in the appeal submission that items A, B, and C are valid but items D, E, and F are being disputed. If photographs and documentation aren't provided to support that the issues disputed are not considered valid, it will result in a denial of the appeal submission and the reconveyance process will resume.

Please direct all inquiries related to reconveyance appeal activities to [mcm-appeals@isncorp.com](mailto:mcm-appeals@isncorp.com) Please include the FHA Case number in the subject line. This inbox is routinely monitored by a supervisor and the inbox should be your point of contact for any clarification or inquiries regarding a reconveyance appeal.

When appealing a reconveyance, please upload the full inspection/preservation history to P260 along with any claim documentation and all relevant case information as it pertains to the appeal. All information available in P260 is reviewed by ISN when a reconveyance appeal review is conducted.

Reducing the time a property spends in the reconveyance process can be beneficial to the mortgagee. The property is returned to the mortgagee in a reduced amount of time allowing any necessary repair work or actions to cure title issues to be completed and properties to be submitted for reacquisition quicker, resulting in a quicker claim payment.

If the reconveyance is not going to be contested and the entire PNOIR is not in dispute, requesting an early billing letter from the MCM Reconveyance inbox will reduce holding costs. Requesting early billing will confirm acceptance of reconveyance in full and funds should be remitted ASAP so the reconveyance process can be completed and the property deeded back to the mortgagee.

# Bypass Requests Process Overview

Bypasses are an opportunity the HOC provides to cure issues that are present at conveyance that could potentially be addressed in a minimal amount of time. Bypass approvals are at the sole discretion of HUDs Homeownership Centers (HOCs) and are not a decision rendered by the MCM. As a result, a bypass review isn't conducted by the MCM or HUDs National Servicing Center and consequently there isn't an opportunity to appeal the decision.

One thing to be aware of when considering requesting a bypass, once submitted, it's considered acceptance of the reconveyance and the opportunity to appeal these items is forfeited. If a bypass does complete, at HUDs discretion, a demand for the holding costs can be issued. This type of demand would not be considered for an appeal, because the time spent completing the work is considering mortgagee expense for failure to address issue prior to the original conveyance.

## Bypass Scenarios

Bypasses can occur in one of 3 ways. The first is if the bypass request originates from HUDs Field Service Managers (FSMs). These are requested by the FSM and submitted to the MCM for review and issuance. When the bypass offer is accepted and work is completed, HUDs FSM will then verify the work has been completed. Provided the property is in conveyance condition, the bypass process is complete, reconveyance actions will not be initiated.

The other two instances where a bypass can occur are after the reconveyance process has been initiated.

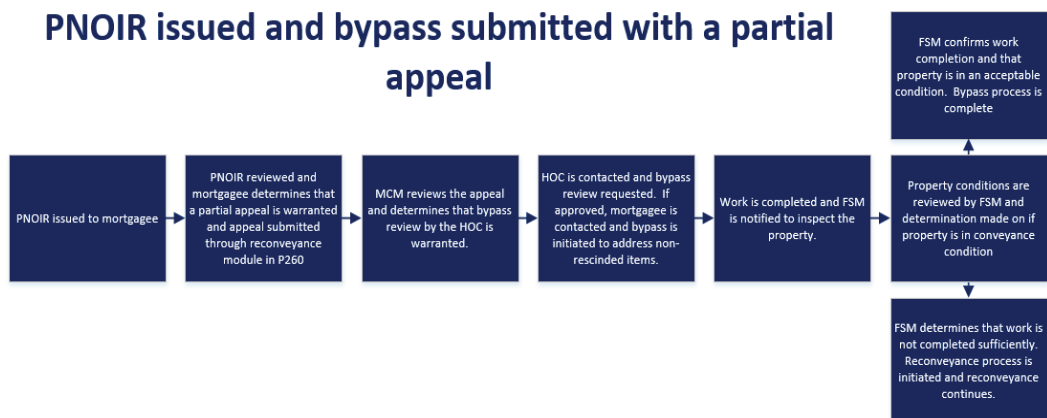
If a PNOIR has been issued for multiple items and some items warrant an appeal review but the remaining issues are not in dispute, an appeal should be submitted via P260. The appeal should provide the reasoning why the items that need a review are potentially not a valid part of the reconveyance, and a bypass should be requested within that appeal. The reviews are completed by the MCM's appeal review team due to the partial appeal having been submitted, but the bypass issues are reviewed by the HOC and is at their sole discretion to approve or reject.

If a PNOIR has been issued however none of the conditions listed are in dispute, the request for bypass consideration should be submitted to [mcm-reconveyance@isncorp.com](mailto:mcm-reconveyance@isncorp.com) for review. Requests submitted to the MCM in this manner are reviewed and worked by the reconveyance team.

