



CMMI DEV / 3SM



CMMI SVC / 3SM

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BUILDING STRONGER MORTGAGEE PARTNERSHIPS

VOLUME IV

About ISN

ISN Corporation is focused on helping federal agencies run programs to ensure the highest level of quality, timeliness, and integrity and to eliminate fraud, waste, and abuse. ISN's technology-based approach not only achieves results, but allows our clients and partners to meet their missions with full compliance.

ISN's past work has included field service management, audit and inspection services, property management, investigations, contractor oversight, software and application development, litigation support, real estate and loan servicing compliance, and quality control services. ISN also prides itself on ensuring proper eligibility determinations are made for program participation and access.

ISN has performed work for over 135 Public Sector clients and received numerous Quality Awards and Commendations for outstanding work. ISN has been recognized as one of the fastest growing businesses nationally and has been profiled in numerous industry publications. Most recently, ISN was named 43rd on the Washington Technology Fast 50. ISN has high customer satisfaction and CPARS ratings amongst its Federal and commercial customers.

As a company appraised at CMMI Level III, ISN understands the full life cycle of successfully run programs, processes, and systems for Services and Software Development. Our technical and managerial solutions ensure that government programs meet not only their current objectives, but their long-term goals as well.

ISN is headquartered in Bethesda, MD and delivers a nationwide footprint of diverse professionals to provide services across the United States and around the world.

ISN Corporation has provided the very best technical solutions and talent to Federal, State, and Local governments for nearly 40 years. Past performance includes work on some of the most important mission-critical systems of the US government. Some clients past and present include:



ISN CORPORATE HQ – BETHESDA, MD

ISN Corporate Headquarters is located at 10411 Motor City Drive Bethesda, MD 20817 close to the heart of downtown Washington, D.C.



ISN WESTERN OPERATIONS CENTER – OKC, OK

ISN's Western Operations Center is located at 2000 N Classen Blvd, E110 OKC, OK 73106 which currently houses the MCM staff and operations. It's located near the HUD National Servicing Center in downtown OKC.

For more information about ISN, please contact:
Info@ISNCorp.com

ISN as the MCM 3.0

ISN was awarded the Mortgagee Compliance Manager contract by the U.S. Department of Housing and Urban Development (HUD) in August 2020. Please check our website periodically for updates including contact information.

In its continuing role as the MCM, ISN is putting a focus on technology and finding new mediums to provide additional information and training. One example currently in use with some mortgagees is the migration from phone conferences to completing conference calls over digital platforms that allow video conferencing. This creates an opportunity for all parties on the call to share screens and see the same documents being discussed.



Currently ISN completes conference calls on Teams, Zoom, and GoToMeeting. We will also continue to attend industry calls over the phone as well.



During the life of the contract, ISN will be issuing yearly newsletters and attending regular conference calls. We will also take advantage of new and additional resources and ways for information to be distributed whenever possible to make the overall experience of working with ISN as exceptional as possible.

ISN also will work closely with HUD and Yardi, the team that develops and maintains the REO System of Record (P260), with the ultimate goal of helping to provide suggestions on enhancements that keep the various aspects of the system streamlined and create a better overall user experience.

ISN processes approximately 75,000 various types of transactions each month submitted from the mortgagees as they relate to the conveyance process.

Examples of the types of transactions ISN is processing monthly:

- Overallowable Requests and Appeals
- Extension Requests and Appeals
- Surcharge Requests and Appeals
- Occupied Conveyance Requests and Appeals
- 27011 A,B,C,D,E Claim Package Reviews and Demands
- CWCOT Claim Reviews
- Title Packages
- FSM Requests for Monetary Demands and Appeals
- AM/FSM/NSC Requests for Reconveyance and Appeals
- Reacquisition Requests from Mortgagees
- Document Execution
- QCD Processing
- HECM Overallowables

ISN provides information that mortgagees can easily access via a website that provides data on best practices, new developments, and changes to HUD regulations. The website has a Q&A portal to help facilitate transactions.

For More Information on HUD Regulations



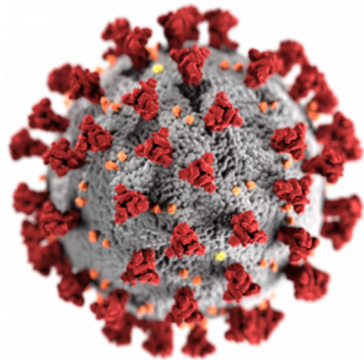
VISIT HUD.GOV
Hud Handbook 4000.1



COVID-19

HUD Regulations and Best Practices

Unquestionably, dealing with the COVID-19 pandemic and the ripple effects of both the mortgage industry as well as having to reimagine workplace environments has been one of the biggest hurdles companies have had to face in recent history. In response to some of these circumstances, HUD published new regulations.



