

## **National P&P Conference Summary**

**Day 1: Thursday, November 6, 2008**

**Session 1: Industry Update**

**Moderator:** Deb Oakley, National City SVP Homeownership Preservation

**Panelists:**

Leslie Bromer, HUD Senior Housing Policy Specialist

Robert Klein, Safeguard Properties CEO

Joe Schilling, Director National Vacant Properties Campaign

Mike Frueh, VA Assistant Director for Loan Management

Rob Caire, Fannie Mae VP for Credit Loss Management Operations

Vicky Vidal, MBA Senior Director

Kim Hobson, Freddie Mac Senior Default Specialist

Caroline Reaves, MCS President and COO

Marina Walsh, MBA Director of Policy Research

In light of the foreclosure crisis and increased defaults the industry is experiencing, considerable efforts have been made by servicers and investors to reach borrowers in trouble and facing possible foreclosure. Several companies and trade organizations have joined forces to reach more borrowers through the [HopeNow](#) program, an alliance between HUD-approved counseling agents, servicers, investors and other mortgage market participants that provides free foreclosure prevention assistance. The HopeNow alliance has processed over 2.5 million refinances of high interest rates and adjustable rate mortgages since its inception in 2007. Despite the efforts of HopeNow, letter campaigns, increased loss mitigation, and foreclosure workshops, the industry is reporting one million new foreclosures this last year.

Rob Caire shared Fannie Mae's reports that 50% of the troubled loans in foreclosure still have no borrower contact, despite significant efforts to reach borrowers through on-the-ground efforts and increased loss mitigation. Fannie Mae increased incentive fees to servicers and will reimburse servicers for HopeNow counseling fees and skip tracing efforts. Servicer incentives are also available for 3rd party sales, successful deeds in lieu and short sales.

Kim Hobson stated that Freddie Mac has also dedicated more resources to reach borrowers facing foreclosure. Freddie Mac's efforts include increased loss mitigation efforts, increased assistance to servicers with borrower outreach through more onsite representatives, and assistance with mass mailings.

Robert Klein stated that servicers are utilizing their vendors to reach more borrowers through increased distribution of the HopeNow contact information included on door hangers left at properties on the monthly inspection cycle. Some servicers are issuing gift cards to borrowers. The gift card is activated

once the mortgagor calls a dedicated loss mitigation line at the servicer's shop. Other field service vendors echoed servicers' increased demands for face-to-face inspections and increased contact with the borrower.

Deb Oakley shared National City's best practice of adding a "request for assistance" link to the online payment page of their Website. National City received 1,200 requests for assistance in the first month it was available. Ms. Oakley encouraged other servicers to copy the idea and offered to show the link and how it works to interested parties. National City has also reached out to its other vendors, including attorneys, who report a higher rate of borrower contact upon delivery of a letter from an attorney's office. Ms. Oakley agreed that servicers need to increase their capability of handling more loss mitigation and borrower phone calls.

Maintaining the property condition and value throughout the foreclosure process is equally important as borrower contact. Caroline Reaves reported an increasing trend in servicers requiring their field service vendors to complete more work than just the standard preservation and protection services. Servicers are leaning more towards an interest in preserving neighborhoods, maintaining curb appeal, and avoiding city citations. Servicers are reaching out to the field service vendors to register vacant properties with the city and remain the first point of contact for the code enforcement personnel.

It is clear that city code enforcement wants neighborhoods and property values preserved, but they are challenged with obtaining a point of contact to resolve issues with specific properties. With support and cooperation of the servicers, the MBA is working with MERS to create an online database for code enforcement personnel to reference when searching for the servicer contact information when there is an issue at a vacant property. The proposed database will provide one central location for servicer contact information, which would streamline and help bridge the communication gap between the hundreds of cities and the servicers.

The MBA reported that servicers spent \$1.23 billion maintaining pre-sale and REO properties in just the first three quarters of 2008. Another \$167 million was spent performing routine monthly inspections to verify occupancy status and establish contact with the borrower during the same timeframe. These figures support that servicers are cognizant of maintaining vacant properties, and that they are actively engaged in maintaining the property value and the area neighborhood. The opportunity to create transparency with the cities remains a primary objective for the industry. Aggressive foreclosure prevention combined with the maintenance of vacant and abandon properties will greatly impact servicers, cities and the investors. It is clear that each faction of the industry is equally committed to seeking out new and more effective ways to confront the foreclosure crisis.

