



DEPARTMENT OF VETERANS AFFAIRS
Regional Office
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In Reply Refer To: 317/26

February 3, 2006

INFORMATION BULLETIN 26-06-04

To: ALL HOLDERS AND SERVICERS

SUBJECT: EXPENSES FOR PROPERTY INSPECTIONS AND PRESERVATION FOR PUERTO RICO AND THE U.S. VIRGIN ISLANDS

1. PURPOSE The holder is responsible for measures needed to protect and preserve the security for the loan. This bulletin describes the minimum requirements for securing vacant properties and the maximum expenses allowed for properties securing Department of Veterans Affairs (VA) guaranteed and VA Regulation 4600 loans in **Puerto Rico** and **the U.S. Virgin Islands**. It is not our intent to regulate the amounts that holders pay to protect and preserve properties or to decide what measures the holder needs to take to preserve a property. Our purpose is to specify the maximum amount that will be reimbursed by this Regional Loan Center.

2. PRIOR APPROVAL PRIOR APPROVAL IS NOT REQUIRED. If an item is not covered by this bulletin or there are unusual circumstances that support additional expense, you may submit complete information to justify the additional expense with the Claim Under Loan Guaranty and request reimbursement at that time. The holder is responsible for measures needed 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 decision, and it is independent of the amount of the costs that VA will reimburse.

3. HOLDER'S RESPONSIBILITY It is the holder's responsibility to protect and preserve properties when they become vacant and abandoned. **HOLDERS ARE TO ENSURE COMPLIANCE WITH ALL CITY, COUNTY OR OTHER ORDINANCES** in accordance with the terms of the mortgage loan agreement. A holder may advance any reasonable amount necessary and proper for the maintenance or repair of the security and such advance may be added to the guaranteed indebtedness.

Most security instruments have a provision to protect the property securing the loan. The removal of hazardous materials, the correction of hazardous conditions, and the avoidance of liens are primary concerns. Failure to protect and preserve the security may result in additional losses to the holder. A decrease in value may cause VA not to specify an amount for credit to the indebtedness in the event of foreclosure (no bid). If the holder's failure to protect and preserve the property increases VA's liability, the holder's claim payment may be adjusted (reduced).

4. 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 a property is delivered to VA up to the limits specified below when the prescribed guidelines are followed. Evidence of payment must be submitted with the Claim Under Loan Guaranty, must describe the service provided and the materials used, and specify the date the service was performed. Pictures are not required by this RLC to document work performed and will not be reimbursed.

5. ABANDONED PROPERTY 38 CFR 36.4346(i)(2) requires that in cases where the loan is more than 30 days delinquent and the property is abandoned, the holder must take appropriate action to protect the property from vandalism and the elements to the extent permitted by local law. Within 15 days after confirming abandonment, the holder must report the abandonment to the VA and immediately initiate appropriate action to terminate the loan (38 CFR 36.4317(a)).

6. PROPERTY INSPECTIONS As required by 38 CFR 36.4346(i), the holder shall make an inspection of the property securing the loan:

Whenever the holder becomes aware that the physical condition of the property may be in jeopardy;

At least once each month when a property is abandoned to prevent unnecessary deterioration due to vandalism or neglect;

Before the 60th day of delinquency or before initiating action to liquidate a loan, whichever is earlier (unless a repayment agreement is in effect); and

At least once each month after liquidation proceedings have been started unless servicing information shows the property remains owner-occupied.

7. LOCKS Do not install new locks on exterior doors unless entry will be required by the holder prior to transfer of the property to VA; e.g., to allow entry for insurance adjuster or appraiser. If entry will not be required by the holder, doors that cannot be secured should be boarded.

8. POOLS Holders are to ensure compliance with all city, county or other ordinances pertaining to swimming pools.

In-ground swimming pools must be secured and must not be drained.

Above-ground swimming pools must be drained, disassembled and removed from the property. A maximum of \$300 will be reimbursed.

Portable hot tubs and spas must be drained. A maximum of \$50 will be reimbursed.

