



**U. S. DEPARTMENT OF VETERANS AFFAIRS**  
**Regional Office, Fort Snelling**  
**1 Federal Drive**  
**St. Paul, MN 55111-4050**  
**[www.vba.va.gov/rostpaul.htm](http://www.vba.va.gov/rostpaul.htm)**

June 7, 2002

REGIONAL LOAN CENTER MEMORANDUM NO. 02-08

TO: ALL LENDERS, HOLDERS, AND SERVICERS

SUBJ: PROPERTY PRESERVATION AND ALLOWABLE LIQUIDATION FEES AND COSTS

**PURPOSE**

To establish requirements concerning services the Department of Veterans Affairs (VA) expects mortgage servicers to provide for the maintenance, preservation, and repair of vacant and abandoned properties prior to conveyance of property to VA. This memorandum outlines the maximum fees to be reimbursed for these services and covers all properties under the jurisdiction of the St. Paul Regional Loan Center (RLC) as follows: **Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin**. It is not our intent to regulate the amounts that holders pay to protect and preserve properties or to decide what measure the holder needs to take to preserve a property.

**RESCISSION**

RLC Memorandum 01-13 is hereby rescinded.

/s/D. F. MUNRO  
D. F. MUNRO  
Loan Guaranty Officer

Attachment:  
Property Preservation Guidelines

## **PROPERTY PRESERVATION GUIDELINES**

### **PROPERTY PRESERVATION**

Under Title 38 CFR 36.4320 the holder shall bear responsibility for any loss due to damage or destruction of the property or personal injury sustained in respect to such property from the date of acquisition by the holder to the date such risk of loss is assumed by the Department of Veterans Affairs (VA). VA assumes risk of loss from the date of receipt of the holder's election to convey. Costs incurred for work performed after the conveyance to VA is received will not be honored on a claim.

If a property appears to be vacant, permission from the owner should be requested and obtained, if possible, prior to entering. Also, if the property is listed for sale and a sign is posted, the owner or listing agent should be consulted prior to taking any actions.

Properties that are discovered to have suffered damage due to cold weather, fire, or vandalism should be reported to VA. You should immediately file a mortgagee's claim with the insurance carrier for the amount of the damages. These funds should then be applied to reduce the principal balance if not used for restoration.

### **PRIOR APPROVAL**

Prior approval is not required and will not be given. If an item is not covered by this memorandum or there are unusual circumstances that support additional expenses, you may submit complete information justifying the additional expense with your Claim Under Loan Guaranty and request reimbursement at that time. It is the holder's responsibility to protect and preserve the security for the loan. The decision as to what action to take to preserve and protect the property is the holder's and it is independent of the amount of costs that VA will reimburse.

### **REIMBURSEMENT**

Holders will be reimbursed via the Claim Under Loan Guaranty for property inspections and preservation costs incurred before the interest cutoff date and before custody of the property is delivered to VA up to the limits specified in this memorandum. Evidence of payment must be submitted with the Claim Under Loan Guaranty, describe the service provided and the materials used, and specify the date the service was performed. Pictures are not required by the St. Paul RLC and are not a reimbursable item.

### **SECURING PROPERTIES**

Windows and doors must be secured to prevent unauthorized entry and to protect against weather damage. Broken glass should be replaced. In emergency situations measures must be taken to protect the interior of the property from damage caused by leaking roofs. These temporary repairs in the form of spot patch work or replacing loose shingles, should be performed promptly.

Locks should be changed or re-keyed on all entry doors.

### **BOARDING**

Windows and doors should not be boarded unless the glass is broken or the property is located in an area where it will be subject to vandalism.

## CLEAN OUTS AND DEBRIS REMOVAL

Generally, property clean out and debris removal will be the responsibility of VA once the property is conveyed following a foreclosure sale. A holder or servicer should only proceed to remove items or materials considered health or safety hazards. Personal items such as furniture and appliances should not be removed. Reimbursement for approved debris removal will be at the rate of \$100 per load. A load is defined as a ½ ton pickup truck.

## GROUND AND YARD SERVICE

Lawn care should be performed as needed (up to two cuttings a month) to comply with local codes and ordinances after April 1st. Lawn care should be performed to the edge of the property line on city lots and mowing should only be done for the first 40 feet from the dwelling on rural lots. A large city lot is defined as 8,000 sq. ft. or greater. Snow removal should be performed as needed to comply with local codes and ordinances. Claims will be reduced for the amount of any liens or fines imposed by local authorities for failure to comply with local ordinances.

## WINTERIZATION OF PROPERTIES

All vacant properties should be winterized between October 1st and April 1st. If weather conditions in an area warrant action outside these dates, holders/servicers should use judgment and take appropriate action to protect the security.

Winterization must include a thorough and complete draining of all plumbing systems (lines should not be cut). The water supply to the property must be shut off at the curb if possible. If a curb shut off is not possible, the main interior water supply must be shut off. In either case, the water meter must be disconnected and left in the property. The disconnected feed pipe leading from the main water valve must be plugged.

**Domestic Plumbing** - The hot water heater and all domestic supply and distribution piping must be thoroughly drained. All faucets and valves must be opened in the process and then be closed after draining is completed. Adequate antifreeze is to be placed in all fixtures and traps including toilet tanks and bowls.

