

Regional Office
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**Department of
Veterans Affairs**

Information Bulletin

June 21, 2002

Loan Guaranty Letter 02-09
261-2

SUBJ: Foreclosure, Property Preservation and Servicing Fees

Purpose:

The Denver Regional Loan Center (RLC) has jurisdiction for properties located in Colorado, Wyoming, Alaska, Idaho, Montana, New Mexico, Utah, Oregon and Washington. This release provides program participants with guidelines for determining which foreclosure, property preservation and servicing fees, and the maximum reimbursable amounts of those fees, may be reimbursed on a Claim Under Guaranty in these states. All claims for reimbursement must be reasonable and customary and lenders must always obtain quality service at the least expense to them and VA. Copies of bills and receipts, or other evidence of payment, must be submitted with the claim.

Effective Date:

The fees and expenses set out in this release are effective for VA loan foreclosures conducted on or after July 1, 2002.

Legal and Trustee Fees:

All Claims Under Guaranty are subject to Title 38 Code of Federal Regulations (CFR) 36.4276(b) and 36.4313(b) which stipulate the combined total of the amounts claimed for trustee's fees and legal services may not exceed \$850. In those states where a non-judicial foreclosure is the most common procedure used, payment of additional amounts will be considered on a case-by-case basis when a judicial foreclosure must be conducted subject to the regulatory limitation previously mentioned. The maximum fees for each state under the jurisdiction of this RLC are specified on the attachment to this release.

Title Insurance:

Title insurance policy costs will be reimbursed in those instances where the property is conveyed to VA, or when a title policy is obtained instead of a foreclosure certificate. In the event VA returns title of a property to the holder, the cost of the title policy will not be reimbursed.

Required Notices:

VA will allow \$10.00 for each notice of intention to foreclose sent to the original veteran and/or liable obligor as required by 38 CFR 36.4317(c).

General information concerning property preservation expenses:

- Entry door lock changes will be reimbursed one time only. All doors which have a key lock should be changed. The keys must be attached to VAF 26-8903, Notice for Election to Convey And/or Invoice For Transfer of Property when it is submitted to VA.
- Winterization of plumbing and heating systems should be done year-around. During the winter months the utilities should remain on and set at 55 degrees, in addition to winterization. VA will reimburse for transfer of utilities to the holder's name, as well as actual utility costs when the property is vacant.
- When a property is vacant, apparently abandoned and subject to vandalism, appropriate steps must be taken to protect the security. VA will reimburse actual costs, if reasonable and customary, for boarding of windows and doors if the holder determines the action is necessary. This does not mean every vacant property should be screened and/or boarded. In fact, boarding of properties in well-maintained neighborhoods can invite break-ins. In locations where vandalism is high, all ground floors should be secured. The material suggested for boarding windows and doors is plywood secured with nails; however, the holder should use judgment in selecting the most economical method of securing without jeopardizing the effectiveness.
- Actual cost, if reasonable and customary, will be paid for removal of debris to eliminate health or safety hazards. Documentation must be submitted with the request for payment evidencing the nature and the extent of the hazard. A fee for dumping will be reimbursed if documented by a receipt; however mileage will not be reimbursed.
- Pursuant to VA Regulations 36.4278 and 36.4346, holders are required to conduct property inspections before the 60th day of delinquency and at least once each month after liquidation proceedings have been started unless servicing information shows the property continues to be owner-occupied. An abandoned property must be inspected at least monthly to prevent unnecessary deterioration due to vandalism or neglect.
- Grass should be cut as needed but no more than twice per month between April and October. Mowing once per month may prove sufficient depending on the amount of rainfall. Snow removal should be performed as required by local codes.

Prior Approval

Prior Approval for property preservation is not required and will not be given. 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 can result in additional losses

to the holder. A diminution in value can 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 will be adjusted (reduced).

If an item is not covered by this bulletin or there are unusual circumstances which support additional expense, the holder 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 taking appropriate measures 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 which VA will reimburse.

Hazard Insurance

Under 38 CFR 36.4326, it is the holder's responsibility to procure and maintain insurance policies in an amount sufficient to protect the security against risks or hazards to which it may be subjected. All moneys received under such policies covering payment of insured losses shall be applied to restoration of the security or to the loan balance. Holders should consult VA in total or near total loss cases before consenting to an insurance adjustment if it appears the settlement proceeds will not be sufficient to pay off the loan balance or restore the security. In certain cases when a loan is in the process of being terminated and existing coverage has been canceled or renewal has been refused, premiums actually paid for high cost coverage will be eligible for reimbursement in part, as evidenced by copies of premium notices and paid receipts. VA must receive prior notification if hazard insurance is not obtainable, or obtainable only at prohibitive cost, in order to prevent a claim adjustment under 38 CFR 36.4325(b)(3). Upon receipt and review of the notification VA will provide assurance in writing that there will not be an adjustment due to the holder's failure to procure and maintain an insurance policy. Please contact a VA Loan Service Representative if you have any questions.

