

.02 MANAGEMENT AND MAINTENANCE OF ACQUIRED PROPERTY

The Servicer is required to manage and maintain the property to preserve its value and to prevent any additional damage from the time the property has been acquired through the date the property is disposed of, either by conveyance to the guarantor or property disposal.

AHFC expects that the Servicer will act in AHFC's best interest when contracting for maintenance services, and requires that statements be submitted, if requested, for such services, along with additional documentation (photographs, field reports, etc.), if appropriate, when requesting reimbursement.

Repairs and maintenance expenses over \$2,000 or for routine maintenance that is not customary, necessary, and reasonably expected to facilitate conveyance of the property must be authorized by AHFC before the work is done.

A. Property Management

The Servicer must pay all property-related expenses expediently. AHFC will not reimburse the Servicer for penalties related to untimely payments. Late charges are not reimbursable items.

1. Hazard Insurance

a. Conventional Loan REO Properties Without Mortgage Insurance:
AHFC will maintain coverage from the date of acquisition through the date of disposal.

b. Conventional Loan REO Properties With Mortgage Insurance:
The Servicer is to maintain coverage during the period the property expenses are covered by the mortgage insurance company. This is defined as:

i. Properties Disposed Prior to Claim Settlement: The Servicer is to maintain coverage from the point of acquisition to the date of disposal.

ii. Properties Disposed After Claim Settlement:
The Servicer is to maintain coverage from the point of acquisition through the MI claim settlement date.

1. Servicer should send notification to AHFC **at least 15 business days** in advance of the cancellation of the hazard insurance after MI settlement. The

notification should include the effective date of the cancellation.

2. AHFC will maintain coverage on properties from the point the mortgage company has settled the claim ***through the date of property disposal***.

c. USDA-RHS Loan REO Properties:

- i. Properties Disposed Prior to the End of the Marketing Period: The Servicer is to maintain coverage from the point of acquisition through the date of property disposal.
- ii. Properties Unsold at the End of the Marketing Period: The Servicer is to maintain coverage from the point of acquisition until the end of the marketing period.
 1. Servicer should send notification to AHFC ***at least 15 business days*** in advance of the cancellation of the hazard insurance. The notification should include the effective date of the cancellation.
 2. AHFC will maintain coverage on properties from the end of the marketing period ***through the date of property disposal***.

- d. VA/FHA/HUD-184 Loan REO Properties: The Servicer is to maintain coverage from the point of acquisition until the property is conveyed.

Refer to [Section 13000.07](#) for the Servicer's insurance responsibilities prior to acquisition.

2. REO Case Files

The Servicer must submit an REO Case File per [Form SER-90A](#), within 10 business days of acquiring the property through legal action. If the required documentation is not available, submit the case file with a listing of the incomplete items and an estimated time for completion.

3. Property Inspection Guidelines

The Servicer is to complete a monthly Property Inspection Report for each inspection. Monthly inspection must include an interior inspection if property is vacant. An exterior photo must be attached to each inspection report. If the property is in an area that has a high rate of vandalism or neglect, is in an isolated location or is subject to damage due to weather conditions, the Servicer is expected to inspect it more often if deemed necessary.

The Servicer will maintain a file of original inspection reports for each property. Copies of the inspection reports will be provided to AHFC upon request.