

## .06 COLLECTION OF DELINQUENCIES

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

The following is the minimum collection program that AHFC finds acceptable for the collection of delinquent loans. The development of a more extensive program by the Servicer is encouraged. The individual circumstances of each loan should be reviewed and analyzed to determine the appropriate course of action to remedy the delinquency. The Servicer is fully responsible for protecting AHFC's interest. Loan payments are generally due on the first day of the month and are considered delinquent if received after the first.

All collection efforts and conversations with borrowers (collectively referred to as "borrower") must be documented. The collection timeframes listed below must include attempts to contact the borrower on the loan. Acceptable communication with the borrower includes but is not limited to telephone, mail, email and face-to-face discussions. The Servicer must vary the days of the week and times of the day for making calls with the borrower, including evenings, to achieve communication with the borrower.

1. Identification of a delinquent loan should be made as early as possible, but no later than the **16<sup>th</sup> day of the month**.
2. A late notice must be mailed each month the loan reaches **17 days delinquent** unless otherwise mandated by the loan documents.
3. Borrower who defaults in the first year of the loan: the Servicer is required to begin early telephone contact between the 7<sup>th</sup> and the 10<sup>th</sup> of the month and counsel the borrower to make timely payments. Servicers must offer early delinquency counseling to prevent the loan from becoming seriously past due and to avoid establishing a pattern of unnecessary delinquencies in the future.
4. Servicers should perform actual telephone calls as the principal form of contact with the borrower. Unmanned automated message calls do not constitute sufficient attempts to contact the borrower. At least 2 quality right party contact attempts must be made prior to the 30<sup>th</sup> day of delinquency.
5. By the **30<sup>th</sup> day of delinquency**, the Servicer should have contacted the borrower by whatever means available. Telephone calls, mail, email and face-to-face interviews are preferred.

If no contact has been made with borrower by the 30<sup>th</sup> day of delinquency and a full payment has not been received within the last 30 days, the Servicer must exercise additional methods to achieve and establish contact, including field calls, posting property, skip tracing,

additional letters and phone calls to the borrower. These additional approaches are to be performed and documented no later than the 45<sup>th</sup> day of delinquency. The Servicer should take steps to verify the status of utilities and/or HOA dues, if applicable.

6. If the mortgage reaches 45 days delinquent, the Servicer must take steps to verify the status of utilities and HOA dues, if applicable, between the 45<sup>th</sup> and 60<sup>th</sup> day of delinquency.

If the Servicer becomes aware of the possibility the property may be vacant or abandoned, the Servicer must, within 3 business days, inspect the property and verify utilities and HOA dues, if applicable.

7. If, by the **45<sup>th</sup> day of delinquency**, satisfactory arrangements to bring the account current have not been made, a face-to-face interview with the borrower must be conducted. Attempts to arrange an interview must be documented. In face-to-face interviews conducted or communication with the borrower, the Servicer must establish the reason for default, the borrower's ability to make payments, the borrower's intentions with the property, review financial forms, discuss the loss mitigation options available to prevent foreclosure and cure the delinquency, and the action that will be taken if the delinquency is not cured.
8. If a satisfactory response is not obtained, the Servicer must continue to follow up with notices, letters, telephone contact, face-to-face interviews, field calls, etc. until the loan has been brought current. At no point through the delinquency process is the Servicer to stop its collection activity.
9. The Servicer should be aware of and offer any government or other agency programs that may assist the borrower in resolving delinquencies, or any counseling agencies that may assist the borrower with debt management. Referrals to any agency should be documented.
10. If it is discovered that the property has been abandoned, a demand letter should be sent immediately to the borrower. The Servicer must also submit a Notification of Recommended Action ([Form SER-71](#)) recommending appropriate action to AHFC's Servicing Department. AHFC will review and consider a foreclosure recommendation for an abandoned property. (Refer to [Section 13000.07](#) – Preservation of Property.)
11. A demand letter must be sent on or before the **50<sup>th</sup> day of delinquency**; however, in some cases a demand letter may be sent as early as the 32<sup>nd</sup> day of delinquency. The Servicer should consult the

individual loan documents and comply with the insurer/guarantor requirements.

