



Homeownership Program Bulletin

August 18, 2008

Program Bulletin #2008-28

To: CalHFA Approved Lenders and Servicers

Revised Foreclosure and Conventional Claim Filing Instructions

This bulletin serves as a reminder, and also updates CalHFA-approved Servicers on requirements for processing CalHFA foreclosures in general, and provides more specific instruction for the subsequent disposition of conventional insured or uninsured Real Estate Owned (REO) properties. This detailed instruction supplements and amends the CalHFA Servicer's Guide – Chapters 7&8. The Servicer will continue to process government insured (FHA.VA/USDA) REO properties by remitting the "make whole" amount to CalHFA and liquidating the property per applicable insurer guidelines.

Please ensure that this information is made available to specific staff within your organization and/or contracted vendors who handle the CalHFA loan portfolio from foreclosure referral through claim filing and final disposition.

- **NOTICE OF TRUSTEE SALE**

It is the Servicer's responsibility to ensure that the foreclosing entity correctly forecloses in the name of "California Housing Finance Agency" (beneficiary) - or if a MERS loan "Mortgage Electronic Registration Systems, Inc. as record holder and nominee for the true beneficiary California Housing Finance Agency". After the Trustee Sale, the Trustee's Deed Upon Sale is to be recorded in the name of the true beneficiary, California Housing Finance Agency. The Trustee's Deed Upon Sale should state that "The Grantee was the foreclosing beneficiary" in both cases. The Servicer shall also provide CalHFA appropriate advance notice of pending trustee sales. Currently the Notice of Trustee Sale is often mailed only to the Servicer at the Servicer's address but not to CalHFA. Effective immediately, the Servicer shall instruct its foreclosing attorney, trustee, or other responsible party to provide direct and separate mailing of the Notice of Trustee Sale to:

CalHFA
Attn: Homeownership REO Department
1121 L Street, 7th Floor
Sacramento, CA 95814

- **PROPERTY MANAGEMENT**

Upon receipt of the Servicer's notification of trustee sale resulting in CalHFA acquiring the underlying property (required within 24 hours of actual sale), CalHFA will immediately assume responsibility for the subject property (*with exception of hazard insurance - see below*). CalHFA will arrange for the proper securing, maintenance, preservation and marketing of the unit including unlawful detainer action if necessary.

CalHFA will also assume responsibility for payment of Home Ownership Association (HOA) dues, utilities, etc.

- **HAZARD INSURANCE**

The Servicer must notify the current hazard insurance carrier of the change in title and require that the policy covering the property be amended to name "California Housing Finance Agency" as property owner and insured. The Servicer shall also require that the hazard insurance in force include a "vacancy clause" to protect CalHFA in the event of vandalism. The Servicer shall monitor and maintain insurance (with extended coverage to include vacancy clause) until CalHFA notifies the Servicer *in writing* that property has sold and title has been conveyed to the new owner.

- **PROPERTY TAXES**

The Servicer should not pay property taxes which come due after the trustee sale date as CalHFA is exempt from local property taxes during the Agency's ownership period.

- **TRUSTEE'S DEED UPON SALE AND TRUSTEE SALE GUARANTEE**

The Servicer shall forward a copy of Trustee's Deed Upon Sale to include recording information as soon as available. CalHFA will need this document to initiate the unlawful detainer action, the payment of HOA dues where applicable, and for filing claim of property tax exemption. Servicer shall also forward a copy of the trustee sale guarantee for the Agency's reference and record. Both documents are to be faxed to 916.324.9000 or forwarded to:

CalHFA
Attn: Homeownership REO Department
1121 L Street, 7th Floor
Sacramento, CA 95814

- **MORTGAGE INSURANCE CLAIM**

Not later than thirty (30) days following the Trustee Sale or the period specified by the private mortgage insurer, whichever is more restrictive; the Servicer shall prepare and file the initial claim with the applicable mortgage insurer on behalf of CalHFA. Servicer shall name CalHFA as payee and instruct claim proceeds be forwarded to:

CalHFA
Attn: Homeownership REO Department
1121 L Street, 7th Floor
Sacramento, CA 95814

Servicer shall simultaneously forward a copy of the initial claim form (Uniform Mortgage Insurance Claim for Loss-FNMA form #1015) evidencing timely filing, to CalHFA's Homeownership REO Department via fax at 916.324.9000.

Not later than sixty (60) days following the Trustee Sale Servicer shall file supplemental claim with the mortgage insurer for any of Servicer's final expenses not previously included in the initial claim. Servicer shall name CalHFA as payee and instruct claim proceeds be forwarded to:

CalHFA
Attn: Homeownership REO Department
1121 L Street, 7th Floor
Sacramento, CA 95814

All of the Servicer's remaining expenses should be accounted for in the supplemental claim, so as to be included in the insurer's claim settlement proceeds. Any supplemental expenses not claimed within the allowable timeframe will not be reimbursed by the Agency. Servicer shall simultaneously forward a copy of the supplemental claim form (Uniform Mortgage Insurance Claim for Loss-FNMA form #1015) evidencing timely filing, to CalHFA's Homeownership REO Department via fax at 916.324.9000.

- **SERVICER'S FORECLOSURE EXPENSES REIMBURSEMENT**

The Servicer will apply directly to CalHFA for reimbursement of its expenses on conventional insured and uninsured loans. The Servicer shall submit an itemized statement of foreclosure expenses, together with all supporting billings, proof of Servicer's payment, and to include complete loan transaction history. To accommodate the Servicer, CalHFA will accept the FNMA Cash Disbursement Request form (FNMA form #571) adapted to suit this purpose, or other form of invoice which will correspond with the line items of the mortgage insurance claim. Servicer will submit its foreclosure expense reimbursement request to the CalHFA's Homeownership REO Department at the previously noted Sacramento address. Servicer shall only forward its request for reimbursement after having filed both the initial and supplemental mortgage insurance claims with the insurer, so as to submit only one combined invoice to the Agency for the Servicer's total foreclosure expense. The Servicer shall submit this request no later than sixty (60) days from the trustee sale date. CalHFA will process payment to reimburse the Servicer's allowable expenses after having received the mortgage insurance claim proceeds, or within thirty (30) days of receipt in the case of an uninsured loan.

Within thirty (30) days of receiving CalHFA's notification of final disposition and conveyance of collateral property, the Servicer shall cancel hazard policy and reconcile hazard insurance expenses. Servicer may then credit or debit CalHFA as applicable.

For questions about this bulletin, contact CalHFA's Homeownership REO Department by phone 916.324.8088; by fax 916.324.9000; by email at homeownership@calhfa.ca.gov and you can always visit CalHFA's web site at: www.calhfa.ca.gov.