## Session 2: Investor Update

**Moderator:** Leslie Bromer, HUD Senior Housing Policy Specialist

**Panelists:**

Marlene Robinson, HUD Principal GTR  
Jack Evans, JPMorgan Chase Operations Manager  
Sherilee Massier, Wells Fargo P&P Manager  
Robert Klein, CEO Safeguard Properties  
Kellie Beyer, Safeguard Properties Manager P&P Operations  
Nikki Bigenho, MCS Vice President  
Tracy Hager, First American VP of Client Initiatives  
Mary Stewart, LPS Property Preservation Manager

This year's conference was highlighted once again with the release of a new Mortgagee Letter from HUD. HUD released [ML 2008-31](#) on October 17, 2008, announcing that the letter in its entirety replaces ML 2007-03. Leslie Bromer introduced the HUD session with a discussion of "HUD's Top Ten P&P Issues" and addressed how each was clarified with the release of ML 2008-31.

**1) Requiring 2nd Bids for nominal amounts.** Ms. Bromer reiterated that 2nd bids are not to be requested for items less than \$250 as stated in the new mortgagee letter. HUD issued the clarification in an effort to reduce the amount of time needed to convey properties, since 2nd bids for nominal amounts did not equate to a savings for HUD.

**2) Original Signatures.** ML 2008-31 now provides that extension and over-allowable requests may be submitted via email without an original signature from the servicer, so long as a full audit trail of the name and contact information of the person submitting the request is included on the forms. Ms. Robinson also clarified that this rule includes extension requests even though the current mortgagee letter only states over allowable forms.

In addition, the extension and over-allowable request forms have been updated and are posted on HUD's website in .pdf form, making it easier for servicers to use the forms.

### [Mortgagees Request to Exceed Cost and Protection Limits for Preservation Mortgagee's Request for Extensions of Time](#)

Robert Klein asked for clarification that authorized agents of the servicer (field service companies) are able to submit mortgagee requests. Ms. Robinson stated that as long as the audit trail is complete there should be no issues. The audit trail must make it clear that the mortgagee authorized the entity to request the over allowable request and that it monitors all such actions.

**3) Winterizations.** ML 2008-31 states that plumbing and heating systems must be drained in a manner sufficient to prevent freeze damage. The letter adds that actual damage must occur for a demand letter to be issued. James McGee added that HUD's concern is the protection of the property and they have sought professional guidance from the National Plumbers Association and other trade groups for how to properly protect properties from freeze damage. HUD may revisit the current winterization guidelines based on professional feedback.

**4) Vacancy Issues.** Servicers continue to encounter issues surrounding pre-sale properties that are vacant but being maintained by the borrower (not abandoned) and need clear direction on how to comply with the vacant property guideline requirements. Ms. Bromer suggests servicers work with listing agents to coordinate monthly interior inspections when properties are actively listed for sale and being maintained by the realtor.

Additionally, HUD suggests servicers obtain advice from legal counsel on how to proceed when the property is vacant of people but a significant amount of personal property remains in the property. Jill Rein of Pierce and Associates added that servicers do have the right to preserve and protect the property, pre-foreclosure, especially in winter months and recommends that servicers do enter and winterize the property with notice to the borrower or the bankruptcy attorney. Servicers agree but are reluctant to assume the risk of lawsuits from borrowers in the current environment of borrower-sensitive courts. The frivolous claims by the borrowers cause delays in conveyance as well as higher insurance premiums. Ms. Rein agreed there is a risk; however, the deed gives the servicer the right to preserve and protect the property.

Robert Klein proposed that the industry FTV date be determined by the day the servicer secures the property, and not be determined as the day the inspector determines the property to be vacant based on an exterior visual inspection. HUD agreed to review this issue, but the current position will be followed until further notice.

**5) Conveyance of damaged properties without M&M approval.** Ms. Bromer reiterated that servicers are required to obtain M&M approval to convey with surchargeable damages and the Part A form is to be filled out correctly.