Mortgage Loan Servicing Fees:

Although VA does not encourage nor endorse fees related to mortgage loan servicing, the fees and charges listed below are not prohibited if they are reasonable in amount and agreed to by the parties or permissible under the loan agreement:

- Recording a change of ownership of the mortgage property on the books of the servicer. VA would consider a charge in excess of \$50 for such service to be unreasonable, regardless of whether or not there is also a substitution of liability on the mortgage.
- Processing and reprocessing checks of the borrower which are returned to the servicer for insufficiency.

- Substitution of hazard insurance policies during the term of a previously furnished policy (at a time other than the normal renewal period) when substitution is made at the request of the mortgagor. A charge in excess of \$10 for such service will be considered unreasonable. Any charge for policy renewal or replacement at the normal renewal period will be considered inappropriate.
- Processing partial releases of the mortgaged property.
- Processing subordination agreements.
- Modification of the mortgage by a formal written extension or reamortization agreement.
- Marking the mortgage satisfied regardless of allowability by local law or loan documents.

If You Have Questions

Questions regarding allowable fees and charges should be directed to Sarah Lund at (303) 914-5636. A list of other Regional Loan Center key personnel is attached.

VLINDA A. CHILDS
Loan Guaranty Officer

Attachments: 2 Itemized List of Allowable Fees
Loan Administration Key Personnel

Distribution: Holders and Servicers of VA Guaranteed Loans

Recission: Loan Guaranty Letter No. 01-10

**DEPARTMENT OF VETERANS AFFAIRS DENVER REGIONAL CENTER
LOAN ADMINISTRATION KEY PERSONNEL**

June 2002

The borrower's toll-free line in Loan Administration is 1 (800) 319-9446. Commercial lines provide direct access to Loan Guaranty employees at (303) 914- and the individual extensions provided below. Loan Administration FAX numbers are (303) 914-5616 or -5666.

Supervisors and Team Leader

Vacant	Loan Administration Officer		5650
Kay Bowersox	Servicing Officer	lgykbowe@vba.va.gov	5653
Sarah Lund	Training and Quality Coordinator	lgyslund@vba.va.gov	5636

Servicing Team

Mel Law	Servicing and Bids	00-14	lgymlaw@vba.va.gov	5660
Alice Trujillo	Servicing and Bids	15-28	lgyatruj@vba.va.gov	5678
Brenda Fulmer	Servicing and Bids	29-42	lgybfulm@vba.va.gov	5693
Audrey Sherrod	Servicing and Bids	43-56	lgyasher@vba.va.gov	5634
Eddie Staples	Servicing and Bids	57-70	lgyestap@vba.va.gov	5656
Myra Sigea	Servicing and Bids	71-84	lgymsige@vba.va.gov	5667
Rick Weimer	Servicing and Bids	85-99	lgyrweim@vba.va.gov	5655
Emily Lucero	Foreclosure Sales Results	00-99	lgyeluce@vba.va.gov	5690

Loss Mitigation Team

Harold Rhoades	Loss Mitigation	00-33	lgyhrhoa@vba.va.gov	5661
Jeanne Donoghue	Loss Mitigation	34-66	lgyjdono@vba.va.gov	5669
Marsha Stein	Loss Mitigation	67-99	lgykstei@vba.va.gov	5633

Claims, Conveyances, Status Calls & 4318 Title

Menika Patterson	Claim Status/Conveyances	00-19	lgympatt@vba.va.gov	5664
Cindy Shuel	Claim Status/Conveyances	20-39	lgycshue@vba.va.gov	5687
Cindy Steadman	Claim Status/Conveyances	40-59	lgycstea@vba.va.gov	5641
Ely Colville	Claim Status/Conveyances	60-79	lgyecolv@vba.va.gov	5673
Terri Birdsong	Claim Status/Conveyances	80-99	lgytbird@vba.va.gov	5654
Jack Chaney	4318 Title Status	00-99	lgyjchan@vba.va.gov	5658

Foreclosure Bids & NOD/NOI

Jason Moore	Foreclosure Bid Control	00-49	lgyjmoor@vba.va.gov	5659
Bob Kusel	Foreclosure Bid Control	50-99	lgybkuse@vba.va.gov	5663
Beth Sheehan	NOD/NOI	00-99	lgybshee@vba.va.gov	5644

