# Rules Advisory Committee Bond Residential Loan Program, Servicing Manuals

Date/Time: August 28<sup>th</sup> at 2 p.m. to 3:30 p.m. Location: <u>TEAM Webinar – Registration is required</u>

**Participants:** Committee Members (listed on second page)

+ Open to public for observation

## **Meeting Objectives**

- Conduct Rules Advisory Committee with a diverse group of individuals who are directly impacted by the Bond Residential Loan Program Servicing.
- To create space to uncover different perspectives that can inform the adopting of the Loan Servicing Manual and gather feedback about the potential impacts as required by state rules development process.

# <u>Agenda</u>

#### **Welcome & Introductions**

 Be prepared to share: name, pronouns, work affiliation and position, and what lens or unique perspective do you bring to today's discussion on the Bond Residential Loan Program?

# Background on the mission of OHCS and a look at the Loan Servicing Manual & RAC Responsibility

#### Opportunity to Review & Improve the Drafted Economic and Fiscal Impact Statements

- How will this rule remove barriers and/or otherwise improve access for the communities that you serve?
- Do you see opportunities to adjust the rule to better serve those communities?
- Once this rule is adopted, what will your organization need to support this change?

## **Impact Assessment**

- State RAC procedures require assessment of impact in the following areas:
  - o fiscal impact on state agencies, local government, or the public
  - o potential of significant adverse impact on small businesses
  - o reporting and other administrative activities required for compliance

## **Next Steps & Closing**

- Review comments and feedback collected during the meeting.
- Announce future engagement opportunities & public comment period

Hearing Officer's contact information: Jaci Davis; <u>Jaci.Davis@hcs.oregon.gov</u>

# Rules Advisory Committee Bond Residential Loan Program, Servicing Manuals

#### Rules Advisory Committee Members

- 1. OHCS Rules Lead and RAC Facilitator: Jaci Davis
- 2. Lisa Reich, Banner Bank
- 3. Aimee Kesterson, U.S. Bank
- 4. Suzanne Wells, Umpqua Bank
- 5. Andrew Ashmore, Wells Fargo

#### **Process Agreements from Rules Advisory Committee**

This is intended to be a creative, brave space where we can think about how best to serve Oregonian with this rule change to remove barrier to access housing resources. To accomplish this, participants are asked to respect the following process agreements:

- Seek common ground & understand divergence: Practice "Yes, And" to affirm shared values while building on and expanding ideas. Be clear, yet constructive where you have differing experiences and opinions.
- **Share airtime:** Everyone deserves to be heard, and everyone has a piece of the truth. Challenge yourself to engage in ways that honor the voices and thinking space of others. Practice "W.A.I.T": ask yourself, Why am I talking? Or Why aren't I talking?
- Active virtual participation: To respect the topic, each other, and to make the
  most of our time together, please practice active virtual participation to the
  maximum extent able. This includes making sure your zoom name is accurate,
  keeping your video on, using chat and Q&A functions, raising your hand to
  engage in open dialogue, responding to polls, engaging in virtual activities, and
  minimizing multi-tasking.
- **Take care of yourself:** We strive to facilitate high impact RACs where we use our limited time to the fullest, please do what you need to take care of yourself so you can participate fully and do your best thinking.

Hearing Officer's contact information: Jaci Davis; <u>Jaci.Davis@hcs.oregon.gov</u>



# CAPITAL MARKETS DEBT MANAGEMENT UNIT

# LOAN SERVICING GUIDE

Update July 2025

# Acknowledgments

# Oregon Housing and Community Services

Andrea Bell, Director

Joseph Callahan, Assistant Attorney General

Matthew Harris, Assistant Director of Capital Markets

Christofer Knight, Finance and Loan Analyst

Cheryl Lyons, Loan Servicing Specialist

# **Department of Justice**

Joseph M. Callahan, Assistant Attorney General

# **Contacts**

Christofer Knight – chris.knight@hcs.oregon.gov

Cheryl Lyons - cheryl.l.lyons@hcs.oregon.gov

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# Introduction

Oregon Housing and Community Services (OHCS) is the state's housing finance agency. OHCS's mission is to provide stable and affordable housing and engage leaders to develop integrated statewide policy that addresses poverty and provides opportunities for Oregonians. One of the ways OHCS carries out its mission is through the Residential Bond Loan Program (Program), which provides mortgage financing at below-market interest rates, primarily to first-time homebuyers.

#### **Purpose and Scope**

This Servicing Guide establishes the operating procedures for approved servicers (Servicers Statement of Services – Appendix A of the Contract for Residential Servicing). The procedures implement the Oregon Administrative Rules (Rules) established for the Program and provide instructions for the performance of the written agreements of OHCS with its servicers.

# **Delivery Method**

Loans are delivered to OHCS for purchase from OHCS approved originators that may or may not be servicing the loans being originated. Those originators that are not servicing loans on behalf of OHCS will release these loans to one of our servicers for servicing in compliance with the service-release agreement that was negotiated between the originator and servicer. OHCS does not establish the service release premium or other specific terms of the service release agreement.

Loans purchased by OHCS may be insured by the Federal Housing Administration (FHA), guaranteed by Rural Development (RD), Veterans Administration (VA), or conventional (insured or uninsured) loans. Loans purchased and held in the portfolio are owned by OHCS.

#### **Amendments to the Guide**

OHCS reserves the right to alter or waive any of the requirements of this Guide, to impose other additional requirements, and to rescind or amend all material set forth in this Guide.

Revisions of supplements to this Servicing Guide may be made from time to time. OHCS will provide servicers with revisions or updates along with the instructions for insertion into this Servicing Guide.

# Section I - Definitions

**Acquired Property/REO (Real Estate Owned):** A single-family residence financed under the Program that has been acquired by OHCS through the foreclosure process.

Act: Oregon Revised Statutes, 456.515 through 456.720, as amended.

**Borrower:** Any person/mortgagor who met the criteria under OHCS's Residential Bond Loan Program.

Consumer Financial Protection Bureau (CFPB): A regulatory agency charged with overseeing financial products and services that are offered to consumers. The Consumer Financial Protection Bureau is divided into several units, including research, community affairs, consumer complaints, the Office of Fair Lending and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available.

**Conventional Loan:** A loan which is not insured by FHA, guaranteed by Rural Development, or Veterans Administration. This type of loan may be uninsured or insured by a private mortgage insurance company.

**Escrow Payments:** Payments made by the Borrower to a servicer and placed in an impound account for the payment of property taxes, assessments, hazard and mortgage insurance premiums, or other charges.

Fannie Mae: The Federal National Mortgage Association and any successor thereto.

**FHA:** The Federal Housing Administration, and any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation, and any successor thereto.

**Homeowners Protection Act of 1998:** This Act affects private mortgage insurance requirements for mortgages on residences of one unit which are the borrower's primary residences.

**HUD:** The United States Department of Housing and Urban Development, and any successor thereto.

**HUD-FHA, RD, VA Loan:** A Program loan which is insured by HUD-FHA, RD, or VA and any successor thereto.

IRS: Internal Revenue Service

**Mortgage Forbearance:** A mortgage forbearance plan is an agreement between the mortgage servicer and the homeowner to pause or reduce monthly mortgage payments for a certain period, allowing homeowners to resolve their short-term hardship.

**Mortgage Loan:** Any instrument which pledges an interest in a single-family residence as security for payment of the debt. A Deed of Trust is the instrument used for Program loans.

**Ownership:** An interest held in property by any means, whether outright or partial, including property subject to a mortgage or other security interest. Includes, but is not limited to, a fee simple ownership interest, a joint ownership interest by joint tenancy, tenancy in common, or tenancy by the entirety, an interest of a tenant-shareholder in a cooperative, an ownership interest in trust, a life estate, and purchase by land sale contract.

**Pool Insurance:** One or more policies of insurance issued by a Qualified Mortgage Insurance Company insuring against loss sustained by OHCS by reason of default by the Borrower in addition to primary mortgage insurance.

\*Please note - Some of our older loans do have Pool Insurance. As of April 2025, Pool Insurance is not an option.

**Principal Residence:** The location where a borrower resides as their primary residence.

**Private Mortgage Insurance (PMI) Company:** A qualified Mortgage Insurer which is not the FHA, RD, VA.

**Program:** The Residential Bond Loan Program of the State of Oregon.

**Program Loan:** An insured or uninsured loan financed through OHCS's Residential Bond Loan Program.

**Residential Servicing Contract:** An agreement between OHCS and a servicer providing for the servicing of Program Loans.

**Property Value:** The value of a single-family residence determined in an appraisal or broker's opinion of value acceptable to OHCS.

**Qualified Mortgage Insurer (MI):** FHA, RD, or VA or any other person or entity approved by OHCS to ensure or guarantee payment of Program Loans for single-family residences.

**RD:** Rural Development

**Recapture:** An income tax surcharge that may be imposed on a borrower and any person who assumes a Program Loan

**RESPA:** The Real Estate Procedures Act of 1974.

Rules: The Oregon Administrative Rules 813-020-0000 through 813-020-0120, established for

the Program.

**Servicer:** A servicer contracted by OHCS to service Program Loans.

**Single-Family Residence:** A housing unit intended and used for the occupancy by one household, and the property on which it is located. This shall be real property located in Oregon. This may include a site built detached single-family residence, a condominium unit; a detached manufactured home on a permanent foundation; a dwelling in a planned unit development community; or one unit in an attached structure.

# Section II – Approved Servicers

## A. Servicer Compensation

- Servicing Fees: A servicer retains a servicing fee for any loan originated under OHCS's Residential Bond Loan Program.
- <u>Late Charges</u>: The servicer is authorized to collect and retain, as part of its servicing compensation, any late charges provided under the terms of the Note.
- Acquired Properties: OHCS pays service fees on program loans acquired through the foreclosure process. The service fee will be calculated from the interest paid-todate to the date OHCS acquired.
- Foreclosure Expense Reimbursement: OHCS will reimburse the servicer for foreclosure expenses related to an acquired property provided the Servicer has submitted the necessary documentation required by OHCS within 60 days from the disposition of the property. Instructions for submitting a request for reimbursement are described in Acquired Properties section of this Guide.
- Modifications and Short Sales: Servicer is not entitled to a service fee on this type of loss mitigation efforts.

## B. Fidelity Bond and Errors & Omissions Coverage

The servicer shall maintain, at the servicer's expense, Fidelity Bond and Errors & Omissions policies that meet current Fannie Mae guidelines. No provision of this section requiring the servicer to maintain bond or insurance coverage shall operate to diminish, restrict or otherwise limit the Servicer's responsibilities and obligations as set forth in the Residential Servicing Contract. .

Each Fidelity Bond and Errors & Omissions insurance policy must include the following provisions (whenever they can be obtained):

- OHCS must be named as a "loss payee" on drafts the insurer issues to pay for covered loses that OHCS incurs; and
- OHCS must have the right to file a claim directly with the insurer if the servicer fails to file a claim for a covered loss that we incur; and
- OHCS must be notified at least 30 days before the insurer cancels, reduces, declines to renew or imposes a restrictive modification to the servicer's coverage for any reason other than a partial or full exhaustion of the insurer's limit of liability under the policy. The insurer must also agree to notify OHCS within 10 days after it receives a servicer's request to cancel or reduce any coverage.

**Fidelity Coverage or Direct Surety Bond:** The Fidelity Bond coverage must meet current Fannie Mae requirements.

**Errors & Omissions Coverage:** The Errors & Omissions policy must meet current Fannie Mae requirements.

The servicer must report certain events within 10 business days after they occur. Specific events include:

 Any single Fidelity Bond and Errors & Omissions loss that exceeds \$100,000, even when no claim will be filed or OHCS's interest is not affected.

Embezzlement, Fraud and Claim Against Underwriter or Surety: Even if OHCS funds are not involved, the servicer shall report to OHCS all cases of embezzlement, fraud, criminal, or dishonest acts related to its loan servicing activities by any employee, officer or agent of the servicer even if no loss has been incurred. The servicer's report should indicate the total amount of any loss regardless of whether a claim was filed with an insurer.

# C. Oregon Depository Requirements

The servicer must comply with ORS 295, as revised, effective July 1, 2008. Completion of documents to become a Qualified Public Depository can be found at

http://www.oregon.gov/treasury/Divisions/Finance/FinancialInstitutions. Principal and interest payments, taxes and escrow accounts are held in separate accounts by the servicer. The title of the accounts should be entitled "servicer name, as trustee for Oregon Housing and Community Services."

# D. Compliance with Insurer / Guarantor Requirements

Servicers must comply with all requirements that FHA, RD, VA, or Private Mortgage Insurers have for loans that they insure or guarantee. The servicer must not take any action that might prevent OHCS from recovering the full amount due under the guaranty or the insurance contract. The servicer shall provide FHA and Private Mortgage Insurance claim proceeds to OHCS within five working days of receipt along with the advice of payment. If interest is curtailed due to the servicer's inability to meet their requirements, OHCS will request interest that was curtailed. In the event the servicer fails to send the insurance proceeds within the time period above, OHCS may assess a penalty for our investment loss plus two percent.

