

A. Collecting Delinquent 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 contact attempts and conversations with borrowers (collectively referred to as "borrower") as well as any other actions taken must be documented in the Servicer's loan comments. 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 to achieve communication with the borrower.

Monthly statements cannot be substituted for any payment reminder or delinquent notices sent to the borrower. A separate letter to the borrower, clearly identifying the delinquency, is required.

1. Identification of a delinquent loan should be made as early as possible, but not later than the **16th day of the month**.
2. **Early payment default is a mortgage** that becomes delinquent within the first 12 months of the first payment due date as specified in the Note.

When a borrower fails to make the monthly payment on the first day of each month in the first year of the loan and remains delinquent, the Servicer is required to begin early telephone contact **beginning on the 17th** 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.

3. A late notice must be mailed each month the loan reaches **17 days delinquent** unless otherwise mandated by the loan documents.
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 borrower. At least 2 quality

right party contact attempts must be made prior to the **30th day of delinquency**.

5. By the **30th 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 the borrower by the **30th 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 no later than the **45th day of delinquency** and documented in the Servicer's loan comments.

6. If the mortgage reaches **45 days delinquent**:

- a. Between the **45th** and **60th** day of delinquency, the Servicer must call the utility companies to determine the status of utilities. These actions must be documented in the Servicer's loan comments.

If the Servicer becomes aware of the possibility that the property may be vacant or abandoned, the Servicer must inspect and call the utility companies to validate the status of utilities within 3 business days.

- b. If satisfactory arrangements to bring the account current have not been made by the **45th day of delinquency**, a face-to-face interview with the borrower and a property inspection must be conducted. Attempts to arrange an interview and inspection must be documented. In face-to-face interviews or any other communication with the borrower, the Servicer must establish the reason for default, the borrower's ability to make payments, the financial circumstances to repay the mortgage, the borrower's intentions with the property, review financial statements and rent rolls, 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.

A property inspection is to be completed no later than the 45th day of delinquency. (Refer to [Section C – Delinquent Property Inspection](#).)

7. A demand letter must be sent on or before the **45th day of delinquency**; however, in some cases a demand may be sent as early as the 32nd day of delinquency. The Servicer should consult the individual loan documents and, if applicable, comply with the insurer/guarantor requirements.
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. If it is discovered 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.](#))
10. 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 **60th day of delinquency**, 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 default, the borrower's intentions and attitude about the property, Servicer actions taken, and support the action recommended.

Refer to Instructions of Notification of Recommended Action ([Form SER-71](#)) located on pages 2-4 of [Form SER-71](#).