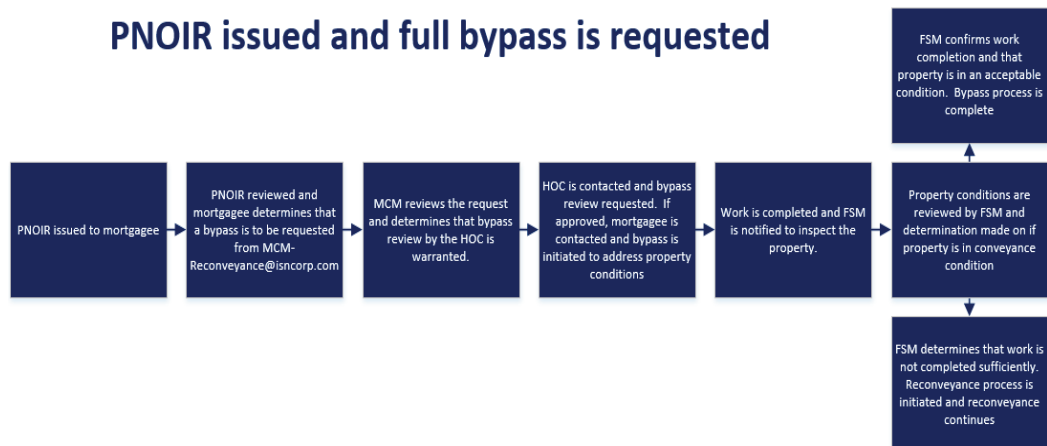
## HUDs FSM initiates bypass opportunity



## PNOIR issued and bypass submitted with a partial appeal



## PNOIR issued and full bypass is requested





# Demands for Reimbursement

## Most Common Demand Types

In this article ISN will explain the most common demand types issued by the MCM after a 27011 BCDE audit or a FSM/AM request for reimbursement.

### Inspections Reports and Photos

One of the most common demands to be issued by the MCM after the review of the 27011 BCDE is due to missing inspection reports or photos. Please ensure there is an inspection report for every instance of a claimed inspection as well as at least one before and after photos for each scope of work claimed.

### Excessive Grass cuts or Inspections

The MCM observes many instances where work with established frequencies per HUD regulation are over claimed. For instances the MCM will see instances where 15+ inspections or grass cuts are claimed within a calendar year period and claimed for the allowable amount per ML2016-02 without OA approval. This results in a demand for the extra instances of the claimed items. Please ensure your office has received OA approval for inspections and grass cuts outside the frequencies established in HUD regulation to prevent this type of demand.

### Missing Over-Allowable Approval

The MCM encounters this issue in two different ways. 1.) A scope of work is claimed for the allowable amount established in ML2016-02 on the 27011 BCDE yet the \$5000 property cap has been met and OA approval is required. 2.) An item without an established allowable in ML2016-02 is claimed without OA approval. If either scenario is discovered during the 27011 BCDE review it will result in a monetary demand against the lender. This type of demand can be easily avoided. Please ensure your claim representatives verify anything that doesn't have an established allowable per ML2016-02 to ensure OA approval is granted. Your office should also have the claim representative determine if and when the \$5000 property cap has been met, once that date has been established, the claim representatives verify all allowable amounts claimed after that date have an OA approval in P260.

### Partial Photos

The MCM often sees instances where the supporting photo documentation provided is incomplete. The MCM will find photographic evidence that a claimed scope of work was present, yet the photos of the issue being resolved or repaired isn't included. To prevent this type of demand, please ensure all items claimed on the 27011 BCDE have before and after photos included.

### Foreclosure/Conveyance Delays

The MCM claim team reviews OA history in P260 when auditing a BCDE claim. If an over-allowable request is denied stating a property is a certain number of months overdue for conveyance and no further P&P will be considered, P&P expenses after that OA decision date are not claimable, unless that OA was overturned with a foreclosure chronology. To prevent this type of demand, please ensure this particular type of OA denial is overturned prior to conveyance if your office wishes to claim the P&P expense.

### Incorrect or Missing 27011 BCDE Claim Form

This occurs more than one would think, the MCM claim team begins a review of the submitted 27011 BCDE claim form, only to discover the review can't be completed because the claim form is incorrect, incomplete, or even missing. A simple internal quality control check of the claim prior to submitting to the MCM can prevent this type of demand.

### Taxes

HUD requires verifiable documentation to support this claimed expense. The MCM will review the claim package for proof that tax payment was issued to the taxing authority and an invoice or bill are needed to support the expense paid is valid. If this information isn't provided it will result in a demand for the expense. To prevent this type of demand, please ensure there is proof of payment and invoice included to support the expense claimed on the 27011 BCDE.

### Claimed Expense Exceeds OA Approval

As previously stated the MCM reviews the entire OA history in P260 when conducting a 27011 BCDE review. It's common for the MCM to come across claimed expenses that exceed what was approved on an over-allowable, this will result in a demand for the difference. To prevent this type of demand, please ensure all over-allowable approved expenses claimed on the 27011 BCDE match exactly what was approved via the over-allowable submission in P260.