## E. Maintaining Eligibility

To maintain its eligibility to service loans on behalf of OHCS, the servicer must comply with the terms of the Servicing Agreement and provisions of this Guide. Failure to comply with OHCS's guidelines may result in termination of the servicing agreement.

OHCS relies on the servicer to protect our investment in the loans that it services for OHCS by performing its functions in a business-like manner. This section addresses specific responsibilities and business obligations that are considered in the conduct of the servicer's related operations.

Audit and Control Systems: The servicer must maintain internal audit and
management control systems to ensure that the loans are serviced in accordance
with sound mortgage banking and accounting principles. The servicer must
maintain records of any activity under its internal systems. Upon request, the
servicer must make these records available for OHCS review.

OHCS requires that the servicer's management control systems provide at least the following:

- An investor reporting system
- A delinquent loan servicing system
- A system to control and monitor loans in bankruptcy
- A foreclosure monitoring system
- 2. Net Worth Requirements: The servicer shall maintain an acceptable net worth as defined by Fannie Mae: All approved sellers/servicers must have and maintain a Lender Adjusted Net Worth of at least \$2.5 million, plus a dollar amount that represents 0.25% of the UPB of the seller/servicer's total portfolio of mortgage loans serviced. OHCS does not recognize or authorize any servicer to pledge servicing rights as collateral under any circumstances without the prior approval of OHCS.
- 3. Number of OHCS Loans Serviced: The servicer shall maintain in their portfolio no fewer than 100 loans serviced on behalf of OHCS. If the servicer is no longer participating in the Residential Loan Program and the number of loans serviced falls below 100, OHCS may request the loans be transferred to another servicer and the servicing agreement be terminated.
- 4. **Annual OHCS Review:** OHCS annually reviews the performance and financial activities of each servicer. The servicer is expected to comply with OHCS' requirements along with providing documentation requested by OHCS.

The servicer will be requested to provide the following:

• <u>Fidelity Bond and Errors & Omissions Coverage</u>: Provide Certificate of Insurance that it has the required Fidelity Bond and Errors & Omissions coverage and that none of its principal officers has been removed from coverage.

Each year OHCS requests the following documentation to be provided by the servicer:

Financial Statements: The servicer's financial statements must be prepared under generally accepted accounting principles and must include the opinion of an independent public accountant. They must be comparative with the previous year's report. If the financial statements are consolidated with its parent or holding company, they must contain sufficient detail that enables OHCS to review the servicer's financial information separately from that of the other companies. The financial statements must include a balance sheet, income statement, and statement of retained earnings, additional paid-in capital, changes in financial position and all related notes such as:

- Changes in Ownership: Auditor notification if there have been any basic or major changes in its organization, status, ownership, business activities or financial position.
- Servicing Approvals: Auditors notation that it continues to be approved by HUD, FHA, VA, Fannie Mae, Freddie Mac, and RD.
- Adverse Changes: Auditor notation that it has disclosed any pending actions, claims, investigations, suits, etc., that are threatened against the servicer.
- <u>Jurisdictional Requirements</u>: Auditor notation that it continues to be properly licensed to service loans in each of the jurisdictions in which it does business.

## F. Conflicts of Interest / Confidentiality

Servicers may obtain privileged information concerning Borrowers and single-family residences. Such privileged information may not be used by the servicer or anyone connected with the servicer (or be passed on to a third party for their use) in any way that may be viewed as a conflict of interest, breach of confidentiality, or the gaining of an unfair advantage to the user. The servicer may disclose information about a mortgagor's payment history to a third party if the mortgagor submits written authorization for the servicer to do so. All such information shall be used in a manner consistent with any applicable laws or regulations regarding disclosure of credit information. The servicer may not acquire any property that secures a program loan without OHCS's prior written approval.

# G. Accepting Assignment of Servicing from OHCS Lenders

OHCS may require an originator in the Residential Loan Program to assign the servicing of the originated loans to one of OHCS's servicers. The assignment of servicing is documented by a separate contract between the originator and the servicer. The loan transfer shall take place in accordance with OHCS's and Fannie Mae's requirements.

The servicer that is accepting assigned loans agrees to service the loans in accordance with OHCS's requirements and assumes responsibility for all the originator's contractual obligations related to the loans. An assignment of servicing does not release the originator from any liabilities to OHCS with respect to the loans or the servicing of them prior to the assignment.

## H. Servicer Transfer / Ownership Change

OHCS must approve a servicer's transfer or change in ownership. OHCS does not recognize unauthorized transfers. Any such action will be the basis for terminating the servicing agreement. The servicer must notify OHCS 90 days prior to the transfer, merger, or ownership change. The servicer must select a servicer on OHCS's Approved Servicer List.

Notifying Borrowers: Borrower notification by both parties shall comply with Fannie Mae guidelines and standard banking practices to ensure a smooth transition. Fortyfive days prior to the transfer, the transferor servicer must notify OHCS of the scheduled transfer date. OHCS will provide both parties with trial balances upon request.

- Borrower Inquiries: The transferor and transferee must respond to the borrower's inquiries during the transfer period. During the transfer period, reasonable efforts must be made to resolve disputes to the Borrower's satisfaction when related to the instructions on the notice of transfer of servicing. Late charges must be waived and, if applicable, adjustments made to payment and credit records for misapplied or unapplied payments.
- Notices to Third Parties: The transferor must obtain approvals and provide notices to applicable third parties to ensure uninterrupted loan servicing. Third parties include but are not limited to mortgage insurers, FHA, RD, VA, property insurers, mortgage life and/or accident and health insurers, etc.
- Transfer of Files and Funds: The transferor must comply with Fannie Mae guidelines relating to the transfer of the individual mortgage files. Within one day of receipt, the transferor must deliver to the transferee any funds, or correspondence regarding any of the transferred loans and REO received on or after the effective date of the transfer.

# I. Termination of Servicing

Per the contract for Residential Bond Loan Servicing, OHCS may terminate loan servicing with or without just cause. Just cause is determined using the following evaluation criteria:

- Failure to maintain the eligibility requirements.
- Delinquency rate is excessive.
- The servicer's inability to follow OHCS's Servicing Guide, as amended.
- The number of valid customer complaints received by OHCS concerning the servicer's activities.
- A poor audit review by OHCS.
- Servicer's failure to meet reporting requirements of FHA, RD, VA, or private and pool insurers of OHCS's loans resulting in continued curtailed mortgage insurance claims.
- Failure to meet the Oregon Depository Requirements, ORS 295.

# Section III - Insurance Requirements

## A. Mortgage Insurance

FHA, RD, VA, or primary/pool mortgage insurance issued by an OHCS-approved private mortgage insurance company is required on all program loans originated prior to July 29, 1999, that have a loan-to-value ratio which exceeds 75 percent based on the lesser of the original appraised value or the purchase price. For those loans originated on or after July 29, 1999, mortgage insurance is required on all loans with a loan-to-value ratio exceeding 80 percent, based upon the original appraised value or the sales price, whichever is less.

The servicer shall comply with the Homeowners Protection Act and all applicable requirements of the FHA, RD, private mortgage and/or pool insurance companies, and OHCS.

- Homeowners Protection Act of 1998: The servicer annually discloses in writing to the Borrower, their rights to cancellation or termination of private mortgage insurance. The act provides for termination of private mortgage insurance for certain loans closed on or after July 29, 1999.
- Termination of Mortgage Insurance for Conventionally Insured Loans: The servicer must certify that the following guidelines have been met when terminating mortgage insurance.
  - Loans Originated on or after July 29, 1999: Upon receipt of a borrower's written request, the servicer is authorized to cancel mortgage insurance for all OHCS loans when the loan reaches 80 percent of the original sales price or original appraisal amount, whichever is less, the loan is current with no late payments in the past 12 months and no late payments of 60 days or more in the past 24 months, and the property is owner occupied.

A borrower may also initiate cancellation of their mortgage insurance **based on current value** once the loan balance reaches 1) 80 percent of the current value if the loan is greater than five years, or 2) 75 percent of the current property value if the loan is between two and five years. Generally, cancellation is not permitted unless the loan is at least two years old. The 75 percent requirement may be waived if the borrower is the original borrower on the mortgage at the sole discretion of OHCS. The servicer must obtain a new appraisal that is based on an inspection of both the interior and exterior of the property. Servicer warrants they have reviewed the appraisal, Broker's Opinion of Value, or Tax Statement and are satisfied that the opinion of value is both reasonable and adequately supported by market data.

The appraisal cannot be more than six months old. The servicer may charge the borrower for the cost of the appraisal. The loan must be current with no late payments in the past 12 months and must have had no late payments of 60 days or more in the past 24 months. The property must be owner occupied.

- Loans Originated prior to July 29, 1999: For all conventionally insured loans, the servicer is authorized to cancel private primary mortgage insurance once the loan to value reaches 75 percent of the original sales price or original appraisal amount, whichever is less; the loan is current, and the property is owner occupied, unless Borrower initiates cancellation as described above.
- FHA-Insured Loans Originated on or after January 1, 2001: In accordance with HUD guidelines, OHCS authorizes the servicer to discontinue payment of the mortgagor's insurance payment obligations after five years from origination, once the loan to value reaches 78 percent with a good payment history during the last 12 months. The Borrower must also meet all terms of the loan, including owner occupancy. Any change to HUD guidelines for loans originated after January 1, 2001, the servicer will be responsible for meeting those guidelines.
- Servicer Reporting: The servicer notifies OHCS in writing upon cancellation of mortgage insurance.

#### B. Hazard and Flood Insurance

The servicer shall follow Fannie Mae's guidelines for hazard and flood insurance on first mortgages. OHCS requires escrow collection for hazard insurance premiums on all loans originated under the Residential Bond Loan Program. There are no waivers of this requirement. In the event the funds in the escrow account are insufficient to cover the hazard and flood insurance premiums, the servicer shall advance funds to cover the expense. The servicer shall indemnify OHCS for any loss suffered by OHCS because of its failure to maintain such insurance.

- <u>Maintenance of Policies</u>: The servicer may carry insurance meeting Fannie Mae guidelines providing protection against the risks of not maintaining hazard insurance policies and endorsements.
- Hazard and Flood Insurance Loss Settlements: The servicer shall follow Fannie Mae guidelines for insurance loss settlements. They shall employ procedures for handling insurance losses in a manner that protects OHCS's interests. The servicer must apply the insurance proceeds for the restoration and repair of the damaged property. They are responsible for making the decisions on the disposition of the insurance proceeds if the property is occupied and it has not suffered a significant loss that makes restoration infeasible or lessens OHCS's security. If the loan is in foreclosure or has become an acquired property through foreclosure, the servicer must contact OHCS with a recommended course of action.

The servicer is not required to submit a report to OHCS on the disposition of proceeds of losses \$10,000 or less, unless the servicer recommends application of the proceeds against the program loan debt. The servicer should disburse insurance proceeds to the borrower or the contractor when repairs have been completed and inspected by the servicer.

The servicer shall immediately submit a report to OHCS concerning any loss more than \$10,000. The report shall include the nature of loss, bids for repairs and the hazard insurance company's report of the loss.

If the property has suffered a total or nearly total loss, the servicer must contact OHCS. OHCS may require the servicer to pay off OHCS's loan and release any excess funds to the borrower.

The servicer shall adhere to all applicable laws regarding application of insurance proceeds, all FHA, RD, VA or private and/or pool mortgage insurance requirements, and prudent practices concerning notification, inspection, and approval. The servicer shall take any action necessary to protect the priority of the Deed of Trust, including but not limited to, obtaining waivers of material or mechanics liens.

# Section IV – Other Servicing Responsibilities

## A. Property Inspections and Repairs

Vacant or Abandoned Properties: Regardless of the loan status, when a servicer discovers or suspects that the property has been abandoned, the servicer should attempt to locate the borrower to determine the reason for the vacancy. If the borrower is unresponsive, the servicer must inspect the property to determine its condition. If the servicer determines that the property has been abandoned, to the extent that local laws will allow such action, the servicer must take immediate steps to protect the property from vandalism and the weather. Such action may include changing the locks, winterization, boarding windows, etc. Servicer shall post the property as to the contact person for entry into the property. The hazard insurance carrier should be notified of the vacancy to ensure that appropriate insurance coverage is being maintained.

Chronic Delinquent Loans: If the borrower is a chronic delinquent - one who establishes a schedule of skipping a payment or two and then bringing the loan current - the servicer should inspect the property as necessary to protect OHCS's interests. However, the servicer should inspect the property at least once in each six-month period that this payment pattern continues.

**Foreclosure:** The servicer must inspect the property each month during the foreclosure process.

**Properties Acquired Through Foreclosure:** The servicer must meet all FHA, RD, VA and primary mortgage insurers' inspection requirements. If the loan is conventionally insured, RD, or VA insured, the servicer must also comply with OHCS's requests concerning inspections.