Due to the uniqueness of these circumstances, ISN often receives requests for clarification on processing guidelines. While the MCM cannot interpret or provide directive on what actions to take, the most common questions are centered around extension of time requests, and when to appropriately submit a request for an extension that ties into COVID-19.

An extension request should always be submitted with documentation that supports the statements provided. In order to consider approval, the MCM must be able to validate that delays are completely outside of mortgagee control. When it comes to COVID-19 related extensions, the most commonly approved extensions are a result of local delays in recording deeds, due to backlog or in some cases courts being closed.

When a court is delayed/closed, a mortgagee should provide evidence of the county delays but also ensure documents confirm that the deed was sent to record timely. While these types of requests have slowed down as of late, they are still occurring.

The other area where questions often arise is overallowable requests and how to best represent the conditions and new/emergent conditions that could not be avoided due to an inability to complete a foreclosure or eviction. Often, the best practice is to preemptively provide a chronology confirming that property had no conveyance or foreclosure delays prior to March 18, 2020 when ML 2020-04 went into effect. Supporting that the only delay is outside of the control of the mortgagee is a key component to successfully submitting an overallowable request that can be approved.

Foreclosure and Eviction Updates



The two HUD regulations that have had the biggest impact on day-to-day activities are described below, however for additional resources and information, please visit <https://www.hud.gov/coronavirus>.

For a list of all active Mortgagee Letters, please visit:
https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee.

Mortgagee Letter 2020-04 - Foreclosure and Eviction Moratorium in connection with the Presidentially Declared COVID-19 National Emergency – Initially set for a period of 60 days, this Mortgagee Letter set a moratorium on foreclosures and evictions for all FHA-insured Single Family mortgages.

Currently, this moratorium has been extended through multiple additional Mortgagee Letters and is set to expire as of 6/30/2021, established in ML 2021-05.

Mortgagee Letter 2020-05 - Re-verification of Employment and Exterior-Only and Desktop-Only Appraisal Scope of Work Options for FHA Single Family Programs Impacted By COVID-19 – This Mortgagee Letter served two purposes. Establishing that Exterior Only/Desktop Only appraisals are required to limit face-to-face contact and also to modify the re-verification of employment requirements due to the COVID-19 National Emergency Declaration.

This Mortgagee Letter has also been extended through 6/30/2021 via Mortgagee Letter 2021-06 as of this publication.

HUD Handbook 4000.1

Updates

In April 2021, HUD released an update to HUD Handbook 4000.1, effective immediately but must be fully implemented by 8/17/2021. While there are several updates to the handbook, the one update that will have the most immediate impact on day-to-day activities is the inclusion of exceptions to HUD's Property Preservation Allowances and Schedules.

These exceptions will eliminate the need to submit overallowable requests for certain items provided that the work is completed within the established allowable amounts. HUDs conveyance and foreclosure deadlines still apply and mortgagees are still expected to self-curtail P&P expenses prior to submitting their claim to HUD.

Debris – Maximum \$1,250/\$50 per cyd The HUD allowable for debris removal is inclusive of all interior/exterior debris and personals. Until the maximum allowable has been met at a property, overallowables should not be submitted for any type of debris removal.

Grass cutting (initial and recut) – Varies by state The inclusion of initial and recuts will greatly reduce "grass cut season" where overallowables need to be submitted for initial and recuts. If a bid is submitted for initial cuts and especially for recuts, it will be imperative that documentation is provided confirming that timely yard maintenance has been occurring and overgrowth was outside of mortgagee control.

Boarding – \$.90 per U.I The inclusion of boarding into the allowable exceptions is not approval to convey with boarding. It is instead approval to temporarily board a window or door while the replacement is being acquired, or, an insurance claim is being processed.

Inspections (Initial and occupancy) - \$20/\$15 per each additional unit Often times a lengthy amount of time between delinquency and initial vacancy would have eaten up the property cap. The elimination of inspections from the property cap will go a long way in allowing the initial overallowable request to include all mortgagor neglect issues that need to be addressed to place the property ICC while completing allowable work within the property cap.