**6) Insurance Recovery.** Servicers are being asked to provide insurance documents to support over-allowable requests to repair non-surchargeable damages below the insurance deductibles. Ms. Bromer stated that the current servicing regulations require servicers to seek insurance coverage for all damages before asking for repairs at HUD's cost. Servicers will experience higher insurance premiums and delay conveyance if claims need to be filed for damages estimated below the insurance deductible. Mr. McGee asked servicers to send examples of the issue to him for review.

Ms. Bromer stated that servicers should obtain insurance claim denial stating wear and tear or age of roof prior to asking HUD for as-is conveyance or approval to repair.

**7) *Utility Liens.*** HUD is experiencing a high rate of utility liens placed on properties for default payment by the borrower prior to foreclosure sale. These liens are prohibiting HUD from selling the property to a new owner. Servicers are receiving demand letters for these unpaid utility bills, but the liens are not placed on the property until after conveyance. HUD recognizes that utility companies and local governments are looking for revenue and they are looking to litigate this issue. In the meantime, HUD asks that servicers submit an over-allowable request to pay for past due utility bills when discovered prior to conveyance.

**8) *Extension and Over-Allowable requests.*** M&M contractors are reporting a high rate of incomplete, duplicate, and misdirected bid submissions. These are causing delays in responding to necessary mortgagee requests. Ms. Bromer reminded the servicers to use common sense and submit only necessary and accurate information to the M&M.

**9) *Property Condition at Conveyance.*** HUD recognizes the need to provide a clear definition of convey condition to the M&M contractors and the servicers. Keynote speaker Vance Morris, HUD Director of Single Family Asset management, began the day with an overview of challenges, goals, and opportunities for HUD in the coming year and stated that a conveyance standard will be defined in 2009.

**10) *Mortgagee Quality Control.*** HUD issued a directive in ML 2007-03 and ML 2008-31 that mortgagees are required to have a quality control program in place for property preservation actions. HUD will be continuing the development and requirements for quality control by the servicers while discussing the new M&M contracts and centralization of mortgagee compliance.

HUD would like to see more pre-conveyance inspections completed to alleviate the number of re-conveyances and demand letters. Servicers would also like to participate in pre-conveyance inspections but are limited due to the M&M contractors' availability to participate and by the tight timeframes to convey within 30 calendar days. The current M&M contracts do not require M&Ms to participate in pre-conveyance inspections.

Servicers asked if HUD is able to track and provide reporting of the frequency and trends of re-conveyances and demand letters. HUD is not currently tracking these and agrees the information is available and would assist the industry in refining processes. The industry is tracking re-conveyances and demand letters issued. Servicers are reporting 70% of demand letters are being rescinded when documentation to refute the claim is provided. Ms. Robinson stated that HUD is not aware of such a high rescission rate and would like to see the documentation

supporting the claim. If indeed 70% of demand letters are rescinded, then the issue would need to be addressed with the responsible M&M contractors.

One M&M contractor added that letters would not be issued if the Part A forms were documented correctly with the property condition. While servicers agreed there are errors on the forms at times, the majority of demand and non-performance letters issued are for standard P&P items, and not damages that need to be reported on the Part A form.

Servicers receive demand and non-performance letters for work completed per bid approval from the M&M – i.e. boarded windows in high vandalism areas. Servicers also receive Non-performance letters for items bid that were denied stating to convey as is, such as minor mold on basement walls, exposed wires with electric turned off, missing interior handrails, and swing sets in good condition left in the yard.

Mr. McGee stated that M&M contractors are required to provide sufficient documentation to support the demand letter. M&M contractors should submit color photos and copies of two bids to address the non-compliance or repair. Mr. McGee encourages servicers to use the appeal process when documentation to support the demand letter is not provided.

Servicers are challenged to convey within 30 calendar days when M&M contracts provide the M&M with 5 business days to respond to mortgagee requests. While most M&M contractors do respond timely, some do not. The current mortgagee letter states that M&M delays in responding to submitted bids are not valid reasons for requesting an extension. Ms. Robinson also encouraged servicers to follow the escalation process for non-responsiveness to mortgagee requests.