**Owner Occupancy Determination:** When the servicer cannot determine whether the borrower is occupying the property as their primary residence as outlined in Other Servicing Responsibilities, the servicer may inspect the property to determine occupancy status.

**Inspection Format:** The inspection should indicate occupancy status, property condition, photographs of the property and area, estimate of market value, and location of the keys to the property, if appropriate.

**Need for Repairs:** If emergency repairs are required to protect OHCS's security and the borrower is unresponsive, the servicer must contact OHCS prior to advancing funds necessary to pay for the repairs. The servicer should arrange for the borrower to repay this advance, either in installments or as part of the full amount required to reinstate the loan if the loan is in foreclosure. If the loan is foreclosed and the borrower has not repaid the advance, OHCS will reimburse the servicer for those expenses as part of the acquired property process.

# B. Transfer of Ownership - Adding Spouse/Family Members to title does not require OHCS approval:

- <u>Illegal Sale</u>: When the servicer discovers that the borrower has divested themselves of ownership interest by transferring title to the property without the approval of OHCS, the servicer shall:
  - Contact OHCS immediately and provide information related to the illegal sale;
  - Send a 30-day demand letter to the borrower requesting the program loan be paid in full or that the new owner make application for a Substitution of Liability within 30 days; and
  - If the 30-day demand letter expires with no response from the Borrower, send OHCS a foreclosure recommendation per OHCS guidelines.

**Trust Agreements:** The Borrower may transfer interest in the property to a Trust Agreement. The servicer must verify that the following requirements have been met:

- The trust was validly created and duly exists under applicable law.
- The trust is revocable.
- The Borrower is the settler of the trust and the beneficiary of the trust.
- The trust assets may be used as collateral for a loan.
- The Trustee is duly qualified under applicable law to serve as the Trustee; is the Borrower; and is fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets.

#### C. Partial Releases

The servicer follows Fannie Mae, FHA, RD, VA, and private mortgage insurance procedures when considering a partial release. The servicer shall provide appropriate documentation related to the partial release for OHCS review and execution of the release documents once they have received approval from the mortgage insurer.

#### D. Easements

Third-party rights under any easement of record or the granting of any new easement must not interfere with the use of or adversely affect the value of the property, OHCS must explicitly approve of any easements. Contact OHCS for procedural information.

## E. Owner Occupancy Requirements

All OHCS loans are underwritten for owner occupancy and have a due-on-sale clause included in the loan documents. The Addendum to the Trust Deed states that the borrower must occupy the property as his/her primary residence. OHCS requires that the servicer enforce the due-on-sale provision along with the owner occupancy provision.

It is the servicer's responsibility to ensure that the borrower is occupying the property as his/her primary residence and the servicer shall develop a system to monitor owner occupancy.

#### F. Recapture Provisions

All OHCS loans closed after January 1, 1991, are subject to the Recapture Provisions outlined in the loan documents. Borrowers should have received and signed a copy of the Recapture Provision at the time the loan was closed. The tax would apply only if there is a profit ("gain" for tax purposes) over the Acquisition Cost and only to dispositions occurring in the first nine (9) years from the Program Loan closing date (or assumption). Certain Borrowers qualify for a reduction or waiver of the "recapture" tax if their "modified adjusted gross income" is less than the amount identified on the Notice to Borrowers Regarding Application of Recapture Provision (SFMP 25) in effect at the closing date of the single-family residence. Program Loans closed prior to January 1, 1991, are not subject to recapture provisions.

#### G. Soldiers' and Sailors' Civil Relief Act

Under the Soldiers' and Sailors' Civil Relief Act, a Borrower who was a civilian when he or she became obligated under the mortgage and who is subsequently placed in active military status may have the mortgage interest rate reduced to six percent during the term of his or her active-duty status.

If the loan is delinquent at the time the borrower is told to report for duty, the past due payments will bear interest at the rate applicable on the date they became due. Any payments coming due after the borrower's entry into active duty will be at the six percent rate. Once the Borrower's active duty ends, the new interest rate will be the rate per the Note.

Servicer is to notify OHCS of the Borrower's request for rate reduction and the new level payment amount prior to the effective date of the interest rate reduction. The servicer must provide a copy of the military orders for active duty.

# H. Records and Reports

The servicer is responsible for maintaining accurate accounting of borrower payments, and foreclosure records. OHCS has the right to examine all records that pertain to OHCS loans.

**Custody Documents:** Custody documents are the legal documents for a loan that include the Note, Trust Deed, Addendum to the Trust Deed, Assignment, Addendum to the Loan Application and the mortgage insurance certificate. The original custody documents are maintained at OHCS.

Loan Files and Accounting Records: The servicer must hold all other mortgage documents that are not designated as custody documents in the individual loan file for each loan it services for OHCS. Loan files and records include the loan files, permanent loan account records, and accounting system reports that are sent to OHCS. The accounting records must be maintained in accordance with sound and generally accepted accounting principles and in such a manner as will permit OHCS representatives to examine and audit such records.

The servicer must maintain permanent mortgage account records for each loan it services for OHCS. The records must be identified by OHCS loan number. The servicer's accounting system must be able to produce detailed information on transactions that affect the loan balance and how the payment was applied, overdrafts in the escrow deposit account, and the financial status of the loan.

**Record Retention:** The servicer may destroy any original records after a period of two years from the date of the record provided that such records have been electronically saved or by other means where permitted by law. Electronic records may be destroyed after a period of six years from the date of termination of the loan, unless a greater period is customary in the jurisdiction in which the subject property is located.

In the absence of electronic records, the servicer may destroy any original records after a period of six years from the date of termination of the loan, unless a greater period is customary in the jurisdiction in which the subject property is located.

# I. Fiscal Responsibilities:

The fiscal responsibilities of a servicer include accounting for and remitting to OHCS the principal and interest portions of monthly installment payments, and any other sums paid by borrowers which OHCS may require to be remitted. See Accounts Held for OHCS and Investor Reporting for servicer fiscal requirements.

# Section V – Delinquencies/Loss Mitigation

The servicer shall comply with FHA, RD, and VA requirements when servicing a delinquent loan. It is OHCS's expectation that servicers will take the steps necessary in working with the borrowers to assist them in avoiding foreclosure.

Late Charges: The servicer shall collect and retain late charges as additional servicing compensation per the promissory note. Late charges are not charged to the borrower's escrow account, deducted from regular monthly payments or added to the outstanding principal balance. The servicer may waive late charges to bring a delinquent program loan current.

**Collection Procedures:** The servicer shall comply with the FHA, RD, VA and private mortgage insurer's collection procedures.

**Loss Mitigation:** Servicers must comply with all federal laws, rules, regulations and guidelines, keeping track of timelines and informing OHCS of any changes to the guidelines, and changes or updates in the state of the borrower's application for mitigation.

**Mortgage Forbearance:** OHCS must review and approve all forbearance plans and extensions from servicers prior to execution.

The following requirements must be met for a mortgage forbearance plan

- The property securing the mortgage must be the Borrower's primary residence; it must not be used as a rental, vacant, or condemned.
- A completed Fannie Mae form 710 (or equivalent) and verification documents must be submitted with the request for approval.
- 12 monthly payments must be made since the origination of the loan or
- 12 monthly payments must be made since the last partial claim or modification.
- A stated plan to bring the loan current once the forbearance period has expired must be submitted with the request for approval.
- OHCS reserves the right to deny for any reason.

**Partial Claims:** OHCS must review and approve all partial claims from servicers prior to execution.

The following requirements must be met for a partial claim

- 12 monthly payments must be made since the origination of the loan or
- 12 monthly payments must be made since the last partial claim or modification.
- A completed Fannie Mae form 710 (or equivalent) and verification documents must be submitted with the request for approval.
- The partial claim request must include all previous partial claims, loan

- modifications, and any other loan balances, including dates and amounts.
- The partial claim amount, including any previous partial claim, suspense amounts, and any other unpaid loan balances, cannot exceed the original purchase price.
- If, after OHCS's review OHCS deems it necessary, OHCS will request verification of property condition and valuation for partial claims that exceeds the greater of 100% of the original purchase price or 97% of the original appraised value.
- OHCS reserves the right to request income verification when the financial fitness of the borrower is in question.
- OHCS reserves the right to deny a partial claim for any reason.

**Loan Modification:** OHCS must review and approve loan modifications from servicers prior to execution. Modifications, subject to approval, may include capitalization of delinquent interest and extension of the loan terms. Escrow payments, attorney fees, and other charges may not be capitalized, and the servicer cannot enter a repayment plan with the borrower. A loan modification agreement may be recommended by the servicer upon the borrower's completion of a trial plan special forbearance agreement of an amount equal to the modified PITI payment.

The following requirements must be met for the loan to be modified:

- The property securing the mortgage must be the Borrower's primary residence; it must not be used as a rental, vacant, or condemned.
- For all mortgages that are modified, the servicer must ensure that the modified mortgage loan retains its first lien position.
- Changes to the Note rate are not allowed.
- If the modification extends the term of the loan, it cannot exceed 30 years.
- A loan modification is contingent on the servicers's ability to ensure continuation of mortgage insurance coverage and terms must be acceptable to FHA, RD, and VA.
- The servicer is required to assess the borrower's financial condition to determine the borrower's ability to support the monthly modified payment amount. Income verification for all borrowers must be attached to all loan modifications regardless of the reason for the modification.
- If, after OHCS's review, OHCS deems it necessary, OHCS will request a verification of property condition and valuation for partial claims that exceed the greater of 100% of the original purchase price or 97% of the original appraised value. For Conventional loans, the modification cannot exceed 100% of the original purchase price or 80% of the original appraised value.
- 12 monthly payments must have been received since the origination of the loan or
- 12 monthly payments must have been received since the last modification or partial claim.
- A completed Fannie Mae form 710 (or equivalent) and verification documents must be submitted with the request for approval.
- OHCS reserves the right to deny a loan modification for any reason.

**Loan Modification documentation**: Servicers are reminded that OHCS is the beneficiary of record, and **all modifications must be prepared for Oregon Housing's signature**. Upon receipt of the signed modification agreement from the borrower, the signed modification agreement must be presented to OHCS for signature, this must include a letter containing the new modification terms and a prepaid envelope provided by the servicer. After servicer

receives the signed modification agreement, it must be recorded. Once recorded, the servicer will return the original recorded modification to OHCS.

Modifications are not complete until executed by OHCS. Loan payments will not be accepted until the modification agreement is fully executed. **Modification agreements** can only be executed by OHCS staff. Modification agreements not executed by OHCS will be void and payments will not be accepted on the loan.

**Deed-in-Lieu of Foreclosure (DIL)**: The servicer shall notify OHCS when a deed-in-lieu is being considered. DIL's must be approved by OHCS. Prior to approval, the servicer must inspect the property and take interior and exterior pictures and submit to OHCS for approval. If the Program requires a full appraisal, one must be completed and a copy provided to OHCS before the sale occurs. The servicer shall arrange to have the locks changed and property secured. OHCS must receive notification of when the DIL is complete and must receive final documents.

**Short Sale:** When the sale of a delinquent loan does not result in a full payoff of the loan, the servicer shall contact FHA, RD, VA, or the primary insurer to determine if they will approve a short sale. If the results of the mortgage insurer's or RD's participation do not result in complete payoff of the loan, the servicer shall contact OHCS for approval. As the investor, OHCS will expect full payoff.

If the servicer will be filing a claim for loss with FHA, the primary mortgage insurer, RD, or VA to cover the short sale, the servicer shall advance funds to pay off OHCS's loan so the original loan documents can be released for reconveyance. If 100% proceeds cannot be sent with the sale proceeds the servicer must contact OHCS for further direction. The servicer is responsible for collecting from FHA, the primary mortgage insurer or RD any shortages related to the payoff.

## Liens, Bankruptcy and Death of the Borrower:

- <u>Liens</u>: The servicer shall notify OHCS of any lien recorded prior to the trust deed securing the program loan.
- <u>Bankruptcy</u>: If the borrower has filed bankruptcy, the servicer shall request the property be released from bankruptcy. If a repayment plan is developed, the servicer shall notify OHCS of the status.
- Death of the Borrower: Upon the knowledge of the death of a borrower, OHCS must be notified immediately. The servicer must contact the representative, or co-borrower, if applicable, of the property to document the intended disposition of the property and notify OHCS of the intended disposition. All Fannie/Freddie, FHA, RD, VA, and Program guidelines must be followed regarding death of a borrower. OHCS must be contacted and approval given prior to any transfers.

**Delinquency Reporting:** The servicer provides OHCS with a monthly report for loans that are over 90 days delinquent documenting the actions taken to avoid foreclosure. The report also includes loans currently in foreclosure. The report will be reviewed monthly by OHCS, and discrepancies will be sent to the servicer for additional information.