(5) Property Preservation Allowances

(a) Definition

The Maximum Property Preservation Allowance is a pre-approved reimbursement for the aggregate of all property preservation expenses that do not exceed the line item allowances listed in HUD's [Property Preservation Allowances and Schedules](#).

(b) Standard

The Maximum Property Preservation Allowance is \$5,000 per Property.

The following expenses are not included in the \$5,000 maximum cost limit per Property:

- debris removal;
- grass cutting;
- boarding;
- inspections;
- securing swimming pools;
- sump pumps;
- demolition;
- vacant property registration fees; and
- utilities.

These expenses are subject to the line item allowances in HUD's [Property Preservation Allowances and Schedules](#).

Securing swimming pools \$1,250 for all work in-ground/\$500 for all work above-ground/\$50 for all work spas and hot tubs – These allowables include cover installation and should be completed at or near initial vacancy due to safety reasons. By not having to submit an overallowable when property cap has been met, potential delays are eliminated and a tighter timeframe to convey to HUD is created.

Sump pumps – Maximum \$300 per property Sump pump installation (and timely activation of utilities) is a critical function to prevent worsening of property conditions and the ability to complete the work without having to submit an overallowable will help to prevent unnecessary delays.

Demolition Maximum \$400 per property/\$1.00 per sq ft – Mortgagees are not required to request approval to demolish damaged or useless sheds/outbuildings not included in the property value at origination. If the structure is associated with origination

collateral though, MCM approval will still be required.

Vacant Property Registration fees – Actual cost to register and comply with VPR ordinance requirements In some areas, a VPR fee could cost the entire property cap and by including VPR fees in the exclusions category allows for more allowable costs to be utilized before the property cap and ideally reduce the overall amount of overallowables necessary. All documentation necessary to support VPR amounts should be included with claim documentation.

Utilities – Actual cost one time shut off/transfer fee as assessed Similar to VPR fees, this amount simply needs to be claimed when necessary and all supporting documentation included with claim submission documentation at the time of conveyance.

Pre-conveyance

Tips to submit the “Perfect” overallowable

The “Perfect” Overallowable Request

The best-case scenario for an overallowable is that the work submitted only has to be submitted once with no appeal needed. This should be a goal for every overallowable submitted. In order for this to occur, the following needs to be considered before the request is submitted:

- All necessary information is provided
- Conveyance timeframes are taken into consideration and chronology provided if applicable
- Conditions previously determined to be mortgagee neglect or not necessary for conveyance not re-submitted without new documentation provided to support overturning decision
- Work previously approved should not be re-submitted
- Insurable damage should not be submitted
- Work not required for conveyance condition should not be submitted
- Property cap is taken into account and allowable line items are not submitted

A common trend ISN has seen throughout the industry is submission of line items for an overallowable review that does not exceed the HUD established allowable amounts and property has not met the \$5,000 property cap. These bids are unnecessary and should not be submitted for review. Another factor to keep in mind is timeliness of submissions.



The first overallowable request should have all mortgagee neglect conveyance condition issues as well as any other issues that are necessary to place property ICC at FTV. By submitting all mortgagee neglect issues with the first submission, the only new overallowable line items necessary are reoccurring items such as grass cuts and

| If Claimed Property Preservation Expenses Are: | And the cost of a single line item expense is: | Need Overallowable Approval? |
|--|--|------------------------------|
| \$5,000 or less* | Greater than Appendix 7.0 A | Yes |
| \$5,000 or less* | Less than Appendix 7.0 A | No |
| Greater than \$5,000* | Greater than Appendix 7.0 A | Yes |
| Greater than \$5,000* | Less than Appendix 7.0 A | Yes |

**\$5,000 does not include the cost of the following expenses: debris removal, boarding, inspections, securing of swimming pools, sump pumps, demolition, vacant Property, registration fees, and utilities.*

inspections or new issues that need to be addressed immediately. Doing so will also limit the need to submit multiple overallowable requests in a short period of time. Reducing frequent and unnecessary overallowable submissions will create a reduction in overall time and labor for all parties.

There are benefits to submitting mortgagee neglect at first time vacancy as well. Documenting and submitting conditions found at the time of vacancy helps to eliminate a possible dispute on the responsibility of damages, should the need arise. Submitting damages and completing work as soon as discovered will also help reduce the time it takes to convey. Additionally, if there is a large amount of work discovered and reported timely, acting quickly will help support a need for a possible extension of time to convey and lend itself to possible consideration.

