

SECTION 16000 – REO DISBURSEMENT PROCEDURES

.01 INTRODUCTION

The **Servicer** should submit its claim for reimbursement for expenses in a timely manner. It is AHFC's goal to reimburse the Servicer in a timely manner.

Supporting documentation is required with the Claim for Reimbursement ([Form SER-70](#)). Submit invoice copies of amounts being filed, placed in the order they appear on the Claim for Reimbursement ([Form SER-70](#)). Invoice copy submission is waived if charges are included in the MI/Guarantor claim payment.

All claims submitted to AHFC will be subject to future audit. It is the Servicer's responsibility to maintain in its individual files all appropriate documentation to support its claim for reimbursement. Should the audit find any non-documented or adjusted item, AHFC will require reimbursement by the Servicer. The Servicer may request reconsideration within 60 calendar days of notification by submitting a Claim for Reimbursement Appeal ([Form SER-70A](#)) and attaching the supporting documentation.

.02 PROCEDURES FOR SUBMISSION OF A CLAIM FOR REIMBURSEMENT ([FORM SER-70](#))

In order for an expense to be reimbursable to the Servicer, it should be submitted within the following periods:

A. Loss Mitigation

Within 60 calendar days after a loss mitigation alternative is completed. A modification is considered completed on the date the executed modification agreement is recorded; a Deed-in-Lieu is considered completed on the date the deed is recorded.

B. Conveyance

Within 60 calendar days of the receipt of insurer/guarantor's claim settlement for expenses if the property was conveyed to the insurer or guarantor.

C. AHFC Sale of Property

Within 60 calendar days from the sale closing date of the property (90 days for final utility bills).

.03 CLAIMABLE EXPENSES ON [FORM SER-70](#)

The Servicer will be reimbursed for the attorney fees and necessary costs, subject to the limitations on the Reimbursable Fees and Costs ([Form SER-86](#)). The Claim for

Reimbursement ([Form SER-70](#)) is to be submitted to AHFC's Servicing Department. The backup invoice documentation submitted is to provide a clear indication of the cost submitted and is to be grouped according to the order on the Claim for Reimbursement ([Form SER-70](#)). Page 2 of the Claim for Reimbursement ([Form SER-70](#)) must be completed any time one of the single line item amounts list on page 1 is a sum of multiple invoices added together. The page 1 line item amount must be listed on page 2 with the amounts from the individual invoices that make up the combined line item total that is listed on page 1.

A. Reimbursable Expenses

In order to be reimbursable, the expense must be actual, reasonable and necessary payments made to a third-party vendor or the courts. In addition, they must be included in any applicable guarantor or MI claim filed by the Servicer. Servicing fees may also be claimed on presale or third-party sale transactions where AHFC will be made whole.

Paid invoices must also be retained by the Servicer to substantiate all reimbursement requests and will be subject to audit.

B. Attorney Fees and Costs

The Servicer should limit attorney fees and costs to the amounts specified on Reimbursable Fees and Costs ([Form SER-86](#)) unless prior approval has been obtained from AHFC.

C. Property Taxes

The payment of property taxes will be from the escrow account held by the Servicer or will be advanced by the Servicer from its own funds. Taxes paid after the last paid-to date of the loan are to be identified in the Taxes and Insurance section of the Claim for Reimbursement ([Form SER-70](#)). All assessments (tax or special) due after REO should be paid by the Servicer until conveyance or disposal date.

D. Hazard Insurance Premium

Premiums for force-placed hazard insurance or a homeowner policy paid by the Servicer as outlined in Servicing Guide [Section 15000.02.A.1 - Hazard Insurance](#) will be reimbursed **after any refund has been received on the canceled policy. Claim for Reimbursement ([Form SER-70](#)) must document the premium paid and refund received.**

Note: If the Servicer has been notified the homeowner insurance policy refund will not be sent to the Servicer, the final Claim for Reimbursement ([Form SER-70](#)) should include the premium and a statement that the insurance premium was refunded to the borrower.

E. Mortgage Insurance Premiums

AHFC will only reimburse mortgage insurance premiums up to the date the claim is filed. Refunds are to be identified in the Credits/Income section of Claim for Reimbursement ([Form SER-70](#)) and should indicate the policy period to which the refund is being applied.