The report should contain:

- Servicer Loan Number
- OHCS Loan Number
- Borrower Name
- Property Address
- Unpaid Balance
- Paid to date
- Bankruptcy Status (if applicable)
- Mortgage Status (example: resolution conference scheduled with date, modification with status, trial plan with date)
- Foreclosure Status (if applicable) with dates (judgement, mediation, sale date)
- Any additional comments that will explain the status of the loan, steps to bring the loan current or action being taken to acquire the property.

# Section VI - Foreclosures

- A. Initiation of Foreclosure: Foreclosure proceedings must only be handled by attorneys that have been appointed as a Special Assistant Attorney General (SAAG) by the Oregon Department of Justice. Foreclosure shall be the last option in the collection process. The servicer's recommendation for foreclosure shall be requested of OHCS when the loan is three months delinquent with the accompanying documentation:
  - Completed the Foreclosure/Deed-in-Lieu Approval Request for Residential Program Loans (exhibit 1).
  - A brief history of servicer's contact with the Borrower to avoid foreclosure.
  - Property inspection report indicating occupancy status.

Once OHCS completes its review, OHCS will e-mail a letter to the servicer with the results of the review. Loans will stay in foreclosure status until OHCS is notified of the cure for the delinquent payments.

The servicer shall notify OHCS when the property has been acquired and when a foreclosure sale date has been established.

The servicer shall ensure adequate hazard and mortgage insurance coverage is maintained during the delinquency. The servicer shall advance funds for payment of the escrow expenses when due as well as expenses related to the foreclosure if necessary. Such advances are a reimbursable expense in the event of a foreclosure.

- **B. Property Maintenance During Foreclosure:** The servicer must comply with the FHA, RD, and VA, private mortgage insurance/pool, reporting, inspection and property maintenance requirements while the loan is in foreclosure.
  - If property is abandoned or vacant, the servicer shall take steps necessary to ensure that the property is maintained and not subject to city or county nuisance notices and liens against the property for unpaid utilities. The servicer may contact OHCS to determine what actions are appropriate. In the event the servicer fails to monitor and/or maintain the vacant or abandoned property resulting in losses to OHCS, the servicer shall reimburse OHCS.
- C. Offer of Payment During Foreclosure / Work Out Plans: If the borrower offers to bring the loan current, payment must also include expenses associated with the foreclosure processing. The servicer may waive late fees to cure the delinquency.
- **D. Reinstatement of the Loan:** The servicer shall notify OHCS in the event the loan has been reinstated. If the property was vacant or abandoned prior to reinstatement, the

servicer must make sure the reinstatement includes any costs related to property maintenance while the property was vacant or abandoned. The home must have been owner occupied prior and will be owner occupied after accepting reinstatement of the loan.

- E. Sales Offer During Foreclosure / Short Sales: The servicer shall contact OHCS and the mortgage insurer if the Borrower receives an earnest money offer on the property. If the sale of the property will not pay the loan in full, the Servicer may request that the loan insurer provide the funds necessary to pay the remaining balance to cover the payoff. The Servicer pays off the loan through the normal payoff process and then files the claim with the insurer for reimbursement of foreclosure expenses and any interest shortage.
- F. Foreclosure Sale Bidding Instructions: The servicer shall comply with the insurer's requirements by issuing bidding instructions to their attorney for the foreclosure sale. In the event the loan is uninsured, the minimum bid will be the total debt including property preservation costs, inspection fees, legal fees, and late charges associated with the foreclosure. OHCS may elect to bid less than total debt to minimize losses. Contact OHCS for bidding instructions on uninsured loans.
- **G. Deed Recording After the Foreclosure Sale or Deed-in-Lieu of Foreclosure:** When preparing the Trustee's Deed, OHCS must be in title to the property upon recording. Below is the procedure in the event the property is occupied, and an eviction is necessary:
  - FHA-Insured Loans: If the property is occupied at the time of the foreclosure sale and the "cash for keys" option is unsuccessful, the servicer shall send OHCS a Quit Claim Deed or a Special Warranty Deed transferring the property from OHCS to the servicer. Once signed by OHCS and recorded by the servicer, the servicer will then proceed with the eviction and transfer title of the property to HUD.
  - RD, VA, Conventional and Uninsured Loans: If the property is occupied at the time of foreclosure and the insurer's policy, if available, of "cash for keys" is unsuccessful, the servicer shall send OHCS a Quit Claim Deed or a Special Warranty Deed transferring the property from OHCS to the servicer. The servicer shall complete the eviction process once the deed is signed by OHCS and recorded by the servicer. The servicer will transfer title of the property back to OHCS after the property has been vacated. OHCS will then market the property for sale.

The servicer shall notify the taxing district that the property is now in the ownership of the State of Oregon, Department of Housing and Community Services. As a state-owned property, OHCS may be exempt from the payment of property taxes. If OHCS acquires title prior to July 1, and still remains in title after July 1, the property taxes are exempt. However, the taxing districts need to be informed of the ownership change in order to waive the payment of property taxes. The servicer may wish to contact OHCS concerning loans that may qualify for property tax waivers. The servicer may be responsible for the property taxes if they failed to transfer title to OHCS in a timely manner that resulted in the property being assessed for property taxes for the tax year beginning July 1.

# Section VII - Acquired Properties

Servicers must notify OHCS of the sale results. Upon recording the Trustee's Deed or Sheriff's Certificate of Sale for Judicial Foreclosures, the servicer shall immediately notify OHCS and provide the following information: OHCS loan number, Borrower's name and address, date acquired, and occupancy status.

If the loan acquired is conventionally insured, uninsured, RD, or VA insured loan and is vacant at the time of the foreclosure sale, the servicer shall contact OHCS prior to having the property rekeyed.

- A. **Information Requirements**: The servicer shall forward the following items to OHCS within 30 days:
  - A copy of the recorded deed conveying title to OHCS.
  - A copy of the recorded Notice of Default and Election to Sell (for RD insured loans).
  - A copy of the mortgage insurance claim or FHA claim filed by the Servicer.
  - An invoice detailing all foreclosure expenses.
  - Mortgage Insurance or HUD Part A and B claim funds along with the advice of payment within five working days of receipt.
- B. Occupied Property / Eviction: If the property is occupied and an eviction is necessary, the servicer shall send OHCS a Quit Claim Deed to sign transferring title of the property from OHCS to the servicer or OHCS assigns First Deed of Trust prior to recording the Trustee's Deed. Once the deed is executed, the servicer takes whatever legal steps are necessary to remove the occupants from the property. For FHA insured loans, once vacant, the servicer transfers the property directly to FHA. If the property is conventional, RD, VA, or uninsured loan, the servicer transfers the title of the vacant property to OHCS. For Judicial Foreclosures, servicer proceeds with eviction after recording of the Sheriff's Certificate of Sale if the foreclosure was in servicer's name or OHCS will assign the Sheriff's Certificate to the servicer so the eviction can be completed. Once the 180-redemption period on a judicial foreclosure has expired and the property is vacant, the servicer needs to obtain a recorded Sheriff's Deed so OHCS may market the property.

## **C. Property Preservation:**

- **FHA-Insured:** The servicer must comply with property preservation and winterization requirements necessary to convey the property to HUD.
- Once title is transferred to OHCS, the servicer will be contacted and given information regarding the marketing of the property.
- OHCS will work with a third party to facilitate needed preservations, repairs, and maintenance for the property. The servicer will be responsible for paying bills related to the preservation, repairs, and maintenance of the property on behalf of

- OHCS. All bills or invoices received by the servicers must be reviewed and approved by OHCS. Only OHCS approved invoices and bills will be reimbursed.
- D. Marketing Acquired Properties: OHCS determines the marketing strategy for acquired properties using only Oregon licensed realtors. The servicer will be responsible for paying all expenses incurred during the marketing of the acquired property. Only OHCS approved expenses will be reimbursed.
- E. Hazard and Liability Insurance: Servicer is responsible for maintaining hazard and liability insurance. Once the property has been acquired by OHCS and the property is unoccupied, the servicer shall discontinue hazard and liability coverage and OHCS will self-insure for any loss.
- F. Mortgage Insurance / FHA Claims: The servicer shall provide a copy of the FHA and mortgage insurance claim to OHCS within 60 days of the claim on mortgage insured loans.
- G. **Pool Insured Loans:** It is the servicer's responsibility to comply with the regulations of the primary mortgage insurer concerning loan servicing so OHCS's pool coverage is not jeopardized during the foreclosure process and after the acquiring of the property, if applicable.
- H. Reimbursement of Foreclosure Expenses: The servicer may request reimbursement of foreclosure and related expenses when the net claim exceeds \$500 or it is the final claim for reimbursement. The final claim for reimbursement must be submitted to OHCS within 45 days of the sale of the acquired property. Any claims that are missing documentation or received after the 45-day deadline may not be paid. OHCS will notify a servicer when the acquired property has been sold and what additional information is needed to close the file.

All reimbursement claims must be submitted using the Statement of Foreclosure Expenses (exhibit 2, refer to exhibit 3 for completion instructions). Any claims that do not comply with the instructions will be returned or will be adjusted according to the documentation provided.

#### Examples of allowable expenses:

- Securing the property, winterization and repairs done on the property while the loan was delinquent, vacant or abandoned.
- Legal fees associated with foreclosure, bankruptcy, and eviction proceedings.
- Property inspections done by contractors, real estate agents, approved servicers or representatives.
- Expenses authorized by OHCS once the property is acquired.

# Examples of expenses that are not allowed:

- Plumbing repairs associated with pipe freeze caused by no weatherization or insufficient weatherization when the servicer was responsible for the property during foreclosure.
- Interest or late penalties because the servicer neglected to pay bills on time.
- Repairs authorized by the servicer without OHCS approval.
- Mechanics liens as a result of the servicer's failure to ensure the contractor(s) have been paid.
- A claim for reimbursement submitted more than 45 days after the sale of the acquired property.

# Section VIII – Accounts Held for OHCS

#### A. Custodial Accounting

Account Eligibility / Oregon Depository: All custodial accounts (and clearing accounts) must be established in an eligible depository meeting the Oregon Depository requirements mentioned in the section labeled Approved Servicers, section C. The servicer must establish and maintain separate custodial accounts for principal and interest (P&I) and taxes and insurance (T&I) that meet our requirements for the deposit of funds related to the Oregon Housing and Community Services loans.

All custodial accounts, whether established for P&I funds or T&I funds may be interest bearing accounts. However, all funds in a custodial account must be immediately available on demand, without the servicer or OHCS having to provide advance notice of intent to withdraw funds. Funds in a custodial account may not be invested in time deposits or in any other vehicle that limits OHCS's immediate access to the funds, requires advance notice of withdrawal or requires the payment of a withdrawal penalty. Interest-bearing accounts must meet all federal, state and local laws and government regulations.

**Clearing Accounts:** If deposits and disbursements cannot be made directly to or from the custodial accounts, the servicer may use clearing accounts. When clearing accounts are used, separate accounts must be established for collections and disbursements.

Servicers may not use their general ledger accounts or internal operating accounts as clearing accounts. Instead, they must establish clearing accounts in depository institutions that meet our requirements mentioned in the section labeled Approved Servicers. The titles of the accounts must reflect that they are custodial in nature and the depository in which the accounts are maintained is informed that they are custodial accounts. The servicer's records must be able to clearly identify OHCS's interest in any funds deposited in a clearing account.

Collections deposited to the collection clearing account must be credited to the custodial account by the first business day after receipt. (If the servicer uses a lockbox agent to collect the payments, the payments must be deposited into the collection clearing account no later than the first business day after they were received by the lockbox agent. This means that funds must be deposited into the applicable custodial account no later than the second business day after the servicer's lockbox agent receives them.)

Adequate records and audit must be maintained to support all credits to, and debits from, the borrower's payment records and the clearing accounts.

**Reconciliation of Custodial Accounts:** Each month the servicer must reconcile its cash account to the custodial accounts.

## **Principal and Interest Account:**

Responsibilities of the servicer include accounting for and remitting to OHCS the principal and interest portions of monthly installment payments. Although we require a separate custodial account for principal and interest funds collected, the servicer may combine remittance types (program codes) in one custodial account. However, they must maintain detailed accounting records for each remittance type (program code). Each "Payments Account" should be designated as follows:

"(Name of Depositor), trustee for the Oregon Housing and Community Services, State of Oregon."

All funds related to principal and interest payments that are received for a loan must be credited to the P&I custodial account by the next business day after they are received. The servicer must maintain records identifying each Borrower, OHCS's loan number, the program code and the amount of each Borrower's loan payment and the custodial account where each payment is deposited.

The servicer may withdraw funds from the P&I custodial account for the following purposes:

- To remit the funds due to OHCS.
- To remove amounts that have been deposited in error.
- To remove fees, charges and other amounts that are deposited on a temporary basis.
- To clear and terminate the account.

Tax and Insurance Account: The servicer shall collect T&I payments for all OHCS loans and to the extent permitted by the Real Estate Settlement Procedures Act, as amended, along with the monthly installment of principal and interest. The servicer shall establish an Oregon Housing and Community Services "escrow account." Each "escrow account" should be designated as follows: "(Name of Depositor), Agent for the Oregon Housing and Community Services, State of Oregon."