Robert Klein suggested that the 30 calendar day timeframe be reviewed and possibly expanded to 30 business days, or modify the M&M contract to require responses to mortgagees in calendar days. One M&M added that new rules and additional time to convey are not needed, but rather open communication and cooperation should be used to meet existing benchmarks in a timelier manner.

Like HUD, the servicers' top priority is to convey properties faster and well within the 30 days. Bid response time would be much less of an issue if HUD could clarify and look to expand some of the costs identified in the guidelines. One specific area of opportunity is to reduce the number of over-allowable requests to perform routine preservation actions for the allowable amount due to exceeding total P&P costs (specifically, the onset of winterization and grass cut seasons). In states with lengthy bankruptcy and foreclosure processes, the total P&P costs are exceeded quickly, resulting in over-allowable requests being submitted to perform the initial grass cut in April for the allowable, and the winterization in October. M&M Representatives agreed the volume of O/A requests in April and October create delays in responding timely and the request has to be approved

since it is for routine preservation actions.

Second bid requests for items bid per the FHA defined allowables also contribute to unnecessary delays in conveying properties. For example, a servicer submits a bid to board and secure an in-ground pool at the HUD defined rate of \$1.05 per square foot and the M&M asks for a 2nd bid. Or, a servicer submits a bid to board an oversized window for the HUD defined allowable of \$0.90 per UI and the M&M asks for a 2nd bid. These second bid requests add time to the conveyance period and will not save HUD money since the second bids will be submitted according to the HUD pricing guidelines.

ML 2008-31 provides an allowable to remove debris, however the allowable is defined as a cubic yard measurement. Many items left behind at the property cannot be measured in cubic yards, for example, swing sets, heavy cement bricks, logs, fallen trees, paint cans and chemicals. HUD will review expanding the items listed in the pricing schedule.

The guidelines require servicers to reglaze broken windows as part of the maximum securing allowable. Servicers are required to obtain bid approval to reglaze windows because the guidelines do not provide a price per UI the way they do for boarding. Without a defined allowable the work would not be claimable. HUD will review defining an allowable for reglazing.

Limitations such as the above contribute to the delays in conveying, and servicers often proceed with completing routine property preservation actions while awaiting bid approval in an effort to meet the 30-day timeframe. The current guidelines provide an allowable for bid approval after the fact for emergencies. Servicers would like written clarification that work completed prior to bid approval is claimable as long as it is completed prior to conveyance. HUD agrees that servicers should be prudent in completing routine preservation actions in order to convey timely and agree the work should be claimable. Servicers recognize the risk if the bid request is denied and would like written clarification on the process.

### **Session 3: Investor Update—Fannie Mae, VA, Freddie Mac**

#### ***Panelists:***

Elonda Crockett, FNMA Asset Recovery Manager  
Carl Wasson, VA Supervisory Loan Specialist  
Sherilee Massier, Wells Fargo P&P Manager  
Robert Klein, CEO Safeguard Properties  
Kim Hobson, Freddie Mac Senior Default Specialist  
Anthony Box, MCS Senior VP of Operations  
Tracy Hager, First American VP of Client Initiatives  
Mary Stewart, LPS Property Preservation Manager

## **Fannie Mae: Elonda Crockett, Asset Recovery Manager**

Elonda Crockett provided an update on Fannie Mae's current initiatives, including improving communication with servicers and field service providers, releasing new over-allowable pricing guidelines, and introducing the Home Tracker bid submission program.

Fannie Mae has been hosting a series of conference calls with high-volume servicers to prepare for these new initiatives, particularly the new guidelines and the Home Tracker system. The new over-allowable guidelines will include some commonly-reported issues, such as sump pumps, so that Fannie Mae will not need to receive and approve bids for replacement. In addition, the introduction of the Home Tracker system will greatly streamline the bid submission process, thus positively impacting the turnaround times. Home Tracker will be conducting Web-based training, and members of Ms. Crockett's team will then complete on-site training with the various servicers.