### Unpaid Taxes

The MCM regularly receives requests for reimbursement from HUD FSM & AM contractors for unpaid taxes. The MCM in the past would only issue a demand for reimbursement to the mortgagee for interest and penalties only, however this has changed due to recent HUD directive. If the MCM receives a request from the FSM or AM and is able to determine taxes weren't paid or cleared at conveyance per HUD regulation, the MCM will issue a demand for reimbursement which will include the base charge, interest accrued, and any penalties due to failure to pay. If the taxes are not paid per HUD regulation at conveyance, the mortgagee loses the ability to claim for failure to adhere to HUD regulation. To prevent this type demand, ensure all taxes are cleared at conveyance prior to claim submission.

### Unpaid Utilities

The MCM regularly receives requests for reimbursement from HUD FSM & AM contractors for unpaid utilities. The MCM in the past would only issue a demand for reimbursement to the mortgagee for interest and penalties only, however this has changed due to recent HUD directive. If the MCM receives a request from the FSM or AM and is able to determine utilities weren't paid or cleared at conveyance per HUD regulation, the MCM will issue a demand for reimbursement which will include the base charge, interest accrued, and any penalties due to failure to pay. If the utilities are not paid per HUD regulation at conveyance, the mortgagee loses the ability to claim for failure to adhere to HUD regulation. To prevent this type demand, ensure all utilities are cleared at conveyance prior to claim submission.

### Unpaid HOA Dues

The MCM regularly receives requests for reimbursement from HUD FSM & AM contractors for unpaid HOA dues. The MCM in the past would only issue a demand for reimbursement to the mortgagee for interest and penalties only, however this has changed due to recent HUD directive. If the MCM receives a request and is able to determine HOA dues weren't paid or cleared at conveyance per HUD regulation, the MCM will issue a demand for reimbursement which will include the base charge, interest accrued, and any penalties due to failure to pay. If the HOA dues are not paid per HUD regulation at conveyance, the mortgagee loses the ability to claim for failure to adhere to HUD regulation. To prevent this type of demand, ensure all HOA dues are cleared at conveyance prior to claim submission.

If Claimed Property Preservation Expenses are:	And the Cost of a Single Line Item Expense is:	Need Over-allowable Approval?
\$5,000 or less	Greater than Appendix A	Yes
\$5,000 or less	Less than Appendix A	No
Greater than \$5,000	Greater than Appendix A	Yes
Greater than \$5,000	Less than Appendix A	Yes



# Demands for Reimbursement

## Claim Review File - Required Documentation

**Claim Review File:** Please refer to the claim review file requirements per HUD Handbook 4000.1. If the documentation required is provided it will significantly reduce the amount of demands being issued by the MCM.

Here are some best practices to consider when compiling the claim review file:

- **Inspection Reports:** Please review HUD Handbook 4000.1 for clarification as to what is required in each inspection report. The MCM reviews each instance of an inspection expense claimed on the 27011 BCDE. To ensure an expedited and accurate review of the inspection expense claimed, ensure the inspection reports are batched together and in chronological order for easy verification.
- **Minimize Attachments:** Please contain the claim review file to the least amount of attachments as possible. The MCM prefers one attachment for the entire 27011 BCDE claim. While we understand sometimes it's just not possible, try to keep it to no more than 3-4 files and ensure they are labeled appropriately. For example: BCDE Support part 1, BCDE support Part 2, etc. If the MCM has to review 50+ files for one claim review, this can cause the issuance of erroneous demands, because claimed expenses cannot be easily verified.
- **Chronological Photos/Invoices:** Please ensure the supporting documentation in the claim review file align with the claimed expenses in the Part C & D. If the supporting photographs and invoices are in chronological order like the claimed expenses in the Part C & D, it will assist the MCM in completing an expedited and accurate review of the 27011 BCDE. Please provide only before/after photos for the items claimed.
- **Exportable PDF:** If your office can ensure the attachment with the actual 27011 A & BCDE claim forms are exportable this will assist the MCM in being able to ensure accurate dollar amounts end up in the demand if applicable. This will eliminate the need for the MCM to manually input dollar amounts, thus eliminating human error.
- **Claim Form:** Please ensure that the HUD authorized 27011 claim forms is being utilized. Screen shots, handwritten, or any other unauthorized forms will not be accepted and cause a request from the MCM for the correct form.