Funds in the T&I custodial account should relate to the escrow deposits collected for the payment of the borrower's taxes, hazard insurance and mortgage insurance premiums, advances the servicer made to cover payment of foreclosure-related expenses and payments that are being held as unapplied pending determination of their proper application (such as partial payments, payment overages, insurance loss drafts, rent receipts, etc.). The servicer shall obtain bills for all such items and pay for such items prior to any penalties, interest charges or termination of the insurance. The servicer shall annually compute the required escrow payments based on assessments and reasonable estimates of escrow payments.

If the servicer fails to pay taxes and insurance premiums and other escrow expenses when due and has incurred a penalty, late charge or not received a tax payment discount, those charges must be absorbed by the servicer and not passed on to OHCS or the Borrower. This also applies when servicing delinquent loans or loans in foreclosure.

All funds held for the account of OHCS are deposited in the T&I custodial account no later than the first business day following receipt.

Upon purchase of a program loan by OHCS, all installments and escrow funds on hand shall be promptly deposited in the P&I and T&I custodial accounts.

The servicer shall maintain records that reflect the vested ascertainable interests of OHCS in such funds. Annually, at the end of the servicer's fiscal year, the servicer may be requested to provide copies of bank statements reflecting OHCS's P&I and T&I accounts.

**Escrow Shortage:** When escrow payments collected from the borrower are insufficient to pay taxes, hazard insurance premiums or other escrow expenses when due, the servicer should take one of the following steps to collect the shortage:

- Request full payment of the shortage from the borrower before the latest due date on the tax and/or insurance premiums prior to the interest penalty or policy termination.
- Advance funds necessary to pay the escrow bill before penalty is imposed and debit the Borrower's escrow account reflecting the shortage. The servicer shall then set up a repayment plan with the borrower to repay the shortage, usually done by increasing the PITI payment.

**Interest on Escrow Accounts:** ORS 86.245(4) exempts OHCS from being required to pay the Borrower's interest on funds held in their escrow payments accounts. Therefore, servicers that pay interest on borrower's escrow accounts are doing so at their own expense.

## **B.** Tax Deferral or Abatement Projects

Where the borrower can furnish evidence of approval of the tax deferral, the servicer shall refund excess property tax reserves. The servicer shall cease collection of property tax reserves in future monthly escrow payments upon approval of the qualified mortgage insurer and pool insurer where applicable. This deferral is not applicable for FHA-insured loans.

# Section IX - Investor Reporting

#### A. Introduction

The Loan Information Processing System (LIPS) is OHCS's database designed to manage OHCS's loans through their life cycle – from purchase through reporting, to payoff or disposition. The servicers report to OHCS based on an actual/actual reporting system. The servicer's investment reporting system must meet OHCS's LIPS payment data format requirements and specifications (exhibit 4).

Prior to servicing OHCS loans, the servicer completes the Authorization Agreement for Reoccurring Direct Deposits (ACH debits). Once executed and set up, OHCS debits the servicers custodial accounts for the principal and interest remittances and payoff remittances (exhibit 5).

#### **B. Definitions**

**FTA:** Funds Transmittal Advice form (FTA). The FTA is OHCS's spreadsheet used by the servicer that identifies the funds being remitted for each program code. It is the summary of the transactions by program that are reported on the loan activity data report.

**Overage:** An amount overpaid by the servicer by program on the FTA. This overage may be due to the servicer's correcting a cash difference with OHCS. The overage may also occur when OHCS rejects or adjusts payments received from the servicer to reconcile the loan's principal balance and/or interest paid to date. This overage is indicated in the over/short column of the FTA and added to the remittance of P&I, less service fee.

**Payment Data Text File:** Payment Data is submitted to OHCS by email in a ASCII text file format. The text file will include loan number, interest paid to date, principal amount, interest amount, service fee amount and unpaid principal balance.

**Program Code:** The code assigned by OHCS to identify each bond sale that has occurred. Loans are purchased utilizing bond funds. Each program code is treated as a separate bank account to enable OHCS to pay debt service on the bonds. OHCS loans are identified by program code and loan number. The FTA spreadsheet used to remit payments indicates each program code associated with the loans that have made payments during the remittance period.

**Shortage:** A reduction in the amount owed OHCS in that program code. This reduction is indicated in the over/short column of the FTA. This reduction can be the result of the servicer correcting a prior overpayment or shortage. It can also result in calculation differences after applying the Servicer's payments to OHCS loans.

## C. Loan Set-Up and Remittance

1. Loan Purchases: When OHCS purchases a loan from the originator, OHCS notifies both, who may also be the servicer, and the servicer, if different. This information is uploaded via Procorem to the contact provided by the originator and servicer. This purchase advice form identifies the loans purchased, the interest paid to date, unpaid principal balance purchased, borrower's name and, most importantly, OHCS's loan number and program code where the loan will reside. The servicer is responsible to begin reporting the new loan's payments in the correct program code.

**Payment Application:** LIPS calculates the monthly principal, interest, and service fee based on the rate, loan amount, and term, which is entered during the initial setup in LIPS. When monthly payments are processed, the payment data text file received from the servicers is uploaded into LIPS. If the principal, interest, service fee, paid to date, or unpaid principal balance does not agree with the LIPS system, an exception report will be generated. If the difference is significant, the servicer will be contacted to resolve the issue.

- Level Payment: The current level payment is a monthly P&I payment for the latest reporting period. Partial payments are not accepted. Partial payments should be placed in the borrower's escrow or suspense account until enough funds are collected to make a full level payment. When applying the level payment, the servicer will advance the interest paid to date after the level payment has been applied.
  - The servicer posts the payment indicating OHCS's loan number, paid to date after the payment was applied, principal, gross interest, service fee and the principal balance after the principal was applied.
- Curtailments: A curtailment represents additional funds that the borrower either sent with the regular level payment or sent after the level payment was made to apply directly to the principal balance. These payments must be reported separately from the level payment. The interest paid to date does not change and reflects the pay-to date of the last level payment that was applied. The curtailment date is not the date the curtailment was made, but rather the interest paid to date on the loan at the time the curtailment was applied. The principal balance also reflects the application of the curtailment.
- Prepayments: Prepayment is a level P&I payment paid in advance of the scheduled due date on the loan and advances the interest paid to date. Prepayments are not to be confused with curtailments which are amounts collected above the normal level payment to reduce the principal balance of a loan.
  - All prepayments must be in whole multiples of the regular level payments. Prepayments and the regular level payment may be combined on one line in the data text file that is submitted to OHCS.
- Reversals: If the servicer needs to reverse a payment for any reason, the servicer must reverse the level payment that was previously applied. If a curtailment was also involved, the servicer must reverse the payments in the order of when they were applied, adjusting the paid to date as well.

If the servicer discovers that a large curtailment made months before was to be applied as a level payment, they must reverse all payments made after the curtailment, reverse the curtailment, and then reapply the curtailment as a level payment and then all of the reversed payments. If this is not done, the amortization of the reversals and reapplications will not be correct.

- Recasting: If a Borrower makes a substantial additional principal payment and requests that his loan is re-amortized and the level payment reduced, the servicer is to send the request to OHCS for approval. The borrower must be occupying the property as their primary residence and meet qualifications for waiving FHA or mortgage insurance premiums, if appropriate. OHCS will execute the modification of the note and adjust OHCS's accounting records to reduce the P&I payment. The servicer will return the original note modification to OHCS.
- 2. **Service Fees:** The service fee is the fee paid to the servicer for loan servicing functions per the Residential Servicing Contract. The service fee is deducted from the P&I remitted to OHCS for each remittance cycle.

The service fee calculation is interest collected x .00375 divided by the interest rate of the loan. This can also be referred to as the interest collected x "service Fee Factor." An alternate calculation would be to take the principal balance x .00375/12 = service fee.

## 3. Payment Reporting Periods:

- Interim Remittance: Payments received by the servicer from the 21st of the previous month through the 5th of the current month. Remittances and corresponding payment data are due to OHCS via e-mail no later than two working days after the 5th.
- <u>Final Remittance</u>: Payments received from the 6th of the current month through the 20th of the current month. Remittances and corresponding payment data are due to OHCS via e-mail no later than two working days after the 20th.

#### 4. Payment Remittance Process:

- Interim and Final Remittance: The servicer remits the Fund Transmittal Advice (FTA) (exhibit 6) via e-mail to <a href="https://linear.com/hcs.oregon.gov">hcs.oregon.gov</a> within two business days from the 5th and the 20th of each month. The payment data that corresponds with the remittances can also be included in the e-mail.
- Quarterly Final Remittance: At the end of each quarter and with the 20<sup>th</sup> of the month Funds Transmittal Advice (Exhibit 6), the servicer is required to complete the total number of loans and total principal balance per program code on the FTA. This information is used for OHCS's quarterly loan balance and loan count reconciliation with the servicer.

# D. Payoff Reporting

Paid in Full Statements (exhibit 6) are sent to OHCS via e-mail within three days of the servicer's receipt of the payoff. Once the funds are debited, OHCS's payoff staff will be notified to reconvey the documents and forward them to the servicer. It is critical that the Paid in Full Statements have the servicer's name and address of where to send the original loan documents for reconveyance.

#### E. Penalties

Failure to send timely remittances and/or payoffs or the payment data within the time frames specified may result in a penalty. The penalty shall be a daily interest penalty based on the annualized note rate plus two percent.

#### F. Reconciliations with the Servicer

- Quarterly Loan Count and Loan Balance Reconciliation: Each quarter, OHCS reconciles loan counts and total principal balances by program code by servicer to ensure that payoffs and payments owed have been received and the servicer has set up new loans purchased. Any differences in principal balance differences on loans are also addressed during this process.
- Cash Reconciliations: On an on-going basis, differences in payments posted by OHCS related directly to the cash the servicer sent to OHCS is reviewed and the servicers are notified to correct any differences by adjusting the over/short column on the Funds Transmittal Advice.
- Penalty: Failure of a servicer to resolve loan balance issues or cash reconciliation issues will be considered when reviewing the servicer's annual performance with OHCS. If the situation continues, the servicer may be requested to transfer servicing to another servicer.

<u>To</u>: Loan Servicing Specialist Phone: 503-986-2037

Fax: 503-986-0996 E-Mail: <a href="mailto:chris.knight@hcs.oregon.gov">chris.knight@hcs.oregon.gov</a> cheryl.l.lyons@hcs.oregon.gov From: Servicer Name: Date: Address: Contact Name: Phone: E-mail: Foreclosure / Deed-in-Lieu Approval Request for Residential Program Loans Borrower Name: OHCS# Property Address: SERVICER# Paid-to-date of Loan Occupancy Status (check one): Owner Non-Owner Vacant Last Property Inspection Date: (Attach Inspection Report) Explain Borrower's reason for default and your efforts to cure the delinquency: (You may attach your contact log with the borrower.) Unable to successfully reach borrower to establish reason for default

### OREGON HOUSING AND COMMUNITY SERVICES DEPARTMENT STATE OF OREGON

Date:		
Mortgagor: Property Address:		
City, State, Zip:		_
Oregon Loan Number:		
Servicer Loan Number:		
hone:		
STATEMENT OF FORECLOSURE EXPENSES	-~~~	
	TOTAL	
Foreclosure expenses (i.e attorney's fees, foreclosure report, title	<b>A</b>	
policy, recording, etc.)	\$ 0.00 \$ 0.00	
Appraisal	<b>Y</b>	
Property maintenance (i.e. lock change, utilities, inspections, yard care, Initial clean-up, repairs under \$500)		
Weatherization	\$ 0.00	
Major repairs (repairs over \$500)	<b>\$</b> 0.00	
Real estate taxes	\$ 0.00	
Advance for FHA or PMI insurance	\$ 0.00	
Advance for hazard insurance	\$ 0.00	
Other: (itemize)		
	\$ 0.00	
Subtotal	\$ 0.00	
	,	
Escrow balance (including escrow interest)	<b>(\$</b> 0.00	١
Hazard insurance refund	<b>(\$</b> 0.00 <b>(\$</b> 0.00	<i>)</i>
Other: (itemize)	(Ψ 0.00	,
	<b>(\$</b> 0.00	)
Less Subtota	<b>I (\$</b> 0.00	)
TOTAL DUE	. \$ 0.00	
eby certify that the information contained herein is true to the best of my kibelief. Supporting receipts and bills are attached.	nowledge	
Authorize	ed Signatui	re

### INSTRUCTIONS FOR COMPLETION

The 'Statement of Foreclosure Expenses' shall be sent to the Oregon Housing and Community Services Department along with the appropriate documentation as described herein. A servicer may send in a request when the total due is over \$500, or it is the final reimbursement claim for that property. The final reimbursement claims are due to the Department with 60 days of disposition of the property. This also includes FHA properties. Any claims received after the 60-day deadline is subject to denial. Please refer to the Single-Family Mortgage Procedural Guide for further information.