While a delayed overallowable submission might not necessarily result in mortgagee negligence, there can be other negative consequences to not submitting an overallowable quickly. The first and most obvious issue that could arise is a mortgagee neglect scope of work, if not submitted as quickly as possible, could be submitted after a conveyance deadline has expired. This would result in work that has to be completed in order to convey, however due to conveyance timeframes, overallowable approval will not be issued. A secondary issue that has come up on occasion is mortgagee neglect overallowables being submitted after conveyance. This also results in a denial and an inability to claim the work on the 27011BCDE form. Regardless if work is mortgagee neglect or an emergent issue, overallowables should always be submitted prior to conveyance.

Realistically, an overallowable appeal should only be submitted in two scenarios. One is if documentation was initially provided but not taken into proper consideration. If this is the case, an explanation should be provided in the appeal comments clearly detailing the missed information and where it can be found in the initial submission. More commonly, an overallowable denial is a result of missing documentation. If an appeal is submitted in this circumstance, the missing documentation should be provided, but appeal statements should also detail what is being provided. Appeals should also be submitted timely due to the reasons stated above.

Unnecessary/Lacking Overallowable Submissions

When reviewing overallowable requests, there are several reoccurring submissions that are unnecessary and should not be submitted. An unnecessary submission would not be something that should be approved if submitted, and risks a denial or potential determination of mortgagee negligence. Some of the more common instances of unnecessary or lacking overallowable submissions have been detailed below.

Property cap has not been met, overallowable submitted for items that have a HUD established allowable. An overallowable, by definition, is a request to exceed an allowable amount. If the \$5,000 property cap has not been met, there is no reason to request approval to complete work that is already approved by HUD regulation. The only time an allowable line item would be considered is if the entire overallowable request will put a property over the spent to date property cap.

Pre-conveyance

Tips to submit the “Perfect” overallowable continued...



Non-Conveyance Items. The only work that should be submitted for consideration of approval is work that is required to place the property in conveyance condition. A common example of an unnecessary for conveyance submission is a bid to prune or shape trees or shrubs. There are specific requirements of tree/shrub trimming detailed in ML2016, however unless a tree or shrub meets these requirements, additional work is unnecessary and should not be completed or submitted for approval.

Surchargeable Damage. Insurable events (fire/flood/freeze/theft & vandal/etc) should never be submitted via an overallowable request for review. There are often overallowable requests submitted to address insurable damage. A common reason for these types of submissions is that the cost to address does not meet a deductible. HUD's expectation is that insurable damage is repaired per the scope of work on insurance documents. Additionally, per ML 2016-02, surcharge approval must be granted in order for insurable damage to be present at conveyance. There would not be a need to address insurance damages via an overallowable request.

Duplicate submissions of same scope of work. A common mistake seen on properties that have an excessively large amount of overallowable submissions is one of resubmitted previously approved scopes of work. Taking the time to review the overallowable history before submitting work will prevent duplicate submissions. Having multiple submissions can create issues with generating a 27011BCDE Claim with accurate dates, potentially resulting in a demand for reimbursement.

Multiple servicers on a property. If a servicer change occurs, it is not uncommon for duplicate overallowables to be submitted due to the newest servicer not researching property history and determining what work has been approved. Generating multiple requests for the same scope of work can cause complications when filing the 27011BCDE claim and result in demands for reimbursement.

Multiple overallowables submitted in a small window of time. The overallowable process should not be treated as an opportunity for back and forth, but instead should be an ideal one and done mentality. An effort should also be made to include multiple scopes of work in a single submission as opposed to a new overallowable request generated automatically as soon as a bid is received. There should also be a QC of the submissions to ensure all necessary information is included with the submission to avoid a need to appeal or resubmit due to a denial that only occurred due to missing information/documentation.

No new documentation being provided. There has been an increase in resubmission or appeals of overallowables denied where no new information is being provided. This is unnecessary, as a decision has been rendered. If a denial is being resubmitted, there should be a reason. An example of valid reasons to resubmit an overallowable is that missing information can be provided.