### c. Claim Review File

#### i. Standard

For each claim filed, the Mortgagee must maintain evidence of compliance with HUD's servicing requirements. In addition to retaining the documentation required in the [servicing file](#), the Mortgagee must include the following documentation in its Claim Review File:

- Default servicing documentation, including:
  - communication with Borrowers and with HUD;
  - required notices;
  - evidence of evaluation under HUD's Loss Mitigation Program, including 90-Day Reviews;
  - documentation evidencing the Mortgagee's compliance with HUD's reasonable diligence requirements;
  - a copy of the summary of all Single Family Default Monitoring System (SFDMS) status codes reported, available via either the FHAC or through Neighborhood Watch web applications;
  - a print-out of the FHAC screen showing the check mark at the top of the page confirming that the reporting of Status Code 68 was successful (including the date of submission legibly shown), or a copy of the TS 824 confirming that the Status Code 68 transaction was timely submitted to HUD without a fatal error;
  - documentation justifying any delays in meeting HUD time frames; and
  - if applicable, documentation relating to compliance with federal or state prohibitions or delays; and
- claims and/or conveyance documentation, including:
  - a copy of the deed or assignment with the date of recordation, along with a copy of the transmittal letter, if the deed or assignment was sent to a recording authority;
  - the title approval letter, if applicable;
  - the title submission certification, for assignments only;
  - evidence showing that the certificate of title to the Manufactured Home is properly retired;
  - receipts or other documentation of payment made supporting all disbursements for which reimbursement is claimed. Where the Mortgagee made such disbursements in bulk, the documentation must reflect the specific disbursements made for each mortgage;
  - inspection reports;
  - any photographs needed to support P&P expenses;
  - written responses from HUD's MCM regarding approval of extensions or expenses;
  - a copy of the buydown and rental agreements;
  - Advice of Payment letters;
  - a copy of the hazard insurance policy and flood insurance policy, if applicable;
  - for claims involving Reconveyance and reacquisition, evidence that the title or property issue requiring Reconveyance has been corrected; and
  - all parts of the claim form, schedules, attachments, and any other supporting documents.

# Demands for Reimbursement - Appeals

## HUD Regulation and Best Practices

### IV. CLAIMS AND DISPOSITION

#### A. Title II Claims

#### 6. Debt Collection and Administrative Offset

#### 6. Debt Collection and Administrative Offset

HUD may use the debt collection and administrative offset process to collect money owed by the Mortgagee due to an improper claim amount.

##### a. Demand Letter

To establish the debt, HUD will send a Demand Letter to the Mortgagee. Within 30 Days of the date of the Demand Letter, the Mortgagee must:

- remit overpaid amounts; or
- take other such action, including submitting a rebuttal, as provided in the Demand Letter.

After receiving a Demand Letter, the Mortgagee may request a review of HUD records related to the debt in accordance with 24 CFR Part 17 and/or as otherwise instructed in the Demand Letter.

#### Demand for Reimbursement Appeals

It's important to take note of the HUD regulation posted above this article. (*Hud Handbook 4000.1 IV. Claims and Disposition A. Title II Claims 6. Debt Collection and Administrative Offset*) If your office fails to submit a demand appeal timely, the opportunity to appeal will no longer be available. It's imperative if a "demand for reimbursement" is issued to your office to act fast and appeal within 30 days of issuance to prevent the loss of the opportunity to appeal. Please ensure to utilize the "Mortgagee Contacts Module" described in this newsletter, to ensure all notifications from the MCM are received timely and that the appropriate mortgagee contacts are being notified.

The MCM will not consider 2<sup>nd</sup> and 3<sup>rd</sup> appeals on demands for reimbursement unless something was overlooked during the initial appeal review. It's common for mortgagees to submit a 2<sup>nd</sup> and 3<sup>rd</sup> appeal with new supporting documentation that should have been provided on the initial appeal submission. It's critical all pertinent information is provided on the initial appeal submission to improve the chances of a rescission or adjustment. Please direct all inquiries regarding demand appeals to [mcm-appeals@isncorp.com](mailto:mcm-appeals@isncorp.com)

#### Best Practices

Demands for Reimbursement issued by the MCM generally are a result of a discrepancy discovered during the 27011 BCDE claim review or a request for reimbursement is issued to the MCM from the FSM or AM to pursue collection.

Once the initial demand for reimbursement is issued from the MCM to the mortgagee, if funds are not remitted or an appeal hasn't been submitted within 30 days from issuance, the MCM will move forward with collection actions and issue "Intent to Offset". If funds are not remitted within 30 days from the issuance of the "Intent to Offset", the MCM will send an Offset request to HUD for collection. If your office remits funds, a simple notification to [mcm-appeals@isncorp.com](mailto:mcm-appeals@isncorp.com) will prompt the MCM to close the collection action for that particular case or issue.

If your office has inquiries regarding the issuance of a demand for reimbursement due to a 27011 BCDE review, please email [mcm-claims@isncorp.com](mailto:mcm-claims@isncorp.com). If your office has inquiries regarding the issuance of a demand for HOA, Utilities, Taxes, or an appeal of the demand, please email [mcm-appeals@isncorp.com](mailto:mcm-appeals@isncorp.com)

For reporting regarding all pending demands for reimbursement specific to your office, feel free to reach out to the MCM for instruction on how to utilize the "Administrative Remedy" widget that is available to all lenders in HUD's system of Record (P260).





# Surchargeable Damage Requests

## Detail and Best Practices

Since the implementation of P260, the Surchargeable Damage Request has been used as an avenue to request permission from HUD to convey a property outside of normal Conveyance Condition. Over the last five years the scopes and issues submitted through the surchargeable module have expanded to include various issues outside of surchargeable or big 6 damages. (Fire, Flood, Earthquake, Hurricane, Tornado, Boiler Explosion).