F. Condo Dues

Condo dues reimbursement starts the day a unit becomes REO unless Servicer has taken possession, there is a "Super Priority Lien" or in the event of an assignment of rents, depending on the terms of the lease agreement executed with the tenant. Payment will be made for each successive month thereafter until the property is conveyed or disposed of.

G. Space Rents

The Servicer should pay space rent from the date it took possession. AHFC will not reimburse late fees or payment of space rent for periods prior to possession.

H. Property Preservation

All claims related to management, protection or maintenance of a property require copies of the actual invoice (work order) from the business/contractor who has performed the work. AHFC will not reimburse invoices from a company that has not done the work but instead contracts with a separate business to do the actual work.

Note: Prior AHFC approval is required for cumulative expenses, excluding recurring or emergency expenses, in excess of \$2,000 incurred for the safeguarding and protection of the property prior to REO sale.

I. Utilities

Payment for utility services will be reimbursed depending on occupancy status at the time the possession of the property passed to the Servicer. Typically, AHFC will not reimburse for utility services when the property is occupied.

J. Storage Fees

Reasonable storage fees for personal property will be paid for the required holding period allowed by law.

K. Deposits

Deposits are a part of establishing billings in the Servicer's name and AHFC will reimburse the Servicer for them.

The Servicer is to file for reimbursement of the deposits only after it has been refunded to the Servicer. The Claim for Reimbursement ([Form SER-70](#)) must document the deposit paid and the refund received in the Credits/Income section.

There may be other claimable expenses AHFC may have previously agreed to pay based on the Servicer's recommendation. Expenses that exceed normal guidelines or require reconsideration by AHFC are to be submitted with a Preauthorization/Claim for Reimbursement ([Form SER-70A](#)), along with supporting documentation.

.04 NON-CLAIMABLE EXPENSES

The following is a list of expenses that are not acceptable for reimbursement by AHFC. These are general guidelines for the most questioned areas and should not be considered all-inclusive.

1. Repairs for freeze damage resulting from the Servicer's negligence.
2. Inspection fees (other than professional engineering, Department of Environmental Conservation, etc.) or related costs.
3. Unexplainable duplication of insurance coverage.
4. Insurance coverage that is not in compliance with Servicing Guide [Section 15000.02.A.1 - Hazard Insurance](#).
5. Travel time and expenses.
6. Telephone charges or fax charges.
7. Fees for substitution of Trustee (unless legally required).
8. Legal Services to the trustee, coordination fees or similar charges.
9. Documentation preparation.
10. Secretarial and word processing time charges.
11. Notary services.
12. Ordinary postage costs.

13. Photocopy charges.
14. Charges for certified copies of loan documents, such as the loan, intervening assignments, etc. that the Servicer normally retains.
15. Unexplained postponements of foreclosure sale.
16. Excessive attorney fees that were not prior-approved by AHFC.
17. Any balance forward shown on invoices, unless supported by other invoices or billings.
18. Optional insurance.
19. Condo or homeowner association dues paid prior to the date of foreclosure sale, unless there is a "Super-Lien" or in the event of an assignment of rents, depending on the terms of the lease agreement executed with the tenant.
20. Space rents paid or due prior to the date of possession by AHFC.
21. Late fees or penalties to nonpayment by the borrower or the Servicer on billings or invoices.
22. Trustee's fee. AHFC will not pay a trustee for work that an attorney has been paid for.
23. Any duties or functions the Servicer delegates to legal counsel or a third party that are routine servicing functions will not be reimbursed to the Servicer. For example, routine bankruptcy proofs of claim, notices to vacate, normal routine communication with the borrower or legal opinions without AHFC's prior approval. Additionally, in order to be reimbursable, the appropriate expense(s) must have been included in any applicable insurer, guarantor or MI claim filed by the Servicer.

.05 CLAIMS FOR REIMBURSEMENT – AHFC AUDIT PROCEDURES

All requests submitted for reimbursement are subject to audit for accuracy, completeness or supporting documentation and the Servicer's compliance with AHFC's guidelines. If an audit reveals erroneous requests, the Servicer will be informed by letter of the problem areas. Servicers found to be submitting too many unacceptable requests may be required to provide all documentation prior to reimbursement. Continued erroneous requests may result in claims being denied.