Property deemed to have conveyance delays. Mortgagees should take preventative measures to anticipate and respond to overallowable decisions denying a bid due to conveyance delays. If a property is more than 30 months delinquent, it would be considered a best practice to preemptively provide a chronology as opposed to waiting to see if the overallowable received a review based on merit or if it is denied due to a chronology concern. More often than not, the conveyance delays are explained by the documentation and the overallowable receives a review based on merit. Mortgagees should also take the time to review prior decisions and take note when a conveyance timeframe has come into question, and not resubmit or appeal until the chronology is able to be provided, otherwise the overallowable will be denied and

unnecessary delays and work have been created needlessly.

Appealing aged overallowable decisions without updated information. This occurs most often when a conveyance delay decision has been overturned, however there are multiple scenarios where an overallowable appeal is submitted weeks or even months after an initial decision has been rendered. All appeals should have new information being provided to support an appeal, but when there is a significant delay in the appeal it is imperative that updated documentation and photos are provided. At a minimum, this documentation should support that due diligence at a property was performed and that conditions are not due to a failure in preserving and protecting a property in accordance with HUD regulation.

Work to cure AHJ requirements without providing the documentation to support. When bids to complete a scope of work that is not a traditional conveyance condition item, one of the biggest reasons for a rejection is that the authority having jurisdiction (AHJ) documentation is not provided. An AHJ can be anything from a state regulation down to an HOA bylaw. These scopes of work can be considered and are often approved, however in order to consider approval, validation must be provided within the system of record to support the approval. Being aware of this need and taking preventative action by providing the information before it is asked for will go a long way in reducing unnecessary denials and having to appeal or resubmit the work.



Preconveyance

203(k) Common Scenarios and Overallowable Best Practices

Common Scenarios

Over the course of the last year, ISN has seen a noticeable increase in overallowable and especially surcharge requests that relate to the 203(k) Rehab Loans. The most common instances are related property conditions that appear to be unfinished renovation when a vacant property secures and requests to convey “as-is”. Due to the complexity of these circumstances, below are the three scenarios that most often come across for review.

203(k) repairs from loan origination were never completed. Generally, as long as the repairs are more cosmetic in nature, approval to keep the 203(k) funds can be considered with instruction to simply reduce the claim to HUD by that same amount. In order to consider this type of request, ISN needs to see the origination agreement and status of the escrowed 203(k) funds that remain available. Potential issues with these types of requests occur when there is a violation or if the conditions are the traditional surcharge related damages or ICC issues. If ISN can verify that the damages are not part of the 203(k) agreement, an overallowable or surcharge request can be evaluated with normal supporting documentation.



203(k) loan has had some funds released and some funds remain. For any type of request, ISN must be able to determine what funds have been used and how they were applied as well as what amount of funds remain. Being able to clearly identify and verify how funds were used can be difficult. Prior to a submission to ISN for review, there must be a thorough review of all documentation to ensure that there is a clear list of what damages were present at origination, what damages remain, and a 203(k) draw chronology detailing what payments occurred and when.

This information must be related to the repairs that were completed and had funds released. The potential issue that can hang up an approval is if there is a violation for issues

that are typically non-conveyance issues. Typically, HUD wants these issues addressed with the 203(k) funds to make the property in conveyance condition which includes being free of violations.

All money has been released. In this scenario, all 203(k) funds have been released and spent but damages remain. HUD usually considers this a servicer error and likely won't accept that funds were released but repairs were not completed. There should not be any type of overallowable or surcharge request for approval to complete work or convey “as-is” for the vast majority of conditions that fall into this scenario.

Necessary documents for all 203(k) submissions

Each type of request submitted to ISN review has a unique set of documents that should be provided to ensure that a full review can be completed and take into account all necessary information. When a 203(k) loan type is involved, the below documents should be included on top of the necessary documentation:

- 203(k) Rehab Agreement signed at origination
- Origination appraisal
- Chronology of draw releases (when released and what they were released for) if funds have been released

As the MCM, ISN reviews hundreds of overallowable requests daily and as a result sees a lot of different circumstances resulting in unwanted denials that could be avoided by taking a few simple steps to ensure a valid and necessary bid is submitted. By eliminating unnecessary bids and ensuring that proper supporting documentation is provided, the opportunity is created to reduce unnecessary work and limit overallowable denials. This will in turn reduce unnecessary delays and also increase the overall approval rate of overallowables that are submitted

One final note, often surcharge requests are submitted without noting that the loan is a 203(k). Failing to provide 203(k) documentation will result in unnecessary denials and appeals

Best Practices



Ensuring that the request has clear information and supporting documentation will go a long way in getting considered for approval. If all information is not provided with a submission, it is almost certain that the request will be denied.