Below are common examples of surchargeable requests that are considered by the MCM that do not pertain to big 6 damages.



### Theft/Vandalism

One of the most common requests submitted through the surchargeable portal are requests to convey "as-is" with theft/vandalism damages and credit HUD the insurance proceeds. These properties generally suffer from multiple occurrences of theft that are difficult to repair due to ongoing theft & vandalism. It's very common to see repairs completed per the insurance scope, to only return a day later to new theft/vandalism damages. The common examples of routinely stolen items include but are not limited to: air conditioning units, water heaters, furnace, cabinets, utility meters, windows, doors, and copper wiring. The items are routinely stolen in what are considered the high vandal areas or HVA's. In order for this type of surchargeable request to be considered please provide the following with the submission in P260: insurance documentation supporting multiple occurrences of theft/vandalism, settlement funds available, photos of property conditions, full inspection history, work completed to date, and the adjusters scope of work must be provided to support the request to convey "as-is". If a property conveys with theft and/or vandalism damage without permission from the MCM or HUD, it will generally result in either a demand for reimbursement or even reconveyance at the property depending on the severity of the damage.



### Occupancy Violations

Mortgagees are expected to ensure that there are no active violations, liens, or other outstanding code compliance issues prior to conveyance of a property to HUD. There are certain types of occupancy violations issued that can't be cured or cleared until a property simply becomes occupied. There are other types of code enforcement violations that may require utilities restored or other code upgrades to be completed before occupancy can occur, that are considered beyond normal conveyance condition standards. If this type of violation is issued on a property, the surchargeable module in P260 can be utilized to submit a request to convey "as-is" with the active violation or code citation. When submitting this type of surchargeable request, please ensure the following supporting documentation is included in the submission: photographic evidence property is in "conveyance condition", copy of the code violation or citation, complete inspection history, and an explanation as to why the work isn't cost effective or necessary for conveyance. When submitting this type of surchargeable request, it needs to be evident this is the only issue remaining unresolved at the property outside of the normal conveyance condition requirements.



### Demo & Convey as Vacant Lot

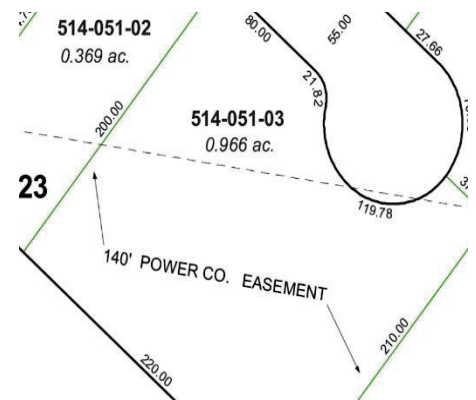
HUD will consider a surchargeable request to demolish the main structure and convey as a vacant lot in some scenarios. In order to justify this type of request your office needs a clear explanation as to why it's not cost effective for the repairs to take

place or the AHJ requires demolition or razing of the property. The following documentation is required for this type of request to be considered: origination appraisal, AHJ documentation (condemnation, demo threat, raze order), detailed property photos, itemized repair bid, itemized demolition bid, complete inspection history (default through current reporting month), BPO (showing repaired value, "as is" value, and lot value), and clear explanation as to why repairs cannot be completed or are not cost effective. Request to demolish the main structure and/or collateral must be submitted as a surchargeable request and not as an over-allowable request.



### Utility Easements

These types of requests are generally to address road or sidewalk maintenance, gas or sewer line maintenance, power pole or power lines, cable/phone/internet providers, etc. HUD will consider approval of these requests depending on the circumstances. Utility easements are considered on a case by case basis and the following supporting documentation is needed to a review: easement details, a property survey if applicable, detailed property photos, and clear explanation as why it should be considered.





# Surchargeable Damage Requests

## Detail and Best Practices



### Freeze Damage

HUD will not accept conveyance of a property if freeze damage to the plumbing system exists. If discovered after conveyance by the FSM without permission from HUD or the MCM to convey "as-is" it will result in a reconveyance. The MCM can only consider a request to convey "as-is" for freeze damage if an insurance settlement can't be reached with the LPI "Lender Placed Insurance" Policy and the Homeowners Policy. In the rare occurrence insurance proceeds cannot be obtained to repair the freeze damage, mortgagees will need to prove the damage existed at FTV. If the condition isn't noted at FTV with photographic evidence, it will be considered mortgagee neglect.



