

Investor Insider: An Engaging View from the Beltway November 3, 2016

Moderator:

Kellie Chambers, Safeguard Properties

Panelists:

Arthur Chin, U.S. Department of Housing and Urban Development (HUD)

William Collins, U.S. Department of Housing and Urban Development (HUD)

Benjamin Gottheim, Freddie Mac

Lance Kornicker, U.S. Department of Veteran's Affairs (VA)

Overview

During the session, panelists from HUD, Freddie Mac, and VA gave highlights of what has occurred in 2016, and where they are heading with future initiatives in 2017.

ISN Performance in FY 2016

Conveyances are down in 2016 compared to 2015, but so far 58,907 properties have conveyed in 2016. ISN has processed more than 70,000 extensions of time to convey, 305,000 requests for over-allowables, and 79,000 Request for HECM over-allowables year-to-date.

Administrative remedies processed in 2016, which include monetary demand, offsets, and re-conveyances are at 34,571. The dollar amount recovered for the administrative remedies total \$53 million for monetary demands and offsets, and \$405 million in re-conveyances. Currently, the reason for re-conveyances is about 30 percent title issues and 70 percent property issues.

HUD on the Horizon

Later this year, HUD will be rolling out a new re-conveyance module in P260 which allow for tracking of the re-conveyance process with dates to give insight where the re-conveyance is at in the process.

Also launching in late December is a pilot program for pre-conveyance inspections with three servicers. The FSM will meet with the property preservation company prior to conveying the property. The pilot program is expected to last six months with potential to rollout nationwide depending on initial success.

There will be a new screen added in P260 to identify if a loan has a claim block. This only will be for properties on a good forward basis that receives a claim block, but does not have capability to be updated when servicers are inquiring on the reason of previous claim blocks, and the reviewer updates the screen in P260.

HUD Single Family Claim Priorities

HUD explained its priority of filed claims as follows:

- Aged Suspended Claims
 - In May 2016, more than 30,000 were in this status, as of early November less than 250 are pending review
- Single Family Loan Sale
 - These claims are for the note sales that have occurred
- Manual Claims

- These would be paper claims sent in via UPS and Fed Ex. In 2017, HUD will have a big focus on this population of claims to improve turn times.
- Supplemental Claims
 - Current requirements for supplemental claims require them to be paper filed. In 2017, HUD plans addressing with technology enhancements.

HUD Post Claim Audit

In 2017, HUD will perform audits in-house versus using third-party contractors as in past years. HUD will be using a risk-based approach to determine the scheduling of those audits. Servicers should have started to receive audit notification depending on where they are based upon the risk-based methodology being used. HUD will be not be auditing on claims on invoices prior to Jan 1, 2016 to review for self-curtailement based upon the new requirements in ML 2016-03.

Freddie Mac

The panelist gave an overview of the servicing remedy framework process. The current process gives step-by-step instructions when a servicing violation occurs and what a servicer needs to do. The panelists encouraged the audience to review the process. The process also allows for a third-party arbitrator to be involved when servicers and Freddie Mac cannot agree on resolution to a servicing violation.

The panelists also discussed the reporting need under property condition certification (PCC) notices. Freddie Mac will continue to improve this reporting to notify the servicers to stop managing the property preservation process when either the eviction process concludes or RRC expiration occurs.

Freddie Mac will be working to provide more robust reporting on bids that are pending, approved, denied, etc. in 2017. Currently there is no global reporting that allows insight at this level. The panelists also discussed that Freddie Mac is in the process of working on what to report and submit when it comes to code violations.

Panelists also discussed the Washington Supreme Ruling and NYS S8159 regarding servicing violations. If servicers should happen to receive a servicing violation that was a result of the two cases/law, the panelist encouraged he servicers to file an appeal and state the servicing violation was a result of the requirements WA and NY.

VA

Panelists discussed natural disasters and property preservation, and ensuring you are prepared for the unknown. Best practices were given to ensure property preservation companies are ready to respond to natural disasters:

- Capacity and Equipment
 - Ability to respond quickly and effectively
 - Deploy additional vendors as need in impacted areas
 - Perform post-disaster property inspections and notify the servicers of damages
 - Vendors equipment is able to be transported after a natural disaster
 - Making prior arrangements with rental companies for items that will be in high demand
- Supplies and Technology
 - Ensure ample supplies or dependable supply lines to lessen the impact of high demand items

- Plan for the unexpected and have data backup plans, alternate communication lines, and internet access

The panelists also discussed the winterization season and how it is critical to the property preservation process. It should be done timely and at the start of the winterization season. Speed and execution by the preservation companies is critical when completing winterization orders.

Communication and partnership with real estate professionals, local jurisdictions, and HOA plays a critical role in preserving properties and communities. Property preservation companies should know local code officials and provide updates frequently on properties where repairs are in progress. Technology should be utilized when possibly via mobile apps to improve speed of execution and be proactive to address preservation issues at properties.