Maintenance of Pools

If the pool is operational, monthly maintenance and chemical treatment is required. If the pool cannot be maintained because it is non-operational, the pool must be covered. Prior to covering, the pool must be cleaned of trash and debris, and chemically treated to kill/prevent algae and insect growth.

Maximum initial treatment: \$100.00

Monthly treatment \$ 45.00.

Securing of Pools

In every case, immediate action must be taken to secure the pool area. If a security or privacy fence is in place, the entrance gate should be padlocked and any necessary repairs made to the fence. These actions should be in accordance with local codes governing swimming pools, if there are applicable codes. If a security fence is not in place install a privacy fence around the perimeter of the pool and secure with padlock.

If a cover is required it will consist of sufficient strength and construction so as to prevent an average size adult from accidentally falling into the pool. The frame will be large enough to extend beyond the sides of the pool, and will be secured to the deck. All materials and all workmanship will be of good quality. A maximum of \$750 will be reimbursed (to include any fence replacement/repair).

9. EXTERNAL DEBRIS REMOVAL Exterior debris that usually requires removal includes such things as food waste, fallen trees or limbs, abandoned vehicles and debris that interferes with lawn maintenance. Reimbursement will be at the rate of \$25.00 a cubic yard not to exceed \$150.00. An average pickup truck with a 5' x 8' bed that is 30" high has a capacity of approximately 3 ½ yards if it is completely filled. The actual cost of the dump fee will be reimbursed if it is documented by an original receipt with the name and telephone number of the dump site.

10. HAZARDOUS MATERIAL (INTERNAL OR EXTERNAL)

If hazardous waste material is found, local health and/or environmental agencies must be contacted for guidance and VA notified of the condition. Removal of debris from the interior of properties and/or interior cleaning is not required except where there may be a fire, safety or health hazard. Refrigerators must have doors removed and remain in the property. Hazardous cleaning materials must be removed from the premises. Reimbursement will be at the rate of \$25.00 a cubic yard not to exceed \$150.00 without submission of a detailed explanation.

11. WINDOWS AND DOORS

A maximum of \$30 per opening will be reimbursed without recovery of material. Board windows only when the glass has been broken out. When a door is damaged or missing, board the opening. A typical window is one opening. Two single windows mounted adjacent to each other are two openings. A typical sliding glass patio door is two openings. Two or four panes in a typical one car overhead garage door are one opening. A one car garage is considered two openings, and a two car garage is considered four openings. "Openings" are to be covered with a single piece of plywood where possible. Openings in detached garages and storage sheds do not need to be covered. Evidence of payment must specify the number of openings boarded.

12. LAWNS

Refer to summary of property preservation expenses, (Attachment). These costs apply to all lawns regardless of height. All lawn services include edging and removal of clippings after each cutting. holders are expected to use good judgment to determine when mowing is needed.

Maximum initial cut: \$70.00

Maximum re-cut: \$30.00

Larger lots in excess of 15,000 sq. ft. \$188.00 maximum

Formula = total sq. ft. X \$.0047

Re-cut larger lot maximum 43% of initial cost

Trimming of shrubbery is not necessary, unless required due to code violations

13. If you have any questions please contact this office at (888) 611-5916, or you may e-mail us at: vavbaspt/ro/sajsqc@vba.va.gov .

WILLIAM A. CIPOLLA
Loan Guaranty Officer

**SUMMARY OF PROPERTY PRESERVATION EXPENSE
FOR PUERTO RICO AND THE VIRGIN ISLANDS**

Property Inspections: initial	Maximum \$20
subsequent	Maximum \$15
Locks: initial door	Maximum \$45
Each additional door	Maximum \$25
Lawns: initial cut	Maximum \$70
Re-cuts	Maximum \$30
Over size lots	Maximum \$188
In-ground pools: securing	Maximum \$750
Initial Maintenance	Maximum \$100
Monthly maintenance	Maximum \$45
Above-ground pool removal	Maximum \$100
Portable hot tub/spa: drain	Maximum \$50
Padlock gates	Maximum \$30
Exterior debris removal	\$25 a cubic yard, maximum \$150
Hazardous material removal	\$25 a cubic yard, maximum \$150
Board windows/doors	Maximum \$30 per opening