Ms. Crockett also emphasized the need for proper photo documentation to justify the invoices for work done. Likewise, documentation is needed if violations are being reported. Servicers sometimes face cases where there is a code violation at a property, and it needs to be addressed immediately. Ms. Crockett stated that Fannie Mae will reimburse for the cost of having that work completed if the servicer was unable to obtain a verbal approval from her team, as long as the work is completed prior to foreclosure and the proper documentation is submitted. In addition, if servicers are not seeing adequate turnaround time responses from Fannie Mae, Ms. Crockett asked that examples be escalated to her department for review.

Ms. Crockett noted that in general, Fannie Mae does not ask for second bids unless the first bids are believed to be excessive. These requests may be reduced if a full description of what the bid entails is provided up front. If there are additional repairs that are needed, for example, to return the sump pump to working condition, those repairs should be listed out in the bid description.

With regard to hazard insurance filings, Fannie Mae currently outsources these claims to two outside companies. Ms. Crockett said that the overall number of claims is increasing post-sale, indicating possible failures to address issues prior to foreclosure.

Ms. Crockett also noted that once the new allowables are in place, Fannie Mae will be researching the issue of reimbursing for property inspections, as well as whether some repairs should be completed prior to foreclosure.

## **VA: Carl Wasson, VA Supervisory Loan Specialist**

Carl Wasson provided an update on VALERI (VA Loan Electronic Reporting

Interface), an online system being designed to improve the VA's overall efficiency. VALERI includes more loss mitigation incentives and a greater control on the part of the servicer regarding timeframes. It reduces the VA's involvement in the process, thereby further improving efficiency. The system embodies the VA's goals to automate, delegate, and consolidate. It also provides more standardization across the board. As part of the VALERI system, the process of buy-downs will be eliminated, in favor of write-offs.

The VALERI system adds a greater transparency to the process, and offers full file reporting, automatic occupancy status changes, and semi-automated Claims filings, all of which will assist in the overall goal of a more streamlined and efficient process. The VA has been making great efforts to listen to industry feedback and make adjustments accordingly.

Mr. Wasson also touched upon the topic of determining net value percentages, which are based on a number of criteria, including the actual property value as compared to the values of other properties in the area, and the accuracy of the liquidation appraisal. When the appraisal values are inaccurate, the end result is a greater net loss for the VA when that property is ultimately disposed of.

#### **Freddie Mac: Kim Hobson, Freddie Mac Senior Default Specialist**

Kim Hobson began by stating that Freddie Mac's mission is to keep homeowners in their homes, and assisting in these efforts in any way possible. They placed a 90-day moratorium on foreclosures in the Hurricane Ike- and Gustav-affected areas, beginning in October. In addition, Freddie Mac is continuing with their mass modification program which is part of their loss mitigation efforts.

On the property preservation issue, Freddie Mac is preparing to increase a number of over-allowable thresholds. They will be publishing new guidelines in the near future. Freddie Mac is encouraging servicers to complete interior, rather than exterior, inspections on vacant and abandoned properties. Robert Klein asked if Freddie Mac would be reimbursing for those interior inspections. Ms. Hobson indicated that this would be taken under consideration by Freddie Mac.

#### **Session 4: REO**

**Moderators:** Caroline Reaves, MCS President and COO  
Robert Klein, Safeguard Properties CEO

#### **Panelists:**

Jay Kingsley, HSBC VP and Director of REO  
Marc Hinkle, PHH VP of Loan Servicing  
Elonda Crockett, Fannie Mae Asset Recovery Manager  
Marla Webb, NHMSI Operations Manager for Ohio  
Mary Stewart, LPS Property Preservation Manager

Kathy Cogan, Safeguard Properties Client Account Manager

### **REO Statistics**

The REO session opened with a review of current statistics on the industry today, as compared with years past. Among the most dramatic:

- Within a one year period, there has been a 121% increase in national foreclosure filings.
- REOs have jumped from 50,000 in the second quarter of 2006 to 250,000 in the third quarter of 2008, a 400% increase over a two year period.
- With the increase of foreclosure filings and REOs are on a drastic rise, the rate of home sales continues to fall.
- Foreclosure moratoriums have not had any noticeably positive benefits or resolutions to the flow of portfolio inventories.

