

.07 PRESERVATION OF PROPERTY

A. AHFC Loans (Excluding Type II Manufactured Home Loans)

It is the Servicer's responsibility to be fully aware of the condition of the property and to protect AHFC's interest. Servicer's retain responsibility for the property until the principal and interest due on the loan is paid in full, the property is liquidated, or AHFC relieves the Servicer of its responsibility. It is AHFC's goal to preserve the value of the collateral and to minimize any potential for loss due to property deterioration.

B. Property Inspections

The Servicer should inspect the property no later than the 60th day of delinquency unless required earlier under the insurer/guarantor guidelines, or if there are indications that the property may be vacant. Inspections must continue to occur every 30 days thereafter while the loan is delinquent, or involved in a loss mitigation action except when performing as agreed (at least 4 consecutive payments under the terms of a signed repayment/forbearance plan. If the borrower defaults on the repayment/forbearance plan, inspections are to resume immediately. If the property is in an area that has a high rate of vandalism or neglect, the Servicer is expected to inspect it as often as deemed necessary. The Servicer is to complete a Property Inspection Report form, containing the same information as Fannie Mae Form 30, for each inspection. An exterior photo, which reflects the condition of the property as of that date, must be attached to each inspection report reflecting the condition of the property as of the date of each inspection. When Servicer confirms property is vacant or abandoned and Servicer takes possession of property, Servicer must perform interior inspections.

If there are indications that a property may not be occupied, the Servicer must inspect it immediately.

1. Abandoned Properties

If the property is determined to be abandoned, the Servicer must take adequate steps to protect the property. If the loan is delinquent and the property has been abandoned, the Servicer must make immediate arrangements to protect the property from vandalism and the elements to the extent allowed by law. The Servicer should immediately issue the demand letter. This may require the Servicer to coordinate the time lines of the insurer/guarantor to avoid unnecessary delays in mitigation action. Failure to protect the property by not taking the appropriate action will result in AHFC holding the Servicer responsible for any penalties in addition to repairs and damage costs.

It is the Servicer's responsibility to ensure that the property is adequately insured at all times. The Servicer is required to place insurance on the property if the current insurance carrier cancels the policy. Insurance provided through the Servicer must include all coverage requirements that were applicable to the borrower such as flood, vandalism, freeze damage, etc. Coverage on a vacant or abandoned condominium must include those items not covered by the blanket policy held by the Homeowner's Association, insuring the individual unit to the same level as a detached dwelling.

2. Servicing Guidelines for Abandoned Non-REO Properties

- a. Call AHFC's Servicing Department to report any abandoned property.

The Servicer may instruct its contractor to perform emergency property repairs, defined as only those actions needed to prevent further damage to the property. The next business day, the Servicer must notify AHFC of the action taken. Servicers must make prudent mortgage banking decisions when authorizing property repairs.

- b. Contact utility companies to ensure that there is no interruption in service to the property. The Servicer should closely monitor properties served with heating fuel oil to ensure that heating fuel deliveries do not result in contamination to the property.
- c. If applicable, contact the Condo/Homeowner's Association for the status of the dues. The Servicer must begin paying the dues from the date it takes possession of the property until either the borrower resumes possession or the property is sold or conveyed. Associations may have a right to "Super Lien" priority, which may require payment of up to 6 months of delinquent dues, late charges, special assessments and attorney fees. For preauthorization, submit a completed Form SER-70B with supporting documentation for preauthorization.
- d. Contact a contractor to initiate re-keying, winterization, or any emergency repairs. Refer to the Property Servicing Guide (PSG) for descriptions of these property preservation services. Additional responsibilities include:
 - Removal of food, garbage, or other organic trash that may cause property deterioration; and
 - Protect any generator from vandalism or theft, whenever possible.

- e. The Servicer will direct its contractor to complete the snow plow/grass cut and any other required non-emergency maintenance or repairs. The Servicer is to monitor and inspect the property as required to verify that required maintenance and repairs are being completed.
- f. If the borrower cures the default, all billings paid or authorized to be paid on behalf of the borrower are to be included in any cure amount provided. The Servicer is responsible for any amounts not repaid by the borrower upon cure of the default. AHFC will not reimburse these amounts should the loan subsequently become REO.
- g. If the property goes to foreclosure sale, include all expenses completed but not yet paid in bid calculation. Any proceeds received from hazard insurance settlement should be considered in the bid amount.
- h. If a loan cures and subsequently becomes abandoned or delinquent again, the process is to be repeated from step 1.

C. Type II Manufactured Home Loans (Loans Without Land)

The Servicer must be fully aware of the condition of the manufactured home property and protect AHFC's interest. It is AHFC's goal to preserve the value of the collateral and to minimize any potential for loss. Steps are to be taken to insure hazard insurance policies adequately protect AHFC's interest and that the UCC forms have been filed appropriately.

1. Property Inspections

If no personal contact has been made with the borrower by the **30th day of delinquency**, the Servicer must have completed an exterior drive-by inspection of the unit. In any case, an inspection is required no later than the 45th day of delinquency, unless it is required sooner under insurer or guarantor requirements.

Inspections must continue every **30 days thereafter** while the loan is delinquent, except if performing as agreed (at least 4 consecutive payments under the terms of a signed repayment/forbearance plan) or until the unit has been assigned to an AHFC authorized agent. If the borrower defaults on the repayment/forbearance plan, inspections are to resume immediately. If the property is in an area that has a high rate of vandalism or neglect, the Servicer is expected to inspect it as often as deemed necessary.

If there are indications that the property may not be occupied, the Servicer must immediately inspect the property.

2. Property Maintenance

The Servicer will take appropriate action during the delinquency and repossession process to protect the premises.