### 1. <u>Lines 1 through 5</u>

Must be documented by copies of bills noting the date paid and check number or a copy of the billing and a cancelled check. If property inspections are being claimed, evidence of the cost and a copy of the inspection report need to be supplied. Property inspections will be reimbursed up to the point the Department assigned a realtor to monitor the property. Major repairs are repairs made to the property to improve its value. Maintenance items are not included in this category. Major repair bills and evidence of payment must be accompanied with a completed authorization form signed by Oregon Housing and Community Services and the assigned realtor. This guarantees that the work was completed in a satisfactory manner.

### 2. Lines 6 through 8

Must be documented by an underline and noted on the loan history statement or other appropriate evidence. If payment evidence is not included on the loan history statement or the tax payment was made after the November 15 deadline, copies of paid tax statements must be submitted. Hazard insurance will be reimbursed up to the date of acquisition.

#### 3. Line 9 – Other

Must be documented by a billing and a copy of a check or paid stamp with date paid and a check number.

#### 4. Line 10 – Escrow Balance

The escrow balance at the time THE LAST MORTGAGE PAYMENT WAS MADE must be entered on line 10 and deducted from the subtotal. We will reimburse you for your documented expenses paid after that time. Documentation of this item should be underlined and noted on the loan history statement showing the last mortgage payment made by the mortgagor and the escrow balance at that time. Include escrow interest in the escrow balance figure.

### 5. <u>Line 11 – Hazard Insurance Refund</u>

Must be documented by an underline and noted on the loan history statement or a copy of the check received from the insurance company.

#### 6. Line 12 – Other

Must be documented by an underline and noted on the loan history statement or other appropriate evidence.

### Payment Data Text File Specifications

Mortgage payment data submitted regularly to Oregon Housing and Community Services by its Servicers must have the following format:

- The data must be in ASCII text form
- Each line contains the following information at the corresponding columns

Element	Position	Size	Description
Loan Number	1 – 7	7	Alphanumeric
Blank	8 – 12	5	Always blank
Interest paid to date / Date to apply curtailment	13 – 20	8	Numeric MMDDYYYY
Principal	21 – 30	10	Numeric – may be a zero (0). The right-most position (30) is reserved for the sign. Two decimal positions are assumed.
Interest	31 – 40	10	Numeric – may be a zero (0). The right-most position (30) is reserved for the sign. Two decimal positions are assumed.
Service Fee	41 – 50	10	Numeric – may be a zero (0). The right-most position (30) is reserved for the sign. Two decimal positions are assumed.
Unpaid Principal Balance	51 – 61	11	Numeric. Two decimal positions are assumed.

### AUTHORIZATION AGREEMENT FOR DIRECT DEPOSITS (ACH CREDITS)

State Agency Receiving ACH from External Sources

DAVIE OTATE A CENCY INFORMATION
PAYEE/STATE AGENCY INFORMATION
NAME:
ADDRESS:
We hereby authorize the Sending Company indicated below to initiate <b>CREDIT ENTRIES ONLY</b> to our checking account at the financial institution indicated below. We acknowledge that the origination of ACH transactions to our account must comply with the provisions of U.S. law.
CONTACT: TELEPHONE NUMBER:
FAX NUMBER:
SENDING COMPANY INFORMATION
NAME: OREGON HOUSING AND COMMUNITY SERVICES DEPARTMENT ADDRESS: 725 Summer Street NE, Suite B, Salem, OR 97301
CONTACT: hcs_dl_hcs_cashiering@hcs.oregon.gov
FINANCIAL INSTITUTION INFORMATION
NAME:
ADDRESS:
BANK CONTACT NAME: TELEPHONE NUMBER:
NINE-DIGIT ROUTING TRANSIT NUMBER:
DEPOSITOR ACCOUNT TITLE:
DEPOSITOR ACCOUNT NUMBER:
TYPE OF ACCOUNT: Checking
This authorization is to remain in full force and effect until the Sending Company indicated above has received written notification from us of it's termination in such time and such manner as to afford the Sending Company and Financial Institution a reasonable opportunity to act on it.
SIGNATURE AND TITLE OF REPRESENTATIVE: TELEPHONE NUMBER: DATE:

### Exhibit 6 – Paid In Full Statement

-MAIL TH	E REPORT	TO: hcs_dl	HCS_cashiering@hcs.orego	n.gov						
VITHIN T	NO WORK	ING DAYS O	F RECEIPT OF THE PAYOFF							
	OHCSD SE	RVICER #			SERV	ICER CONTACT:				
				Name:				For	OHCSD use o	nly
servicer r	ame & add	dress (for rel	ease of original documents)	Phone				_		
				Fax: e-mail:					ate Received: nto Key Nav by:	
				e-man.					ed in Key Nav:	
					OHO	SD CONTACT:			proved by/date:	
				Name:	Kathie Conno				Effective Date:	
					hcs dl hcs d	cashiering@hcs.ored	on.gov	•	LIPS entry by:	
					kathie.connor	r@hcs.oregon.gov			Date:	
OHCSD	OHCSD	Servicer	Borrower Name					Less		
rogram	Loan	Loan	Property		Payoff			Service	Overage/	
Code	#	#	Address		Date *	Principal	Interest	Fee	Shortage	Total
										0.00
										0.00
										0.00
		igspace								
										0.00
										0.00
										0.00

#### OREGON HOUSING AND COMMUNITY SERVICES ACH INTERIM INVESTOR REPORTING FUNDS TRANSMITTAL ADVICE FORM E-MAIL THE REPORT TO: hcs\_dl\_HCS\_cashiering@hcs.oregon.gov WITHIN 2 WORKING DAYS OF THE 5TH REMITTANCE DATE Servicer Name and Address Contact Name Phone Fax E-Mail Servicer Number: **OHCS Contacts** hcs\_dl\_hcs\_cashiering@hcs.oregon.gov kathie.connor@hcs.oregon.gov chris.knight@hcs.oregon.gov cheryl.l.lyons@hcs.oregon.gov Payments Received 21st of previous month through the 5th Total Servicer OHCSD Overage/ Monthly Gross (less) Investor Program Principal Interest Service Fee Shortage **Payments** Number 1033 1034 1035 1036 1037 1038 1039 1040 TOTAL Revised July 2025 Exhibit 6 For OHCSD use only Date Received: Entered into Key Nav by: Date entered in Key Nav: Key Nav Approved by/date: Treasury Effective Date: LIPS entry by: Date:

### Exhibit 6 – Funds Transmittal Advice (FTA) Final 5<sup>th</sup> – 20th

#### OREGON HOUSING AND COMMUNITY SERVICES ACH FINAL INVESTOR REPORTING FUNDS TRANSMITTAL ADVICE FORM E-MAIL THE REPORT TO: hcs\_dl\_cashiering@hcs.oregon.gov\_WITHIN 2 WORKING DAYS OF THE 20TH REMITTANCE DATE Servicer Name and Address Contact Name Phone Fax E-Mail Servicer Number: **OHCS Contacts** hcs dl hcs cashiering@hcs.oregon.gov kathie.connor@hcs.oregon.gov chris.knight@hcs.oregon.gov cheryl.l.lyons@hcs.oregon.gov Payments Received 5th through the 20th Total SERVICER OHCSD Gross (less) Overage/ Monthly Investor Loan Principal Program Principal Interest Service Fee Shortage **Payments** Number Count Balance 1035 1036 1037 1038 1039 1040 TOTAL \$ \$ \$ \$ - \$ For OHCSD use only Revised July 2025 Exhibit 6 Date Received: Entered into Key Nav by: Date entered in Key Nav: Key Nav Approved by/date: Treasury Effective Date: LIPS entry by: Date:

Fiscal and Economic Statement Drafting Instructions: Draft the impact statement with the information available and ask for RAC feedback on all fiscal and economic drafted impact statements. The following questions are used to determine the fiscal and racial equity impacts of the proposed administrative rules and program operations manual. Please complete these questions, based on known information:

**Question 1:** Identify whether the rules will have a fiscal impact, either negative or positive, on state agencies, local government, or the public, and if so, the extent of the impact.

**Response:** Currently, OHCS does not foresee the proposed rule changes impacting Oregon fiscally, both negative or positively.

**Question 2:** Identify whether the rules will have a significant adverse impact on small businesses. What can be done to mitigate the impact on small businesses?

**Response:** OHCS does not foresee a negative fiscal impact to small businesses and there are no mitigating efforts needed at this time.

**Question 3:** Estimate the number of small businesses subject to these rules, identify types of businesses and industries with small businesses subject to these rules.

**Response:** It has been determined that small businesses and industries are not subject to the rules.

**Question 4:** Describe the projected reporting and other administrative activities required for compliance, including costs of professional services.

**Response:** It has been determined that for projected reporting and other administrative required compliance, including costs of professional services, there will not be newly required fiscal and economic reporting or administrative activities.

**Question 5:** Identify equipment or supplies, labor and increased administration required to comply with rules.

**Response:** It has been determined that there is no requirement for equipment or supplies, labor, and increased administration to comply with rules. The Oregon Bond Residential Loan Program proposed addition to include the Loan Servicing Manual does not require any new changes to those currently servicing loans.

**Question 6:** Describe how OHCS involved small businesses in the development of these rules.

**Response:** It has been determined that there is no impact directly to small businesses and therefore small businesses were not involved in this rulemaking.

**Question 7:** Describe how you represent the community impacted by these rule changes.

**Response:** There are no impacted projected to small business. This rule filing only impacts those currently servicing Bond Residential Loans through OHCS.

**Question 8:** What are the racial equity impacts with these rule changes?

**Response:** It has been that there will be minimum to no impact to racial equality with these rule changes because the Loan Servicing Manual will only provide guidance to those with an existing loan. All lending products are now served through OHCS's FLEX Lending.

### OREGON HOUSING AND COMMUNITY SERVICES

Bond Residential Loan Program Rules Advisory Committee



August 28th, 2025

Jaci Davis, Lead Administrative Rules Coordinator Nathan Clark, Legislative Coordinator Chris Knight, Finance and Loan Analyst Cheryl Lyons, Loan Servicing Specialist

### Welcome & Introductions



- 1. Name
- 2. Organization
- 3. What connections do you have to the Bond Residential Loan Program?
- 4. Are you more of a rule follower or a rule breaker?



# **Process Agreement**

# Seek common ground and understand divergence

- Practice "Yes, And" to build on ideas.
- Be clear and productive when you share differing experiences and opinions.

### Share airtime

 Practice WAIT: Ask yourself, "Why am I talking?" Or "Why aren't I talking?"

### Active virtual participation

- Make sure your Zoom name is accurate
- Keep your video on
- Use chat and Q&A functions
- Raise your hand
- Respond to polls
- Minimize multi-tasking

### Take care of yourself



## Active Virtual Participation & Zoom Logistics

### **Audio**

- Please keep yourself muted when not talking
- Unmute yourself when called on or during open discussion

### Chat

Use chat to ask questions in real time

### Raise hands

 During discussion, use the raise hand feature to signal you have something to say



### Talking head icon

This prompt will show when we most want your feedback



# What We'll Be Covering Today



OHCS overview



What is rulemaking and why does it matter?



Proposed rules review



Draft impact statements discussion



### **How OHCS Works**



Working together to serve individuals, families, and communities throughout Oregon



### Helping Oregonians Across the Housing Continuum

Housing Stabilization



Affordable Rental Housing



Homeownership



Disaster Recovery and Resilience



Equity and Racial Justice



# Whom Do OHCS Programs Serve?

Individuals and families who struggle to access affordable housing, mainly those living below area median income. This includes:



Affordable housing = 30% or less of gross income spent on housing





# What is Rulemaking?



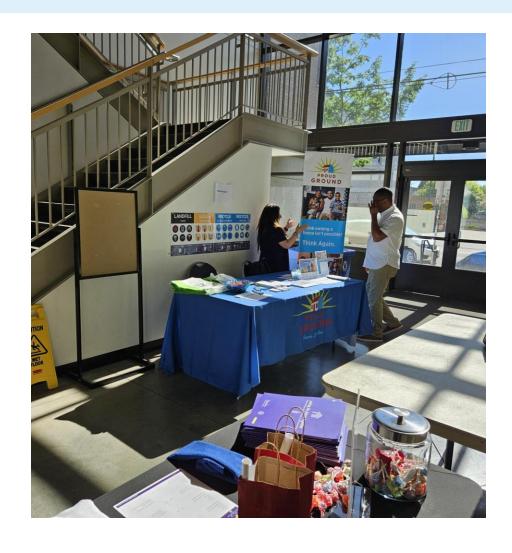
### Rules Put Laws Into Action

- Rules allow agencies to take laws passed by the Legislature and put them into effect.
- Laws cover the outline of how a program or policy works. Rules are the details, which make that vision a reality.
- Rules must fit within the scope of the law.
- Administrative rules carry the force of law.
- Rules can be changed more easily than laws.
   This system allows a law to be in effect for years but still keep pace with changing times.