### Unfinished Renovations

It's very common to find the property in a state of unfinished renovations at FTV. It's not always necessary to submit a surchargeable request to convey "as-is" with unfinished renovations. It really depends on the condition of the property. If the unfinished renovations are contained to a basement or single room, was present at FTV, and doesn't contain any conveyance condition issues, then the unfinished renovation doesn't require repair prior to conveyance. If more than 25% of the property is gutted down to the framing (ie missing flooring, drywall, fixtures, and cabinets etc.), its in your offices best interest to submit a request for permission to convey "as-is" with unfinished renovations. The MCM will have to

complete a review and determine if the property was originated in the unfinished state. The following supporting documentation is required for this type of surchargeable request: itemized repair bid, complete inspection history, detailed photos, origination appraisal, insurance documentation if applicable, and BPO (showing lot value, as-is value, and repaired value).



### HOA Variances

HUD regulation requires all HOA dues and fees to be paid through the conveyance date. There are instances where your office may encounter an uncooperative or non-existent HOA. If this is the only issue holding up conveyance, a request to convey without paying the HOA dues and fees can be submitted through the Surchargeable Module. Your office needs to provide the following supporting documentation for this type of surchargeable request to be considered: the HOA name and contact details, copies and receipts of certified letters, and if the HOA is local confirmation the office is non-existent or closed. FYI- If the HUD FSM is able to make contact with the HOA and easily obtain a copy of the ledger, this will result in a demand for reimbursement or even possible reconveyance depending on the outstanding bill.



### Insurable Damages

Fire, Hurricane, Flood, Tornado, Earthquake, Boiler Explosion, Theft & Vandalism, and Freeze damages are considered insurable and need to be repaired utilizing insurance proceeds or settlement funds prior to conveyance of the property to HUD. The Surchargeable Module shouldn't be used for these types of damages unless insurance proceeds

are not available. When submitting this type of request the following supporting documentation needs to be provided: copies of insurance denials from Homeowners and LPI policies, detailed photos, itemized repair bid, and clear explanation as to why the coverage isn't applicable.

While it's understandable for the mortgagees to seek an approval to convey with certain property damages or issues, it's important to note some types of requests are simply unnecessary. Below are some examples of common surchargeable requests to convey "as-is" that are submitted unnecessarily.

### Missing appliances

If appliances such as a refrigerator, washer, dryer, or stove are missing at FTV and there is no evidence that they are missing due to theft and(or) vandalism there would not be a need to seek approval to convey without these items. If the equipment, fixtures, and appliances were present at FTV, they must be present at conveyance unless there is an OA approval from the MCM to remove prior to conveyance.



### Fieldstone basements

Fieldstone basements with minimal natural seepage occurring is not a circumstance that would require approval to convey "as-is". Basements of this nature were not designed to fully prevent water intrusion and are not meant to be finished with drywall/flooring/etc. Provided there is not pooling water or excessive water intrusion, these types of basement are not outside of conveyance condition. Measures taken to eliminate moisture or seepage can be submitted as an over-allowable.

For additional information regarding surchargeable requests please feel free to reach out to the following MCM Staff:

Justin Park - Preconveyance Director  
[jpark@isncorp.com](mailto:jpark@isncorp.com)

Lissa Gates - Preconveyance Manager  
[mgates@isncorp.com](mailto:mgates@isncorp.com)

Amanda Walker - Admin Remedies Manager  
[awalker@isncorp.com](mailto:awalker@isncorp.com)

# HERMIT

## HECM Over-Allowables and Best Practices

In an effort to align the HECM over-allowable process with the established Forward over-allowable process, HUD assigned the role of processing HECM over-allowables to the MCM as of October 1<sup>st</sup> 2015. HECM over-allowables are processed through the HERMIT system. (Home Equity Reverse Mortgage Information Technology) This is the only HECM/Reverse process the MCM currently processes.

While HERMIT's workflow is drastically different than P260, there are still many fundamental similarities when submitting an over-allowable request in HERMIT. Below we will walk through these parallels, as well as the differences, to streamline the submission process to avoid delays and unnecessary denials. The basics of the over-allowable request is the same, meaning the same HUD regulations apply regarding Property & Preservation (P&P). The MCM still needs the following supporting documentation to process HECM over-allowable requests: detailed photos, itemized repair bids, inspection history, and any other relevant supporting documentation pertinent to the over-allowable request. The MCM will review and apply HUD P&P regulation to the HECM over-allowables in the same manner its applied to forward over-allowables. The main difference in the review process pertains to how due diligence and foreclosure timeframes are reviewed when considering P&P expenses, as HECM properties generally do not convey to HUD and is marketed by the mortgagee or servicer. For additional details regarding HECM timeframes, please reference the due diligence and foreclosure timeframe portion of this newsletter.

### HECM Over-Allowable Best Practices

There are several indicators within the HERMIT system to take note of when submitting an over-allowable request. If any of the following statuses are present it will result in the over-allowable being denied.

**Case Status:** Terminated  
**Case Sub-Status:** Terminate - CT 21  
**Product Type:** HECM STANDARD

[Go to Loan Search](#)

#### Case Status and Sub-Status: Terminated-CT21

If the case status is listed as terminated, case sub-status is listed as a terminated-CT21, and the UPB reflects \$0.00, the MCM processors will deny the submission. The ability for over-allowable review of P&P expenses is lost when the loan goes into terminated status.