### **Preserving the REO Asset**

A great deal of emphasis was placed on efforts to preserve the assets, as it is critical that these properties maintain their value in a heightened competitive market. A number of steps can be taken to ensure this, including conducting ongoing, monthly property maintenance service.

In addition, there is a growing intolerance from municipalities regarding the prevalence and condition of vacant properties. As the end point of the foreclosure life-cycle, REOs have a significant effect on neighboring home values and the overall stabilization of communities.

In gauging market values and valid comparables, it was recommended that servicers consider pending sale prices versus aged sale prices due to sharp downward fluctuations. Servicers review listing prices every 30 days to consider price reductions.

### **Disposition Options**

Timelines for securing and preparing a property for disposition are critical. Servicers and investors agreed that effective communication between all involved in the asset disposition (brokers, field servicers, appraisers, etc.) is absolutely necessary to reduce losses of REO obtained properties.

There is a great need to create a buyer stream as the “mainstream” (investors) marketing plans and approaches seem to be deficient in the wake of the current housing market. To effectively market REO properties and move them quickly from inventory, maintaining curb and interior appeal to potential buyers are imperative. Servicers testified to the merit of property maintenance in relation to

expedited sales. This is especially important when attempting to appeal to first-time homebuyers.

Some servicers have engaged in a pilot program of community-based organizations (CDCs) to have a short window of opportunity to have the first right of refusal to purchase REO properties. This may become a growing trend as other servicers express interest in pursuing similar programs.

In summary, with regard to disposition options, the traditional, one-size-fits-all approach needs to be reviewed. Servicers and investors are making disposition decisions based on individual communities and market conditions, while working within the constraints of set regulations.

**Day 2: Friday, November 7, 2008**  
**Session 1: Community Impact**

**Moderator:** Deb Oakley, National City SVP of Homeownership Preservation

**Panelists:**

David Gatton, US Conference of Mayors

Jennifer Leonard, Director National Vacant Properties Campaign/Smart Growth America

Sarah Greenberg, NeighborWorks

Doug Leeper, City of Chula Vista CA

Peter Lemos, City of Stockton, CA

Dion Irish, City of Boston MA

John Cascardo, City of Dearborn MI

Rob Hicks, LPS

Lorne Dufour, MCS

Robert Klein, Safeguard Properties

Friday morning's portion of the conference commenced with discussions pertaining to servicers' roles in stabilizing communities. The National Stabilization Program (NSP) was created through the Housing and Economic Recovery Act of 2008 (HERA). Utilizing a formula of the number of sub-prime mortgages, defaults, and foreclosures, the program allocated \$3.9 billion to state and local governments. This is the initial opportunity for city governments to utilize federal funds to address the impact the foreclosure crisis has on their communities.

At the recent [HUD Summit](#), details were provided about timeframes and approved uses for the funds, which include:

- Property Acquisition
- Creation of a Land Bank
- Demolition

- Rehabilitation

Proposals were due by December 1st, 2008, and funds will be allocated with 18 months and spent within 4 years (or 10 years, in the case of a land bank).

Deb Oakley, who had attended the HUD Summit, advocated that servicers actively seek methods to efficiently funnel properties to the right parties. The servicing industry should increase “transparency” to ensure local communities are able to communicate with the appropriate parties. One potential avenue is the [National Community Stabilization Trust](#) (NCST). Created in January 2008, the NCST is collaboration between NeighborWorks, LISC, Enterprise Community Partners and The Housing Network. Sarah Greenberg explained the Trust aims to create an efficient transfer mechanism of REO properties from the Servicers/Investors to non-profit partners within local communities.

The system currently being tested in 6 pilot project areas include:

- Targeted neighborhoods within the individual cities
- Early notification (initial purchase window)
- Standardized valuation method
- Quick turnaround by the non-profits on the offer
- One transfer agent
- 2-3 day turnaround by the servicer on agreement to transfer

As cities draft their proposals for the federal funds, many are seeking to establish direct contact with servicers with regard to potential REO acquisitions. Robert Klein discussed how several of the inquiries have been directed to Safeguard to assist in correctly identifying the servicer points of contact.