Title, Acquisition and Redemption

Rhonda Bean	Colorado/Wyoming/Montana	lgyrbean@vba.va.gov	(303) 914-5630
Robert Whyel	New Mexico	lgyrwhyel@vba.va.gov	(505) 346-4871
Kim Blackburn	Idaho	lgykblac@vba.va.gov	(208) 334-1900
Richard Rodriguez	Alaska	lgyrrodr@vba.va.gov	(907) 257-4745
David Eaton	Utah	lgydeato@vba.va.gov	(801) 524-4518
Richard Kemp	Oregon	lgyrkemp@vba.va.gov	(503) 326-2458
Cheryle Day	Washington	lgycday@vba.va.gov	(206) 220-6216

Initial Lawn Care	\$50	\$75	\$75	\$60	\$50	\$75	\$200	\$100	\$75
Monthly Lawn Care	\$35	\$60	\$50	\$40	\$45	\$30	\$30	\$35	\$50
Snow Removal	\$35	\$35		\$30			\$15		\$50
Boarding - Windows	\$40	\$50	\$30	\$50	\$70	\$35	\$25	\$30	\$50
Boarding - Doors	\$70	\$60	\$50	\$75	\$70	\$50	\$55	\$50	\$75
Monthly Property Inspections	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Debris Removal (9)	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c
Utilities (10)	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c
Utility Transfer (11)	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Liens(12)	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c
ALLOWABLE ATTORNEY FEES									
Judicial Foreclosure					\$850				
Non-Judicial Foreclosure/Foreclosure Trustee	\$850	\$800	\$600	\$600		\$675	\$600	\$675	\$600
Deed in Lieu	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
Mobile Home Repossession					\$350				
Bankruptcy (CH 7) (1)									
Bankruptcy (CH 11 or 13) (1)	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650
Bankruptcy (additional filings - any chapter) (1)	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Refunding (2)	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
ALLOWABLE LEGAL FEES									
Title Policy/Commitment (3)	a/c	a/c	a/c	a/c	a/c (5)	a/c	a/c	a/c	a/c
Title Search/TSG/F/C Certificate/Title Update (4)	a/c	a/c	a/c	a/c	a/c (5)	a/c	a/c	a/c	a/c
Title Report						a/c		a/c	
Filing Fee		\$91			\$97				
Public Trustee Fee/Trustee Fee		a/c	\$400						
Publication	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c
Sheriff's Fee				a/c		a/c		a/c	\$20
Special Master's Fee					a/c				
Cry Sale			\$25						
Recording Fee	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c	a/c
Service of Process	a/c		a/c		\$35	a/c	a/c	a/c	
Posting			a/c	a/c			a/c	a/c	
Certified Mail (6)	a/c	a/c	a/c	\$10	a/c	a/c	a/c	a/c	a/c
Bankruptcy Filing Fee	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75
Gross Tax Receipts					5.56%				
APPRAISALS									
Liquidation - Single Family	\$500	\$350	\$400	\$400	\$350	\$450	\$350	\$450	\$350
Liquidation - Condo	\$550	\$400	\$475		\$350	\$475	\$350	\$500	\$400
Mobile Home	\$350		\$375		\$140	\$250			
Refunding - Re-Inspected for interior only	\$75	\$50	\$50	\$50	\$50	\$50	\$50	\$70	\$50
SERVICING FEES									
Late Charges	4% of an installment if permitted by the loan instruments. (All areas)								
NSF Checks	Use HUD guideline. (All areas)								
Simple Assumption	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Assumption with release of Liability	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Insurance Policy Substitution	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Partial Release of Mortgage									
Appraisal:	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Processing:	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Charges for Duplicate Copies	Use HUD guideline. (All areas)								
Year End Statements	Use HUD guideline. (All areas)								
Amortization	Use HUD guideline. (All areas)								
Note and Mortgage	Use HUD guideline. (All areas)								

(a/c) VA will reimburse the actual cost of these items if they are supported by billing statements and receipts

- (1) VA will reimburse this amount per relief of stay obtained after 10/01/01
- (2) For preparation of legal documents assigning the loan to VA - payable only if no additional foreclosure attorney's fees are claimed
- (3) VA will reimburse the actual, documented cost of any one of these items
- (4) VA will reimburse the actual, documented cost of any one of these items
- (5) VA will reimburse the actual cost of a title search or title update or the actual cost of a title policy and up to \$125 for a title search or title update
- (6) If mailings are required to notify parties formerly in title to the property
- (7) Includes service calls, equipment rental and all supplies needed to complete the job properly
- (8) The allowance for pools varies depending on the type of pool, and the ease of preventing unauthorized entry into the pool area.
- (9) Actual and reasonable expense of removing only debris which poses a documented and imminent health or safety hazard
- (10) Vacant properties only
- (11) Utility bill reflecting this cost must be submitted with request for reimbursement
- (12) Copy of lien must be submitted with request for reimbursement, penalties and interest will not be reimbursed

The following fees are not allowed in any state: Mileage, eviction fees, copies, faxes, express mail, telephone calls, notary fees, outside attorney fees
All requests for reimbursement must be accompanied by copies of the bills and receipts for each expense