**Hot Water Heating Systems** - The heating system should be drained, or as an alternative to draining, VA will accept a 50/50 anti-freeze mixture in the heating system. Cost estimates should be reviewed prior to winterizing hot water systems since it could be cheaper to keep the dwelling heated for the balance of the heating season.

**Swimming pools** - Feed lines should be winterized but pools should not be drained.

**Sump pumps** - When a sump pump is used to keep basements or crawl space dry, check to make sure the pump is operable to ensure that the property is not damaged by flooding.

Only non-toxic anti-freeze (propylene-glycol) may be used for winterization. Windshield washing fluid and automotive antifreeze (ethylene glycol) are not acceptable. All winterization procedures and materials must comply with state and local codes, ordinances and regulations.

***The preservation company must indicate whether utilities (water, electrical, or gas) were in service at the time the property was winterized and this report should be submitted with the holder's claim.***

### HEATING

There may be situations where a property should also be heated. The need to maintain heat depends on the quality of construction and if a lack of heat would cause damage to the property during cold weather. Townhouses and properties with sump pumps may also require heating. If heat is left on, thermostats should be set at 55 degrees.

### UTILITIES

It is recommended that utilities be turned off since utility costs will not be reimbursed on a claim *unless required to protect the property*. For example, electrical service is required to maintain heat or operate a sump pump to keep the basement from flooding. (See Winterization of Properties)

Reasonable charges for utility fees and fuel will be reimbursed. Delinquent utility charges incurred by the owner will not be reimbursed unless they are lienable charges. Utility charges should be justified on your claim.

### SWIMMING POOLS

Holdes should follow the guidelines established by The Department of Housing and Urban Development (HUD) for the protection and preservation of swimming pools. Do not drain in-ground pools. A cover must be installed to prevent access and the fence doors/gates must be padlocked.

### PROPERTY INSPECTIONS

The holder should make an inspection of the mortgaged property whenever it becomes aware that its physical condition may be in jeopardy. Unless a repayment agreement is in effect, a property inspection must also be made at the following times:

- (1) Before the 60th day of delinquency or before initiating action to liquidate a loan, whichever is earlier;
- (2) At least once each month after liquidation proceedings have been started, unless servicing information shows the property remains owner occupied;
- (3) In the case of an abandoned property, inspections should be scheduled at least monthly to prevent deterioration due to vandalism or neglect. Reasonable judgment should be exercised at arriving at a conclusion of abandonment versus temporarily being vacant.

A reasonable fee for property inspections required by VA may be charged to the borrower if permitted by the loan instruments. Fees for required inspections may be included in a claim filed with VA following liquidation of the loan. **VA SHOULD BE NOTIFIED IF ANY SUBSTANTIVE DAMAGE TO THE PROPERTY IS FOUND.**

## GENERAL COMMENTS

This memorandum is meant to be a guideline. It is your responsibility to take any precautions needed to protect the property. Please contact the St. Paul RLC with any questions regarding specific properties or situations. The points of contact pertaining to this subject are as follows:

Loan Administration - 1-800-827-0611

Illinois	ext. 3736 or 3746	e-mail <a href="mailto:IL1.team.stpaul@vba.va.gov">IL1.team.stpaul@vba.va.gov</a>
Minnesota	ext. 3756	e-mail <a href="mailto:MN.IA.SD.ND.team.stpaul@vba.va.gov">MN.IA.SD.ND.team.stpaul@vba.va.gov</a>
Iowa	ext. 3756	e-mail <a href="mailto:MN.IA.SD.ND.team.stpaul@vba.va.gov">MN.IA.SD.ND.team.stpaul@vba.va.gov</a>
North Dakota	ext. 3756	e-mail <a href="mailto:MN.IA.SD.ND.team.stpaul@vba.va.gov">MN.IA.SD.ND.team.stpaul@vba.va.gov</a>
South Dakota	ext. 3756	e-mail <a href="mailto:MN.IA.SD.ND.team.stpaul@vba.va.gov">MN.IA.SD.ND.team.stpaul@vba.va.gov</a>
Kansas	ext. 3776	e-mail <a href="mailto:KS.NE.team.stpaul@vba.va.gov">KS.NE.team.stpaul@vba.va.gov</a>
Nebraska	ext. 3776	e-mail <a href="mailto:KS.NE.team.stpaul@vba.va.gov">KS.NE.team.stpaul@vba.va.gov</a>
Missouri	ext. 3786	e-mail <a href="mailto:MO.team.stpaul@vba.va.gov">MO.team.stpaul@vba.va.gov</a>
Wisconsin	ext. 3766	e-mail <a href="mailto:WI.team.stpaul@vba.va.gov">WI.team.stpaul@vba.va.gov</a>

This Memorandum is on the St. Paul Regional Loan Center web site at [www.vba.va.gov/rostpaul.htm](http://www.vba.va.gov/rostpaul.htm). The release can also be accessed on our VBA National website at [www.homeloans.va.gov/servicers.htm](http://www.homeloans.va.gov/servicers.htm)