Property acquisitions, while clearly a pre-eminent focus of cities throughout the country, are not the only contemplated usage for the HERA funds. Chula Vista, for example, is considering allocating their funds to first-time homebuyer assistance. Several cities have pre-existing entities or programs that can immediately utilize the additional funds within the current structure. These include the Redevelopment Authority in Stockton, CA and the Foreclosure Intervention Team in Boston, MA.

Dave Gatton discussed how the HERA funds still remain a “drop in the bucket” as communities seek to address urban blight in their communities and mayors all over the United States continue to advocate for additional federal assistance.

Additionally, cities still feel that they do not have direct points of contact within the servicing industry. This is the primary driving force behind the proliferation of

Vacant Property Registration (VPR) ordinances through the country (see Session 2, below).

Another concern is with tenant-occupied properties. Boston in particular is concerned about tenants' rights during the foreclosure process, and with ensuring that they receive adequate notification of foreclosure (on the landlord). These concerns received national attention when the [Cook County \(IL\) Sheriff](#) placed a moratorium on evictions. Servicers realize these concerns, and they are reviewing the possibility of retaining tenants post-foreclosure.

## **Session 2: Preserving and Protecting Our Homes**

The second segment of the morning was focused on Vacant Property Registration ordinances, industry concerns and recently developed solutions.

Joe Schilling from the National Vacant Properties campaign along with Dan McLaughlin Executive Vice President MERS joined the panel for the remainder of the conference.

While VPRs have been “on the books” in several cities for a number of years, recently cities have been increasing, enforcing, amending, or creating new VPRs geared towards mortgage foreclosures. There are currently over 100 officially adopted VPRs in the country, with new ones added on an almost daily basis.

Faced with onerous logistical difficulties in complying with a myriad of diverse VPRs, industry professionals joined together under the auspices of the Mortgage Bankers Association and formed the MBA VPR Committee. The primary solution developed in committee is the [“MERS Initiative.”](#)

- The driving force behind cities enacting VPRs is the frustration in being unable to identify and communicate with the appropriate entity at a servicer regarding code violation issues arising at their properties. Dan McLaughlin reviewed the MERS® ([Mortgage Electronic Registration System](#)) system and its current capabilities. MERS® is an industry utility created to streamline the mortgage process by using electronic commerce to eliminate paper and is utilized in some manner by all servicers. Currently the MERS® system allows municipalities and others (such as title companies) to search by property address and will provide the name of the title holder. The *MERS Initiative* will enhance the database to include a direct point of contact for the respective servicer and field services company.

Additional key points of the discussion include:

- Cities will still need to enact VPRs for non-mortgage foreclosure related vacancies. The *MERS Initiative* is being proposed to be used in concert with the respective VPRs, that properties on MERS will be exempt from “hard-copy” registrations. All others will be subject to the ordinance.
- “iRegistration” (Information Only Registration) will allow servicers a cost effective option to enter the aforementioned contact information only for any loans not on the MERS system.
- Definitions of “vacant” vary and several servicers have suggested that logistically it may be easier to upload all properties.
- Access and training to municipalities (only) will be at no cost.
- Servicers will be able to de-register when the property is sold or conveyed.
- Servicer participation is critical to the success of the program.
- Pilot programs will commence subsequent to ongoing conversations regarding the technical aspects of the MERS system enhancements. Pilot cities include Boston, MA; Chula Vista, CA; St Paul, MN; and Stockton, CA.
- Numerous cities have replicated in some manner the Chula Vista VPR. Doug Leeper, with the City of Chula Vista, stated that he is in full support of the *MERS Initiative* and will review with other cities that inquire about creating an ordinance.
- At the US Conference of Mayors Annual Meeting in Miami, which took place in June 2008, Mayor Richard Kaplan (Lauderhill, FL) proposed a state registry. Robert Klein and other committee members have had continual dialogue with Mayor Kaplan, and he supports the MERS® Initiative and expects to incorporate the initiative into the legislation being presented to the Florida House of Representatives.
- Additional enhancements being considered for future updates including information pertaining to identification of third party REO purchasers and the point of contact for property acquisition.
- Several other servicers have Web sites where their REO portfolios are listed. The points of contact for municipalities can be added.