



Single Family Portfolio Management Program Bulletin

July 03, 2012

Program Bulletin #2012-06

To: CalHFA-approved Servicers

Revised Foreclosure and Conventional Claim Filing Instructions

This Program Bulletin replaces CalHFA Program Bulletin #2008-28 dated August 18, 2008 in its entirety and updates Section 7, Foreclosure Procedure and Section 8, Post Foreclosure and REO of the CalHFA Servicer's Guide (Rev. 3/2000). This bulletin describes policy changes relating to conventional-insured or uninsured CalHFA loans. The servicer will continue to process government insured (FHA/VA/USDA) REOs in accordance with applicable existing CalHFA and insurer/guarantor guidelines.

Please make this information available to your servicing and foreclosure staff, and to trustees and service vendors who handle CalHFA loans during the foreclosure process, mortgage insurance claim filing and final disposition. The changes are effective immediately as of the date of this bulletin and include revisions to:

- Notices of Default and Notices of Trustee Sale submitted electronically
- Trustee's Bidding Instructions submitted electronically
- Trustee Sale Results submitted electronically
- Trustee's Deeds Upon Sale (TDUS) submitted electronically
- CalHFA's mailing address all Servicer instructions
- Time frames for Mortgage Insurance Claim Filing

Notices of Default and Notices of Trustee Sale

Effective immediately it is the servicer's responsibility to instruct its foreclosing attorney, trustee, or other responsible party to provide direct and separate mailing of the Notice of Default and the Notice of Trustee Sale (at the time they are issued) to the CalHFA mailing address:

California Housing Finance Agency
Single Family Portfolio Management -MS 125B
P.O. Box 4034
Sacramento, CA 95812-4034

Electronic notifications are to be sent to the following CalHFA email address:
NOD-NOS-Notifications@calhfa.ca.gov

Bidding Instructions

CalHFA hereby instructs all servicers to confirm bidding instructions on all conventional-insured loans three (3) days prior to sending authorization to publish to the trustee. The bidding instructions should include contact information of the trustee and be sent to the following CalHFA email address: BiddingInstructions@calhfa.ca.gov.

Trustee's Deed Requirements

Servicers are to ensure that the trustee's deed correctly vests title to "California Housing Finance Agency, a public instrumentality and political subdivision of the State of California," and that the trustee's deed is recorded within ten (10) days of the trustee sale date.

Servicer is further advised that the upper left-hand corner of the Trustee's Deed Upon Sale (TDUS) shall clearly indicate the separate mailing address for tax statements as follows:

MAIL TAX STATEMENTS TO:
California Housing Finance Agency
REO Administration Unit – MS 125B
P.O. Box 4034
Sacramento CA 95812-4034

Servicer is also required to provide CalHFA's REO Administration Unit with an electronically transmitted copy of the TDUS, to include county recording information. 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. The servicer is instructed to supply this document either directly, or via the servicer's trustee, at the earliest possible opportunity but no later than thirty (30) days following the trustee sale date. The servicer or its trustee will submit a copy of the recorded TDUS to the following CalHFA email address: TDUS@calhfa.ca.gov

Trustee Sale Results

Servicer is required to provide CalHFA notification of trustee sale results within twenty four (24) hours of conducting the public sale. CalHFA will continue to accept sale results electronically at the following CalHFA email address: TrusteeSaleResults@calhfa.ca.gov

Property Management

Upon CalHFA's receipt of servicer's notification that the underlying property has reverted to the Agency, CalHFA will 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 HOA dues, utilities, etc., that are incurred after the Agency acquires ownership interest.

Hazard Insurance Requirements after the Trustee Sale

Servicer is required to notify the current hazard insurance carrier of the change in title and require the policy on the property be amended to name CalHFA as property owner and insured. Servicer shall also require that the hazard insurance in force include a "vacancy clause" to protect CalHFA in the event of vandalism. Additionally, the amount of required coverage shall be equal to, but not exceeding the replacement value of the structure and improvements, to also include coverage for code-required upgrades or in the case of condominiums and planned unit developments, equal to the full replacement value of the project.

Servicer's formal notification to insurance carrier may result in the insurer cancelling the existing coverage. In that event, servicer shall specifically direct that any unearned premium which has been advanced by the servicer, be refunded to the servicer. Servicer must then obtain lender-placed coverage in accordance with CalHFA coverage requirements. Servicer shall monitor and maintain such insurance (with extended coverage to include a vacancy clause) until CalHFA notifies servicer in writing, that property has sold and title has been conveyed to new owner.

Property Taxes

Servicer is instructed not to pay property tax bills which come due after the trustee sale date due to CalHFA's exemption from the payment of certain tax types during CalHFA's ownership period. As soon as possible after acquiring a property, CalHFA will notify the applicable county of its exempt status and request cancellation of current tax bill. CalHFA will also request a refund of any taxes pre-paid, covering periods after CalHFA acquired title.