Often, denials occur due to vague agreement language that states an item needs to be repaired but no additional detail is provided supporting what repair work needs to be completed. If ISN and HUD are unable to verify what work was necessary to complete or what the scope entails, this will often prevent an approval from being given.

Avoid repetitive bids. ISN routinely has to deny overallowable requests for scopes of work that have been previously submitted and approved. This can be avoided by reviewing previous overallowable submissions prior to submission. The same scope of work should never be resubmitted once approved.

Overallowable submissions after conveyance. Overallowables should be submitted prior to conveyance of a property, and overallowable bids found to have been submitted after conveyance will be denied.

- Multiple resubmissions for the same item are unnecessary. All relevant supporting documentation should be provided with initial submission. Refer to prior MCM Report for most common issues and what documentation is needed
- Overallowables should not be submitted after conveyance
 - BATF bids do not justify post conveyance submissions
- Property cap on the HUD 27011BCDE Claim form is when \$5,000 is met
 - Date completed is inconsequential

Claims Without Conveyance of Title (CWCOT)

CWCOT Module and ISNs Compliance Audit

CWCOT Module

The CWCOT module was released by Yardi and is routinely being updated and refined as processes are developed and confirmed. One of the most helpful aspects of these updates are the widgets, helping HUD and the industry be aware of where a case is at any given time as well as volume totals in the various stages of the CWCOT process.

The two biggest and most commonly used widgets are the CWCOT Property/Awaiting Supporting Documentation and the CWCOT Supporting Documents Submitted to HUD/MCM Claim Review Required fields.

The screenshot shows a web interface titled 'CWCOT Claims'. It contains two main sections. The first section is 'CWCOT Supporting Documents Submitted to HUD/MCM Claim Review Required' with a count of 581. The second section is 'CWCOT property/Awaiting Supporting Documentation' with a count of 31175. Both sections have a dropdown arrow next to the count.

CWCOT Property/Awaiting Supporting Documentation. This widget provides a volume of cases where CWCOT claim has occurred, however the claim is pending submission to ISN for a review. This is by far the largest volume widget. The Mortgagee must submit Parts A and B simultaneously no later than 30 days after:

- the date the Mortgagee acquired good marketable title
- the date a third party acquired good marketable title
- the date the Borrower or other party redeemed the Property
- the date the redemption period expires; or
- such other date as required by the FHA Commissioner

The Mortgagee must submit Parts A and B no later than two days after the date the form was prepared.

The Mortgagee must also upload into P260:

- all parts of form HUD-27011
- the Closing Disclosure or similar legal document for post-foreclosure sales
- the appraisal
- appraisal invoices
- a worksheet reflecting the Mortgagee's application of the CAFMV based on the adjustment provided in the instructions on FHAC and
- a third-party service fee invoice for auction services; if applicable

The vast majority of claims sitting in this queue are very overdue for submission through the CWCOT module and it is the responsibility of a mortgagee to ensure that they are compliant with HUD regulation and established timeframe requirements.

CWCOT Supporting Documents Submitted to HUD/MCM Claim Review Required. This widget is where all cases that have been submitted to ISN reside. By taking the time to confirm that a CWCOT Case has moved from *Awaiting Supporting Documentation* to the *MCM Claim Review Required* widget, mortgagee can ensure that the claim is submitted and an MCM review is forthcoming.

MCM Compliance Audit



When completing a compliance audit of the CWCOT claim, ISN is auditing the Appraisal, the Appraisal Invoice, the 27011 Claim form, and the Sales Document. These documents are used by ISN to ensure that the CWCOT claim was completed correctly and is compliant with HUD regulations found in (but not limited to) HUD Handbook 4000.1 and applicable Mortgagee Letters.

27011 Claim Form. This the claim form that is used for all claim types and is standard information and documentation. HUD has published a guide detailing what information should be entered and where, and this guide is an excellent way to ensure that all information provided on the claim form is present and in the correct field/area.

Appraisal. The appraisal is a key piece of information that ISN references in multiple points throughout the claim audit process on every CWCOT review completed. It is imperative that the correct appraisal type is completed either interior and exterior or exterior only depending on occupancy status.

Sales Document. Part of the CWCOT claim audit is the evaluation to confirm that the correct Commissioners Adjusted Fair Market Value (CAFMV) was determined and used. Information found within the required worksheet reflecting the mortgagee's application of the CAFMV based on adjustments provided in current HUD regulation. The proper discounts and amounts can be found in FHA Connection. The sales document should also include the closing disclosure or similar legal documents for post-foreclosure sales. A HUD-1 is an acceptable document to use when applicable.