12. No later than the **80<sup>th</sup> day of delinquency**, the Servicer must submit a completed initial [Form SER-71](#) (with any applicable addendums) notifying AHFC of the default. Comments should fully describe the reason for default, the borrower's intentions and attitude with the property, the Servicer's actions taken, and support a recommended action if one is provided. If updating AHFC after the initial delinquency notification, the Servicer can send an email with information if there is not a recommendation or change to the borrower's circumstances.
13. When it is determined the loan will not be reinstated, after all collection efforts have been exhausted and the Servicer is ready to proceed with its recommended action, but no later than the **110<sup>th</sup> day of delinquency**, the Servicer must submit a completed [Form SER-71](#) (with any applicable addendums) recommending action to protect AHFC's interest. Comments should fully describe the reason for the default, the borrower's intentions with the property, the servicing action taken and support the action recommended. Routine summary foreclosures are to be completed no later than 8 months from the date of default. The Servicer's file must adequately document any deviations to these guidelines. The Servicer is responsible for protecting AHFC's interest and at no point through the delinquency process is the Servicer to stop its collection activity.

**B. Type II Manufactured Home Loans (Loans Without Land)**

The following is a minimal collection program that AHFC finds acceptable for collection of delinquent manufactured home loans. The development of a more extensive program by the Servicer is encouraged. The individual circumstances of each loan should be reviewed and analyzed to determine the appropriate course of action to remedy the delinquency. The Servicer is fully responsible for protecting AHFC's interest. Loan payments are generally due on the first day of the month and are considered delinquent if received after the first. The target collection timeframes listed below and attempts to contact all parties on the loan at various times of the day, using all telephone numbers, must be documented.

**1. Borrowers Who Default in the First Year of Their Loan**

The Servicer is required to begin early telephone contact between the 7<sup>th</sup> and the 10<sup>th</sup> of the month and counsel the borrower to make timely payments. Servicers must offer early delinquency counseling to prevent the loan from becoming seriously past due and to avoid establishing a pattern of unnecessary delinquencies in the future.

2. Servicer identification of a delinquent loan should be made as early as possible, but no later than the **16<sup>th</sup> of the month**.
3. A late notice must be mailed by the **17<sup>th</sup> day of delinquency** unless otherwise mandated in the security instrument.
4. By the **20<sup>th</sup> day of delinquency**, the Servicer should have contacted the borrower by whatever means are available (telephone calls, mail, email and face-to-face interviews, etc). Servicers should perform actual telephone calls as the principal form of contact with the borrower. Unmanned automated message calls do not constitute sufficient attempts to contact the borrower.
5. At least 2 quality right party contact attempts must be made prior to the 30<sup>th</sup> day of delinquency.

If no contact has been made with the borrower by the 30<sup>th</sup> day of delinquency, the Servicer should exercise additional methods to achieve and establish contact, including field calls, posting property, skip tracing, additional letters and phone calls to the borrower. The Servicer should take steps to verify status of utilities and space rents.

6. If, by the **45<sup>th</sup> day of delinquency**, satisfactory arrangements to bring the account current have not been made, a face-to-face interview with the borrower should be conducted. Attempts to arrange an interview must be documented. In communication with the borrower, the Servicer must establish the reason for default, the borrower's ability to make the payments, the borrower's intentions with the property, review financial forms, discuss the loss mitigation options available to prevent foreclosure and cure the delinquency and the action that will be taken if the delinquency is not cured.
7. A demand letter must be sent on or before the **50<sup>th</sup> day of delinquency**; however, in some cases a demand letter may be sent as early as the 32<sup>nd</sup> day of delinquency. The Servicer should consult the individual note/security agreement and comply with the insurer/guarantor requirements. The Servicer is responsible for protecting AHFC's interest and at no point through the delinquency process is the Servicer to stop its collection activity.
8. If it is discovered that the property has been abandoned, a demand letter should be sent immediately to the borrower. The Servicer must also submit a Notification of Recommended Action ([Form SER-71](#)) recommending appropriate action to AHFC's Servicing Department. (Refer to [Section 13000.07](#) – Preservation of Property.)

9. The Servicer should review the individual security instrument and consider the implications of complying with the insurer or guarantor requirements. Immediately upon submission of the demand letter or when it is determined the loan will not be reinstated, but no later than the **60<sup>th</sup> day of delinquency** (or 80 days for manufactured homes financed with land), the Servicer must submit a completed Notification of Recommended Action ([Form SER-71](#)), with any applicable addendums, recommending action to protect AHFC's interest. Comments should fully describe the reason for the default, the borrower's intentions with the property, the servicing action taken, and support the action recommended.