In those cases where the servicer may have been the payor of the pre-paid bill, the servicer may receive a "Claim for Refund" form, or an actual tax refund check from the county. The servicer should carefully review, execute and return any form received requiring the servicer to file for the refund, or requiring the servicer as payor, to authorize the release of the funds to CalHFA. Should the servicer receive a property tax refund as a result of CalHFA's special exemption after the servicer has submitted its Final Servicer Reimbursement Request (SRR); the servicer shall promptly remit the amount received to CalHFA. If the servicer should receive a property tax refund prior to filing its Final Servicer Reimbursement Request, the remittance of the refund may be accomplished through the Final SRR process.

Mortgage Insurance Claim

Not later than sixty (60) days following the trustee sale or the period specified by the private mortgage insurer, whichever occurs first, servicer shall prepare and file the initial mortgage insurance claim for servicer's pre-foreclosure and trustee sale expenses. The servicer will file on behalf of CalHFA, naming CalHFA as payee and instructing insurance proceeds to be mailed to:

California Housing Finance Agency
Single Family Portfolio Management – MS 125B
P.O. Box 4034
Sacramento, CA 95812-4034

Servicer shall simultaneously forward a copy of the filed initial claim evidencing timely submission, to CalHFA's REO Administration Unit at the following CalHFA email address: REOAdministration@calhfa.ca.gov

Servicer may file a supplemental claim for trailing expenses, corrections or appeals, but must comply with the mortgage insurer's supplemental claim filing timelines. As with the initial claim the supplemental claim must be simultaneously forwarded to the following CalHFA email address: REOAdministration@calhfa.ca.gov

Reimbursement of Servicer's Foreclosure Expenses

- Servicer's Initial Foreclosure Expenses:

Servicer will apply directly to CalHFA for reimbursement of its expenses on conventional insured and conventional uninsured loans. Servicer must submit an itemized statement of foreclosure expenses, clearly identified as the Servicer's Reimbursement Request along with supporting invoices and proof of servicer's payment. To accommodate the servicer,

CalHFA will accept the FNMA Cash Disbursement Request form adapted to suit this purpose, or other form of invoice which will correspond with the mortgage insurance claim.

Servicer shall submit its foreclosure expense reimbursement using Servicer's Reimbursement Request (SRR) to CalHFA within sixty (60) days of trustee sale date, but only after filing both the primary and any necessary supplemental mortgage insurance claim(s). In that manner the servicer will invoice CalHFA only once for the total of servicer's pre-foreclosure and trustee sale expenses (expenses already claimed with mortgage insurer).

CalHFA will process initial payment to the servicer after having received the mortgage insurance claim settlement proceeds, or upon receipt of SRR, in the case of an uninsured loan. CalHFA will reconcile the initial SRR and provide the servicer with an initial Explanation of Reimbursement (EOR) via email transmittal. The CalHFA REO Administration Unit will simultaneously submit a check request to CalHFA's Accounting Unit for processing of servicer's initial payment.

- Servicer's Final Post-Foreclosure Expenses:

Upon CalHFA's sale and conveyance of the REO property, the REO analyst will forward the Servicer's Finalization Letter instructing the servicer to cancel hazard insurance maintained by the servicer throughout the marketing period. The servicer will request a refund of any unearned premium due, specifically directing hazard carrier that any unearned premium which has been advanced by the servicer is to be refunded to the servicer.

Within sixty (60) days of the Servicer's Finalization Letter, the servicer having received and applied any premium refund to the account, will prepare and submit the Final SRR, along with supporting documentation and proof of servicer's payment, including proof of any final expenses and/or any refund(s) received. Servicer is also required to submit a current account history beginning where previously submitted history left off, through the Final SRR submission date. NOTE: Should the Servicer's Final SRR reflect a balance (credit) due to the Agency, servicer should not submit payment attached to the Final SRR, nor initiate a wire payment at this time. Should Servicer's Final SRR reflect a zero balance due, servicer is still instructed to submit the Final SRR and current loan history, thereby verifying that the Account is closed and balanced. If servicer fails to file the Final SRR, CalHFA will assume the servicer has no additional expenses due, will estimate any insurance refund due to the servicer based on a per diem calculation and will bill the servicer in that amount.

CalHFA will reconcile the Final SRR, and will respond with the Final EOR. CalHFA's Final EOR will reflect the reconciled and mutually agreed balance. The REO Administration Unit will simultaneously initiate a check request for servicer's payment or in the case of a balance due to CalHFA; the servicer will receive the EOR, accompanied by a Request for Remittance Due letter. The servicer will then make payment either by wire or check to include a copy of the EOR (invoice) being paid.

For questions about this bulletin, contact CalHFA's Single Family Portfolio Management Section, Servicing Administration Unit by phone at 916.376.2910 or by email at PortfolioManagement@calhfa.ca.gov.