**Case Sub-Status:** Loan Active  
**Product Type:** HECM STANDARD

[Go to Loan Search](#)

#### Case Sub-Status: Loan Active

If the case sub-status is listed as loan active, the MCM processors will deny the over-allowable submission, because the loan doesn't have a reported "Due & Payable" event. The property is generally occupied, current on Taxes & Insurance, or borrower isn't deceased. There are instances where the MCM processors observe a request or note within HERMIT requesting to call the loan due & payable, this isn't sufficient to proceed with an over-allowable review. The request to call the loan "due & payable" has to be approved in HERMIT, case status listed as endorsed, and case sub-status listed as something other than "loan active" for the MCM to consider the submitted P&P expenses. Please ensure loan status is reviewed prior to submitting an over-allowable request in P260

### Incomplete Over-Allowable Submission

The MCM regularly observes incomplete over-allowable submissions to the HERMIT system. This will always lead to a deactivation of the submitted timeline. Please ensure steps 1, 2, & 4 have completion dates entered to activate the timeline for review by the MCM. If any of the statuses indicated by the blue arrows in the graphic below do not have a completion date listed it will result in a deactivation of the OA/Timeline in the HERMIT system.

### HECM Appeals

HERMIT doesn't support an appeal process for over-allowables like P260, therefore all over-allowable appeal requests for HECM properties need to be submitted as an email to the mcm-appeals@isncorp.com inbox. The MCM has implemented an appeal process that mimics the appeal process utilized for forward over-allowables. If a HECM over-allowable request is denied due to missing documentation, request for additional information, or the work simply isn't warranted, your office will need to submit an appeal request through the appeals inbox for additional consideration. If additional information or a clear explanation isn't provided with an appeal request it will not be reviewed by the MCM and the original decision will be upheld. If a comment is omitted, a typo occurred, or the decision letter wasn't generated for the initial decision rendered on the over-allowable, your office can email the mcm-preconveyance@isncorp.com inbox for the correction.

For additional details regarding over-allowable submissions in the HERMIT system, please email mcm-preconveyance@isncorp.com

#	Step Description	Scheduled Date	Complete Date	Step Group
1	Initiate Request to Exceed Costs for P&P	10/12/2017	10/12/2017	Servicer
2	Upload P&P Package	10/12/2017		Servicer
3	Request to Exceed Package Reviewed	10/18/2017		HUD Contractor
4	Send P&P Package to HUD	10/19/2017		Servicer
5	Servicer Notified of Decision	10/19/2017		HUD Contractor

If completion dates are not entered in the fields indicated by the blue arrows above, it will result in a deactivation of the timeline by the MCM in the HERMIT system. Please review the submission to ensure all fields are populated, so the MCM can process the request.



# Title Package Submissions

## Common Rejections

When conveying a property to HUD it's imperative to ensure the property has clear and marketable title. If any issues exist that cloud title it could result in a title package rejection from the MCM or even reconveyance of the property. If your office receives rejection of the submitted title package from the MCM and does not resolve the issue timely, your office will lose the ability to obtain the "Title Approval Letter" or "TAL" from the MCM. If your office doesn't obtain "TAL", the filing of the 27011 BCDE claim will not be accepted by the HUD claims division, resulting in loss of claim payment. It's recommended to ensure title is clear and marketable prior to conveyance of the property to HUD to prevent financial loss.



### How to Avoid Title Package Rejections

Prior to uploading the title package, review the title package to ensure the legal description on all documents corresponds to the legal description on the mortgage/deed of trust. If the legal description is incorrect, include in the title package recorded evidence that the legal description has been corrected. The MCM will accept a reformation at foreclosure, a recorded Scrivener's Affidavit or a recorded Affidavit of Fact (if acceptable in the state the property is located in).



### Manufactured Homes (MHU)

If available, include a copy of the origination appraisal in the title package. Ensure MHU documents are included in the title package. If needed, the MCM will request the mortgagee provide an IBTS report



### Missing Recorded Deed to HUD

If the deed recorded to HUD isn't included with the title package submitted to the MCM, it will result in a title package rejection until provided. A copy of the recording receipt isn't sufficient and will result in a rejection as well.

### Missing Title Evidence

Refer to HUD Handbook 4000.1 for types of acceptable title evidence

### Encroachments

If encroachment(s) are listed as an exception on the title evidence, include a copy of the origination survey or survey that shows the encroachment in the title package (note, most encroachments are not acceptable as an exception). Refer to CFR 203.389 Waived Title Objections

### Incorrect Title Package

Do a quick Quality Review on what is being uploaded. Does the title package being uploaded match the property details in P260.

### Outstanding Liens (Held By HUD)

If the property is foreclosed, Liens held by HUD are not an acceptable exception on the title evidence. The lien should be addressed during the foreclosure process. Deed in Lieu (DIL) conveyances can reference a lien held by HUD on the title evidence due to not going through the foreclosure process.