# Why Are You Here?



- As a democracy, we want Oregonians to be as involved in policymaking as possible.
- When the public is involved in policymaking, it leads to decisions that are:
  - More effective
  - Meet more of the community's needs
  - Longer lasting



# What is Your Role Here Today?

- You have been invited to represent the interests of people who would likely be affected by this rule.
- We intentionally chose this group based on your industry expertise as a loan servicer.
- Your recommendations will be presented to our executive leadership with the final rule draft and filed with the Secretary of State.



# Proposed Rule Text

OAR 813-020-0110

"The Oregon Bond Residential Loan Program Servicing Manual, is incorporated into and adopted as part of this division of administrative rules, by reference. The Servicing Manual be accessed online at the OHCS website. The Servicing Manual is dated July 2025 (Could change)."







# Servicing Manual

### The What

OHCS is adopting rules to include the Loan Servicing manual for those servicing loans through the Oregon Bond Residential Loan Program.

### The Why

This correction has been filed to ensure that the correct contact information is available within the referenced Loan Servicing Manual. OHCS will plan to make these changes permanent in the Fall 2025.



# Hearing Your Perspectives



Virtual discussion make sure all voices and ideas are heard!

### Chat waterfall

When we get to each question, take a moment to think and you can type in the chat.

### Reflection and open discussion

All Rule Advisory Committee members are welcome to come off mute and participate in open discussion about each question.

# Draft Fiscal Impact Statement

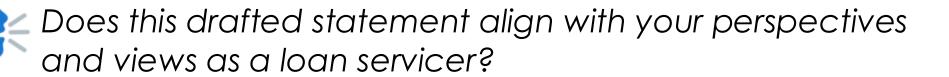
- Question 1: Identify whether the rules will have a fiscal impact, either negative or positive, on state agencies, local government, or the public, and if so, the extent of the impact.
- Response: Currently, OHCS does not foresee the proposed rule changes impacting Oregon fiscally, both negative or positively.





# **Draft Impact on Small Businesses**

- Question 2: Identify whether the rules will have a significant adverse impact on small businesses. What can be done to mitigate the impact on small businesses?
- Response: OHCS does not foresee a negative fiscal impact to small businesses and there are no mitigating efforts needed at this time.
- Question 3: Estimate the number of small businesses subject to these rules, identify types of businesses and industries with small businesses subject to these rules.
- Response: It has been determined that small businesses and industries are not subject to the rules.





# Impact on Administrative and Compliance Costs

- Question 4: Describe the projected reporting and other administrative activities required for compliance, including costs of professional services.
- Response: It has been determined that for projected reporting and other administrative required compliance, including costs of professional services, there will not be newly required fiscal and economic reporting or administrative activities.
- Question 5: Identify equipment or supplies, labor and increased administration required to comply with rules.
- Response: It has been determined that there is no requirement for equipment or supplies, labor, and increased administration to comply with rules. The Oregon Bond Residential Loan Program proposed addition to include the Loan Servicing Manual does not require any new changes to those currently servicing loans.

Does this drafted statement align with your perspectives and views as a loan servicer?

# **Draft Racial Equity Impact Statement**

- Question 8: What are the racial equity impacts with these rule changes?
- Response: It has been that there will be minimum to no impact to racial equality with these rule changes because the Loan Servicing Manual will only provide guidance to those with an existing loan. All lending products are now served through OHCS's FLEX Lending.







# Hearing Your Perspectives

What is the expectation for servicers to implement and offer the program?

- We have just made tweaks and small clarifications. All programs are the same, just small implementation changes. The plan is to get everyone ready by the time this goes live and permanent.
- Expect this to go live November-early December 2025.

#### **Draft Fiscal Impact Statement:**

• RAC participants said that nothing came to mind, there were no concerns with the fiscal impact statement.

#### Draft Impact on Small Businesses:

RAC participants said they do not see any impacts.

### Impact on Administrative Compliance and Cost

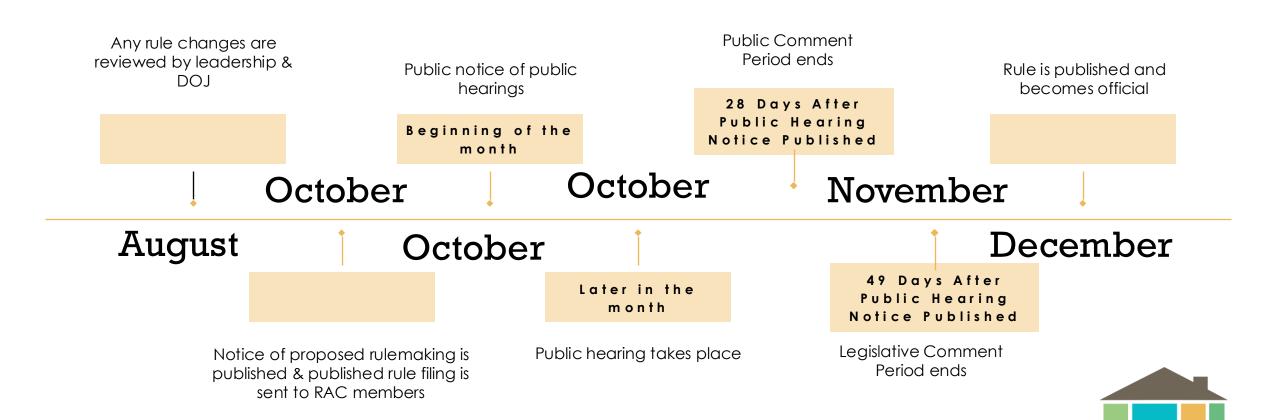
- Kesterson and Wells FHA new requirements do not require financials. They agree with the need to require financials, in order to align with FHA changes, they are having capacity changes. The only thing they see is that they will need folks to track down financial info and with capacity changes it may take more time to track down and send over documents.
- Concerned about being out of compliance with FHA.
- There are some admin costs (mail) that would be added.
- Nothing is calling out that we have to get approval for a program with FHA in regards to financials, just modifications.
- OHCS Response: Stricter rules generally are okay, less rules are not. Chris to follow up with HUD to figure out how we can mitigate any negative impact to servicing partners.

### Draft Racial Equity Impact Statement

RAC Participants have no concerns or see any impacts.



# Next Steps & Estimated Timeline



OREGON HOUSING and

COMMUNITY SERVICES

Note: Dates will be pushed back if drafting, review or public comment period takes longer than anticipated.



Any Questions from the Rules Advisory Committee?





### **Transcript**

August 28, 2025, 9:00PM

### DAVIS Jaci \* HCS 0:10

Let's see how many folks may have registered.

Not too many.

About 10 people have registered to watch our RAC today, so we'll just give folks a couple of minutes to come in and join our virtual space today and then we'll get started. Just in case any of them can join us.

OK.

One more minute.

If feel like we should have, like, jeopardy music or something playing.

### Kesterson, Aimee E 1:42

Right? Something in the background.

### DH DAVIS Jaci \* HCS 1:44

Yeah, yeah. Maybe we'll make a Rules advisory committee playlist that we can play in the background.

You know to value everybody's time, we are going to be recording today's session. So I'll go ahead and get us started.

My name is Jaci Davis and I use she/her pronouns.

I am the lead administrative rule coordinator here at Oregon Housing and Community Services and I'll be your main facilitator today for the Rules Advisory Committee.

We are here to talk about the Bond Residential Loan Programs, specifically the servicing manuals that we are trying to have adopted into our administrative rules. So I will be joined by a few of our of my colleagues here at OHCS and they'll have an opportunity to introduce themselves as well.

So we'll go ahead and get us started.

Like I said, we'd love to get to know all of you and thank you so much for coming in as RAC members for joining us in our virtual community space.

This is where we get to carve out a community voice with our policymaking. So we really do appreciate all of your feedback here and we just want to take a minute to get to know each other and I'll start by just kind of going down the list and talking about myself. Feel free when it's your turn to come off of mute and introduce yourself. I'm going to turn it over to the OHCS team first and then to our RAC members, but also RAC members, if you prefer, you can always drop an introduction in our meeting chat and for the record. If you would like to do it that way, if you're, wanting to maybe do that instead of talk.

But like I said, my name is Jaci Davis and I use she/her pronouns and I work here at OHCS as the administrative role coordinator.

I get to work around all of our department's rules, so I'm happy to support and facilitate today's meeting. Am I a rule follower or a rule breaker?

Alright, that's a good question.

So while I believe that some rules deserve to be broken, I'm definitely a rule follower y'all. This is my lane. I like to be here.

Give me my parameters and I will gladly stay within those spaces for us.

But I'm going to turn it over to my teammates first to introduce themselves, starting with Nathan Clark.

### CH CLARK Nathan \* HCS 4:09

Hi, good afternoon, everyone.

My name is Nathan Clark.

I use he/him pronouns. I'm in government relations.

I am one of the team members here at OHCS. I support the Home Ownership Division, and I am a rule follower.

I was the child that if you said sit right here and don't move. I was not going to move until I was told to, and I made the joke the other day.

I was like, I still put my hands in my pockets if I'm in a store with expensive items. I don't want to touch it. I don't want to break it, so I am a rule follower and I'll pass it on to Chris.

### KH KNIGHT Chris \* HCS 4:41

Hard to follow that one up.

Hi, I'm Chris Knight with Oregon Housing community services.

I am a senior financial analyst here with the debt management team.

And gosh, more of like a rule bbender. I'm not going to break it entirely, but I'll find a way around it that doesn't necessarily break it if I can.

DH DAVIS Jaci \* HCS 5:02

I think that's a rule breaker, Chris, but OK, we'll call it a bender.

KH KNIGHT Chris \* HCS 5:04

Hey, well, it's not broken.

It's just like, you know, like a fishing pole.

It just bends and bends.

DH DAVIS Jaci \* HCS 5:09

OK.

How about you, Cheryl?

- KH KNIGHT Chris \* HCS 5:14 Sure.
- LYONS Cheryl L \* HCS 5:17

Hi, my name is Cheryl Lyons, and I work for OHCS as a debt management. and loan servicing specialist. And at work, I am a rule follower because I value my job. But I'm kind of like Chris.

I will tow the line.

I'll come up.

I'll touch it and come back, touch it and come back, but in my personal life, give me a rule. I'll break it.

Yeah.

If I see an expensive thing, I'm just the opposite.

I'll touch it because I want to touch it. It's nice.

It's pretty.

It's shiny.

I get in my car.

And yeah, I'm a rule breaker.

DAVIS Jaci \* HCS 6:02 OK.

- DAVIS Jaci \* HCS 6:03

  Don't follow Cheryl in her car. Got it.
- LYONS Cheryl L \* HCS 6:05

  Well, I also lived in a place that yeah, that everyone breaks the rules.
- KNIGHT Chris \* HCS 6:06
  Only if you want to get there in a hurry.
- DAVIS Jaci \* HCS 6:09 Yeah, yeah.
- LYONS Cheryl L \* HCS 6:10 So.
- **DH DAVIS Jaci \* HCS** 6:11 We'll get there quick.
- KE Kesterson, Aimee E 6:11
  The limits are optional.
  Speed limits are optional, Cheryl.
- LYONS Cheryl L \* HCS 6:14 They are just a starting point.
- DAVIS Jaci \* HCS 6:15
  Suggestions right? Absolutely.
- Kesterson, Aimee E 6:16 Suggestions. There we go.
- LYONS Cheryl L \* HCS 6:18

  Exactly. That's where you start from and then you go from there. Yes. So, no.

KE Kesterson, Aimee E 6:23 Right.

### LYONS Cheryl L \* HCS 6:23

But I work alongside Chris Knight and am with the bond residential loan program, we service the loans.

# DAVIS Jaci \* HCS 6:35

And thank you OHCS team members.

I'll go ahead and kick it over to our RAC members and I don't want to call on folks if that's uncomfortable, but I'll go ahead and kick us off.

Maybe Susan, if you can get us started.

### Sw Suzanne Wells 6:49

I'm Suzanne Wells and I'm with I'm a home preservation manager at Umpqua Bank. I have a team of about 10 people, and we service various investors and the bank loans that are delinquent.

I am definitely a rule follower, but I'm a rule shaker. So I don't break rules, but I will challenge them.

In a legal way. If I think something is incorrect or wrong, I'll be the one to raise my hand and point that out.

But I follow the rules.

### DH DAVIS Jaci \* HCS 7:34

Thanks for joining us, Suzanne.

Amy, would you like to go next?

### KE Kesterson, Aimee E 7:42

Sure. My name is Amy Kesterson.

I'm an assistant vice president at U.S. Bank and in our risk and control group. I've got about 22 years within servicing a lot of that is loss mitigation specific to my role and my connection to the bond residential loan program. I've worked in an

investor relations capacity.

I've worked in production operations supporting.

As for right now, in my current role I do risk mitigation and control, so I've been kind of all over the landscape and kind of have perspectives from front end, back end and everywhere in between. So at work I'm definitely not afraid to credibly challenge the status quo.

