



Homeownership Program Bulletin

January 9, 2009

Program Bulletin #2009-02

To: CalHFA Approved Lenders and Servicers

Tax Impound Accounts and Declining Property Values

With the sale of Real Estate Owned (REO) properties constituting a large percentage of home sales, loan servicers are encountering situations where property taxes based on prior assessed values are much higher than the current home value warrants. Local county assessors have not kept up with reassessments based on the lower values, and consequently, servicers are obligated to pay the current tax bill even though the estimated taxes at the close of escrow are lower.

Servicers may have adequate funds in the tax impound account to make the next tax payment at the higher amount; however, there may not be enough funds to cover future tax bills should the reassessment not be completed prior to the next payment. To mitigate the potential impact on borrowers, CalHFA is implementing the following guidelines for all serviced loans.

- Servicers are required to have sufficient funds to pay the existing tax bill regardless of the estimated taxes based on the new sales price.
- Servicers must advise the borrower in writing that their property may be eligible for a tax refund and it is the owner's responsibility to file the request for reassessment with the local assessor's office. The notice to the borrower should list the supporting documents that are normally required by an assessor to process the appeal including an appraisal, broker's price opinion, closing statement, and grant deed.
- The servicer shall establish a payment plan, if necessary, to collect sufficient funds to make the second tax installment payment (which could be based on the higher value) and any other potential tax payment shortfalls. The length of payment plans should be no longer than 24 months based on the borrower's ability to pay and will not require any pre-approval from CalHFA. Payment plans longer than 24 months must be approved by CalHFA.
- In the event of a shortfall in the tax impound account, the servicer must advance the necessary funds to cover the shortfall and may implement a longer term payment plan with the borrower to recover the advance.

- As a requirement of any payment plan, the servicer must ensure that any refunds based on the reassessment are sent to the servicer or collect the refund from the borrower in the event the household receives the refund directly.

CalHFA's Homeownership Division thanks you for your business and we look forward to continuing to support your affordable housing loan needs. For questions about this bulletin, contact CalHFA Portfolio Management Department by phone 916.322.8936; 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