### Failure to Resolve Rejection Timely

HUD allows the mortgagee 10 calendar days to resolve Title Package rejections. If not resolved in this time frame, the case can be referred for reconveyance review and can result in the mortgagee forfeiting the option to file the 27011 BCDE Claim. Title package approval isn't needed for the HUD Asset Management to market or sale the property from HUD inventory. Once the Part A claim is paid, HUD marketing efforts are initiated.

### Title Package Rejections

Upload all the documents in the denial letter to expedite the review process. Uploading partial documents can result in an additional rejection, delaying the approval of the title package.

### CWCOT

The title package coversheet should reflect that the property failed to sell in the CWCOT program. A copy of the bid appraisal should be in the title package. A copy of the Commissioner's Adjusted Fair Market Value (CAFMV form) should be in the title package (if foreclosed on or after 2/1/15)

### Title Policy Date

The title policy date should match the acquisition date (the date the Part A Claim is paid). An endorsement will be required updating the title policy insuring HUD to the date of acquisition.





# Reasonable Diligence

## HUD Regulation - HUD Handbook 4000.1

### III. SERVICING AND LOSS MITIGATION

#### A. Title II Insured Housing Programs Forward Mortgages

##### 2. Default Servicing

#### (E) Reasonable Diligence in Completing Foreclosure

##### (1) Definition

The Reasonable Diligence Timeframe is the period of time beginning with the first legal action required by the jurisdiction to commence foreclosure and ending with the later date of acquiring good marketable title to, and possession of, the Property.

##### (2) Standard

The Mortgagee must exercise reasonable diligence in processing foreclosures and in acquiring title to and possession of Properties, in accordance with HUD's [Reasonable Diligence Timeframes](#).

When circumstances beyond the Mortgagee's control occur, the Mortgagee may treat delays in completing the foreclosure process as exceptions to the Reasonable Diligence Timeframes and may exclude such delays when calculating the time to complete a foreclosure if an extension has been granted by HUD.

##### (3) Required Documentation

The Mortgagee must document in its Claim Review File any delay in completing foreclosure and all activities performed by the Mortgagee to mitigate and abide by these timeframes. The Mortgagee must maintain a comprehensive audit trail and chronology to support any delay in compliance with the Reasonable Diligence Timeframes.

Where the Mortgagee has submitted a request for an extension of time to the NSC via EVARS, the Mortgagee must maintain a copy of the NSC's written response in the Claim Review File.

For automatic extensions, the Mortgagee must reflect these extensions in form HUD-27011 and retain in the Claim Review File documentation supporting those extensions.

##### (E) Curtailment of Claims

Mortgagees are responsible for [self-curtailment](#) of interest and property expenses on Single Family claims when Reasonable Diligence Timeframes or reporting requirements are not met. Property expenses do not include real estate taxes and hazard insurance premiums.

For additional information regarding reasonable diligence and foreclosure timeframes please reference the following HUD regulation: 4000.1 (III. Servicing and Loss Mitigation A. TITLE II Insured Housing Programs Forward Mortgages 2. Default Servicing Section (E) Reasonable Diligence In Completing Foreclosure, 4000.1 Appendix 5.0, ML2016-03, and ML2016-04

When conveying a property to HUD please ensure to document any delays in meeting diligence/foreclosure timeframes established per HUD regulation. If reasonable diligence timeframes are not met, your office will need to curtail interest and P&P expenses as appropriate. If the delays are caused by circumstances outside the mortgagee's control, please provide a chronology of foreclosure events to justify or validate the delays encountered throughout the foreclosure process.

Below the MCM will discuss certain types of delays HUD considers valid or justified. The following are some of the common examples observed by the MCM:

#### Chapter 7 Bankruptcy

HUD allows the mortgagee an additional 90 days from the date of the release of stay of the Chapter 7 bankruptcy to recommence the foreclosure.

#### Chapter 11, 12, or 13 Bankruptcy

When the mortgagee cannot proceed with foreclosure action because of a Chapter 11, 12, or 13 bankruptcies, the Mortgagee must closely monitor the payments required by the bankruptcy court. If the borrower becomes 60 days delinquent in payments required under the bankruptcy plan, the mortgagee must ensure that prompt legal action is taken to resolve the matter. Any delay the mortgagee encounters must be fully documented and must be beyond the mortgagees control.

#### Delay in Acquiring Possession

When a separate legal action is necessary to gain possession following foreclosure, an automatic extension of the reasonable diligence timeframe will be allowed for the actual time necessary to complete the possessory action. HUD provides this automatic extension of the mortgagee takes the first legal action to initiate the eviction or possessory action within 30 days of:

- The completion of the foreclosure proceedings: or
- The expiration of the federal or local restrictions on eviction.

The additional time needed under applicable federal, state, or local laws to obtain possession of a property is taken into consideration when evaluating a mortgagee's compliance with HUD's reasonable diligence timeframe. Upon the expiration period associated with the applicable occupancy rights, mortgagees are expected to proceed promptly with possessory actions.