Auction Fee and Appraisal invoices. The last and most straight forward documentation reviewed as part of the CWCOT claim audit are the invoices for auction and appraisals, if applicable. HUD regulation has strict guidelines for what amounts can be claimed and documentation should be provided to support that the correct amounts were used and claimed.



Claims Without Conveyance of Title (CWCOT)

Resources and Best Practices

Resources

There are several resources readily available to provide additional information on CWCOT claims and the processes that the claim filing entails.

HUD's National Servicing Center (NSC) Presentation on CWCOT. HUD's NSC will present training opportunities on the CWCOT program and HUD expectations as needed. To find and register for these events, please visit: https://www.hud.gov/program_offices/housing/sfh/events?utm_medium=email&utm_source=govdelivery



HUD Handbook 4000.1. HUD's Handbook is a living document that typically will incorporate Mortgagee Letters as updates to the handbook occur. This allows for a single reference point for most rules and regulations. While the document is a larger document that contains a wide variety of information, most subjects can be found by using a key word search that is tailored to the information being sought. The most recent HUD Handbook release can be found at: https://www.hud.gov/sites/dfiles/OCHCO/documents/4000.1hsgb_Update8.pdf

Mortgagee Letters. Mortgagee Letters occur more frequently than HUD Handbook updates, and provide new regulations as HUD develops and releases them. HUD's website contains current and active Mortgagee Letters and also provides the aged letters that have been superseded by HUD Handbook updates. Updates to CWCOT rules and regulation are often issued via Mortgagee Letters that are then incorporated into the HUD Handbook. A full list of active Mortgagee Letters can be found at: https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee



Claim Filing Technical Guide. Described above, this is a simple document with valuable information on what data should be entered on the 27011 Claim form. The Claim Filing Technical Guide can be found at: https://www.hud.gov/sites/dfiles/SFH/documents/SFH_POLI_CLAIMTECH.pdf

FHA Connection. This is where the CWCOT CAFMV criteria are housed, with the Foreclosure Sale Date being the determining factor on which schedule to use. FHA Connection can be found at: <https://entp.hud.gov/clas/index.cfm>

Best Practices/Common Mistakes



The most common mistake seen with the 27011 claim form is not providing supporting documents along with the claim submissions. This includes everything from P&P items on the Part C through the appraisal claimed in Part E. As with all claimed items, failing to support claim items can result in a demand for reimbursement being issued.

A common roadblock to having a claim form successfully submitted and approved is a discrepancy between an exterior only appraisal being completed and vacancy status. Mortgage Letter 2020-05 does apply to

appraisals completed as part of the CWCOT process and are an exception to the traditional expectation for vacant properties to have an interior inspection completed. One of the easiest and best ways to avoid a rejection or potential demand is to provide the inspection report completed in the months before and after the appraisal was completed to confirm the occupancy status of the property when the appraisal occurred, regardless of if those specific inspections were claimed in the Part C.

Another common issue found when reviewing appraisals is the presence of surchargeable damage. HUD regulation specifically states that a property cannot go CWCOT if surchargeable damage is present. Instances where a land only appraisal was completed due to severe dilapidation due to structural safety concerns or even having been destroyed by a fire are clear examples of surchargeable damage that should not be used in the CWCOT program.

When reviewing the sales documents and invoices, ISN sees instances where a corporate contribution occurred to help a bid reach the CAFMV threshold. This is acceptable in practice, however where mistakes are often made is in using the CAFMV amount and not the actual sales amount to calculate the auction fee.

Title

Title Module Submittals and Responsibilities

Title Submittals

Yardi/P260 launched the Title Module August 28, 2020, creating a new title submission process that is similar to the reconveyance process and module in concept. This creates a more transparent and open module that allows all parties to be able to view the Title review and determine exactly where in the title process any particular case is. Below is additional information from Yardi taken from their release notes, that may help you with your uploading documents into P260. Detailed Release Notes regarding the Title Module can be found in Yardi/P260 under *Help → Release Notes → 2020 → Title Workflow User Guides → Mortgagee Title User Guide*

To submit a Title Package, do not use the Case screen's Add Attachment toolbar button. Instead, use the Mortgagee Title dashboard (use the filter to find a specific case). Once you find a case, click the X in the View Title column to display the Property Title Info screen for the case.

On the Property Title Info screen, click the Edit button and enter information about Mobile Home (Yes/No; if Yes, then enter the VIN # and Home Tag #), click Save, and that will light up the Upload Title Package Documents toolbar button so you can do the upload. After the Title Package is uploaded, there will be a Save and Submit toolbar button displayed to the right of the Upload Title Package Documents toolbar button. Use that button to submit to the Mortgagee Compliance Manager.

If that Upload Title Package Documents toolbar button does not become available, click the Status History tab on the left side of the Property Title Info screen (then scroll down to the bottom) to be sure the Title Package wasn't already submitted to the Mortgagee Compliance Manager (MCM). If that submission needs to be rescinded, then contact the MCM and ask for the Title Package to be rejected so you can resubmit.

Please be advised, all documents must be uploaded to the Title Module in order for ISN to be able to find and review. Should

documents be uploaded to incorrect areas of the system of record, there is a chance they could be missed which would result in a denial that could have been avoided.

Responsibility

With the launch of the Title Module as of August 2020, title packages should be submitted through P260 in accordance with the instructions provided by Yardi. If a title package is not submitted correctly, the MCM cannot review and will be unable to render a decision. When title documents are correctly submitted, the responsibility field in the Title Module will change from "Mortgagee" to "MCM". This is a key aspect to be aware of and double check when submitting a title package for review. If the responsibility does not update to MCM, the case will not hit ISN's queues and will not be reviewed.

Should you need additional assistance on functions within the system, please reach out to Yardi at HUDHelp@yardi.com or 1-805-699-2053 for further guidance on how to properly submit title packages/title documents through P260.

Case Information

| | | | | | |
|------------------|------------|-----------------------|--|--------------------------|----------------------------|
| FHA Case Number | | Address | | Current Step | 6-Listed for Sale |
| Acquisition Type | A-Acquired | City, State, Zip Code | | Title Status | 04a-Title Package Approved |
| Acquisition Date | | Mortgagee Name | | Title Status Date | 04/07/2021 |
| Mobile Home | | Mortgagee ID Number | | Reconveyance Status | |
| Mobile Home VIN# | | Mortgagee Email | | Reconveyance Status Date | |
| Mobile Home Tag# | | Mortgagee Loan # | | Responsibility | |

Title Information

| | | | |
|-------------------|---|---------------------|--|
| Title Number | 1 | Mortgagee Attention | |
| Deed Filed Date | | Mortgagee Address | |
| Date Assigned | | | |
| Original Due Date | | City, State, ZIP | |

Review Information

| | | | |
|---------------------|---|---------------|--|
| Package Complete | Y | Decision Date | |
| Approved | Y | Decisioned By | |
| Rejection Reason(s) | | | |

ISN

Local Phone: (405) 546-7500

Toll Free: (888) 619-7835
www.isncorp.com

Main Fax: (405) 602-1520

| Title | Contact Name | Direct email | Phone |
|-------------------------------|--------------|---------------------|----------------|
| Project Manager | Tim Brandt | tbrandt@isncorp.com | (405) 546-7511 |
| Deputy Project Manager | Ryan Tanner | rtanner@isncorp.com | (405) 546-7513 |



| Department | Email address | Fax |
|---|-------------------------------|----------------|
| ISN Customer Service | mcm-info@isncorp.com | (405) 604-0513 |
| P&P/Over-allowable Inquiries | mcm-preconveyance@isncorp.com | (405) 602-1520 |
| Appeals & Demands Inbox | mcm-appeals@isncorp.com | (405) 602-1520 |
| Voluntary Reconveyances | mcm-volreconvey@isncorp.com | (405) 602-1520 |
| Reconveyance Inbox | mcm-reconveyance@isncorp.com | (405) 602-1520 |
| Reacquisition Inbox | mcm-reacquisition@isncorp.com | (405) 602-1520 |
| Notification of Violations | mcm-violations@isncorp.com | (405) 604-0513 |
| Claims Inbox | mcm-claims@isncorp.com | (405) 602-1520 |
| Title Inquiries & Requests | mcm-title@isncorp.com | (405) 602-1520 |
| Quit Claim Deeds | mcm-qcd@isncorp.com | (405) 602-1520 |
| Occupied Conveyance Requests | mcm-ocr@isncorp.com | (405) 602-0513 |

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