I will follow the rules, but I will also credibly challenge them to make sure that we're doing what's right for all of the investors and insurers, including the bank, as well as our customers.

Much like Cheryl, I have a problem speeding, but other than that.

I really do try and follow the rules.

I'm just always late everywhere I go.

So anyway, that's me and I'm not shy at all.

So there's that. I definitely, probably should, keep quiet more times than not outside of work.

But we try to have fun because life's too short to not have fun.

So sometimes you have got to break a rule or two.

### DH DAVIS Jaci \* HCS 9:03

Isn't that the truth?

Yeah.

Outstanding. All right Andrew, you want to round us out?

### Ac Ashmore, Andrew C. 9:12

Sure. Good afternoon, everyone.

I go by Drew Ashmore. I am with Wells Fargo Bank, a client relations manager and portfolio manager representing various investor portfolios within our service side of the business.

# DAVIS Jaci \* HCS 9:15 Thank you.

### Ac Ashmore, Andrew C. 9:30

We obviously do service a small subset of Oregon housing bond loans for you guys. And being that is the case and I am the representation for our servicing side. But I don't think I could ever answer the question that I would be a rule breaker. That wouldn't look very good on our behalf. But both personally and professionally, very much so a rule follower.



### DAVIS Jaci \* HCS 9:58

Outstanding. Well, again, thank you all for coming in and playing with us and answering our silly questions today.

It's great to get to know you all and we do appreciate you all coming in. Of course, this time that we're going to spend together is going to be best used with a lot of dialogue and I want to orientate you all into some of the things that we're going to be talking about, including our agenda and some of the icons that you'll see on your slides today.

All of these slides will be saved and then posted to our website under the RAC materials right after today's RAC.

To include any of the feedback that we receive is part of our transparency requirements. We wants to make sure the public is aware that we've had this meeting and what came out of it. But part of this is also to try and keep us all in the same agreement of what we're trying to do with our time today and that's why we talk about our process agreements.

Everyone deserves to be heard, right?

And everyone has a piece of their truth to share.

And so we really want to seek a common ground.

To understand that divergency we try to practice a lot of these, and building upon ideas instead of like shutting other folks down and other examples.

We love a talkative group and this time we have over an hour to spend together and there's only three RAC members today. We invited all our servicers and we were grateful that the three of you were able to join us for scheduling purposes especially. Please feel free to use your time and your air time the way you see fit.

We won't have to share as much.

Like if we had like a large amount of folks on our RAC today where we would have to kind of sparse our time allocations out.

But there's a lot of time here to hear everybody's feedback, so please feel free to come in and join the discussions.

Like I mentioned, an active participation, whether that's participating in our chat coming off of mute, asking questions. Feel free to raise your hand if you like, but you do not need to.

I am looking at your screen and I'm looking at my slides.

I may not see the raised hand, so feel free to interrupt me at any time or any of our facilitators if you have questions or comments to provide.

Also be aware that even if we get a 60 minute RAC today, that's a long amount of time to be sitting in here and listening to us and talking and thinking about things. So if you need to get up, if you need to step away, if you need to grab something to drink- feel free to do so.

Please take care of yourself during this time.

And like I mentioned, we're going to have a few opportunities to participate and we wanted to orientate your folks.

Like I mentioned, please unmute yourself anytime you would like to talk.

If you're not speaking, I would recommend muting yourself so that way we don't pick up a lot of background noises.

I'm not hearing any right now, but if I was working at home, you all would hear my dogs going. I try to keep myself a little bit more muted when I'm working in my Home Office.

We are going to use our recording for record keeping purposes, so that's why it's important for us not to have a lot of background noise.

Our meeting chat will be open the entire time and it will be exported after today's RAC.

So anything that you put in writing there, we can grab it and we'll incorporate it in our engagement summaries as well.

There is a raised hand function right next to your reaction button, so if I'm not seeing it or you just want to put something in the queue there to talk.

We might be able to have multiple people on our team, like Nathan, who is going to be helping me Co-facilitate and notate some of our conversation today.

He could probably see some of those questions coming in and can flag that for us. So feel free to use that icon to raise your hand if you'd like.

And just note we've got a little blue talking icon. That is where you're going to be prompted, where discussion is really, really warranted.

When we have questions for you, all you're going to see that blue icon, and that's when we're going to pause and we're going to ask for a lot more dialogue during

that time.

I feel like a lot of us have gotten really proficient in our virtual meeting spaces, so this may not look new to a lot of folks, but if you have any questions or technical difficulties with our team meeting space today, please let us know and we can try. And troubleshoot that right away.

Today we will be covering just a few topics.

One of them is we wanted to make sure that everybody has a baseline understanding of what we do here at Oregon Housing and Community Services.

So we'll provide a quick little overview. I feel like a lot of you have been partners with us for a good amount of time and probably know our mission and our goals and who we serve. But we're going to do some ground setting just so everybody is on. The same starting point.

And then we're going to talk about administrative rules and what Rulemaking looks like here at OHCS. Every rule making entity has the APA requirements that we have to fulfill and that could look a little different depending on who is actually initiating that promulgation.

So we're going to talk about what it looks like here at OHCS and what to expect next in our rule making process. And then our fine program folks here that are joining us are going to talk about the actual program and the rules and the servicing man. That we're trying to adopt in our administrative rules.

And we'll kind of preview some of that and we will also drop in the chat that program manual at that time. I know all of you should have received a copy of the RAC materials to include the servicing manual ahead of today's meeting.

All of that materials are also posted on the OHCS rules website.

The last thing, and the most substantive part of today's meeting, a Rules Advisory committee, is really to look at our drafted impact statement.

We want to make sure that we've got that right.

We believe that we've got as much information as we have to draft the impact statement so far and we need your feedback to make sure that that's good calibration and that we've incorporated anything that might create a fiscal or cost or any other impact there.

The last part of our discussion today we'll be looking at those drafted impact statements that we will be filing in October.

All right.

And I'm going to kick it over to my colleague Nathan to talk about what we do here at OHCS.

# CH C

### CLARK Nathan \* HCS 16:38

Thanks Jaci.

Hi everyone again.

My name is Nathan Clark.

I'm on the government relations team supporting the Home Ownership division. I'm just doing a fast overview of OHCS. If you have any questions, please just go ahead and ask them.

I'm happy to stop and answer them. So OHCS is the state's housing finance agency and we are not a direct service provider.

We really like to make that distinction clear, that we are on the funding end and not the direct service end.

So that means that we get money from the state and the federal government and then we work and rely on community based organizations, public housing authorities and other development partners to develop and operate affordable housing properties. We contract with Community Action Agencies and other organizations to deliver services.

OHCS does not directly build or own any housing.

And then we also fund services related to other parts of the housing spectrum.

Can you go forward in slides?

Can I go forward or is it you? Great. Thank you.

So there are four divisions that work across the housing continuum, addressing the needs of Oregonians, from homelessness to housing stability to home ownership. And there's a fourth one on here that did not begin until after the 2020 wildfires five years ago, and that became the newest division, which is disaster recovery and resilience.

So, housing stabilization mostly serves people between zero to 30%.

AMI. Affordable housing is mostly under 80%. AMI, and the legislature recently expanded our ability to help build housing to moderate income families.

Can they afford them? At the core of our work at OHCS is equity. Racial and equity injustice plagues our housing systems and OHCS is committed to improving equitable outcomes and program design.

Supporting and promoting an inclusive culture and exploring implicit biases that

impact our program outcomes across our continuum and our spectrum of care. Next slide please.

So I want to share a bit of context here about the people that we serve in our communities.

So we talk a lot about area median incomes, the median incomes by county varies quite a bit throughout Oregon.

OHCS programs typically service Oregonians living.

At or below 80% of 80 area median income, though some programs can serve up to 100% area median income. At the lower income scale are Oregon seniors and our neighbors who are on a fixed income. This can be right about 30% AMI.

Those individuals may be on Social Security.

And then a few examples of types of jobs and how these correlate to the area median income. It's going to be mindful of wages and access to affordable housing. So we have kind of different examples here from 30% to 80%. So, at the bottom again is our seniors living on Social Security and those on a fixed income. We then have households with one full-time minimum wage worker, fast food worker, retail sales, administrative assistant and then two full-time minimum age workers. And that's kind of where we're at with the 80% AMI. I'll pass it back to Jaci.

### DAVIS Jaci \* HCS 20:00

Thank you, Nathan. Before we move on to our rulemaking, are there any questions about what we do here at OHCS or who we are, who we are charged to serve? Looks good.

Thank you.

All right, I'll go ahead and move this forward.

And like I mentioned, every rule making entity here in the state of Oregon has to follow our Administrative Procedures Act or the APA.

But the way that looks can be very different.

So if you sit on a RAC with the Department of Revenue, or Fish and Wildlife, or here at Oregon Housing, it could look a little bit different to get to our goals. And so, we're going to talk a little bit about why.

Why rulemaking is so important and why we're convening our spaces today. Obviously, the legislature has passed our budget and it gives us the statutory authority to then draft rules around what we've been charged to deliver and we use the laws and our statutory authority to see exactly what we need to draft in our administrative rules.

A lot of times the bills that come out of the legislature or the statutory updates. They don't get to the granular level of delivery and some of those details are what we are charged with putting in our administrative rules and administrative rules really holds us accountable in that place.

It not only allows everyone in the general public to have access to the information about how this program is going to work, but it also holds us accountable to those requirements and our partners.

I'm going to go ahead and keep us moving.

Now, This is why you're here.

And this is honestly why I feel like I have the best job here at the department because this is where when we're developing public policies, we get to carve out time to talk with communities, those that have to do this work. We want to make sure that it the right size and that of course we have made sure that we have looked at all possible options and that we understand the implications not only within the business spectrum but there in Community and ultimately those that we're trying to serve.

So while we're meeting today, try to keep in mind that we're always trying to make things more efficient, more effective and also to meet a very diverse group of needs. And so it'll be long lasting in that way.

Now I think the bond residential program is a little bit of a caveat because we all know that right now we are no longer offering the bond residential loan product. Now we have this flex products that are offered in our lending team.

So we are kind of winding down and our program team will talk more about that next about where we are in our program and why we are going forward right now in adopting a servicing manual.

Your role here today, and I think I mentioned this briefly when we were going through the agenda, the main difference between any other engagement space that you may see here through our department is a RAC is specifically tailored to look at the filing that we're going to be.

Drafting with the Secretary of State.

So we're going to look at Rule language and specifically look at those impact statements that we are required to report on when we make rule changes.

And we'll go through each of those in a lot of detail later on in our presentation.

We want to make sure that what we're reporting actually represents what you all know.

So our job here isn't necessarily to, you know, have a discussion around your impact. Maybe we'll have clarifying questions, but our job really is to record.

I want to make sure that whatever you tell us today.

That that gets brought applied into our filing as well because you all.

Are the ones that are experts as well into a delivery of the servicing manuals.

And I'm going to kick it over to Chris to talk a little bit more about the bond residential program and our servicing manual.

### KH KNIGHT Chris \* HCS 24:11

Well, yeah.

The Oregon Bond Residential Loan program servicing manual is what we're talking about today.

Basically, back in I believe it was March we bought our last Oregon bond residential loan itself and so as Jaci was saying, now we have the Flex program which has two different programs within it. It has the first-time program, which is called First Home and then again that's specifically for first time homebuyers and then.

There's the other part. That is a little more geared towards maybe those who aren't necessarily first time homebuyers, but they need down payment assistance. That's the NextStep program and that's a completely separate beast, with its own servicing manual and all that kind of stuff.

The purpose of updating this, is we haven't updated this manual since 2015 and there were some things that weren't, in our opinion, quite as good for the state as they could be.

So we wanted to clarify some things.

And make a couple tweaks here and there.

So yeah.



### DAVIS Jaci \* HCS 25:19

Thanks Chris. And right here is where you'll see the exact rule number where your servicing manual will be referenced.

So in the Oregon administrative rules, Chapter 813 is Oregon housing and Community services chapter of rules.

You'll see all of our divisions in there and in division twenty we have a section that

we're going to be adopting and that is 0110 and that will specifically reference the service manual.

Alright, move it to the next line. There you go.

### KH KNIGHT Chris \* HCS 25:58

OK, so OHCS is adopting rules to include the loan servicing manual for those servicing loans through the Oregon Bond Residential loan program.

This correction has been filed to ensure that the correct contact information is available within the reference loan servicing manual. OHCS plan to make these changes.

Excuse me.

Permanent in the fall of 2025.

### DAVIS Jaci \* HCS 26:23

All right.

Thank you. And our service manual, as I mentioned, all our RAC members should have received a copy of this manual.

I just uploaded it into our meeting chat as well. This can also be found on the OHCS rulemaking, the administrative Rule landing page.

So all our RAC materials are also saved there.

# KE Kesterson, Aimee E 26:45

Can I ask a question?

### KH KNIGHT Chris \* HCS 26:45

And just oh, sorry, just one quick note. There is one slight update to the manual that Jaci has posted that wasn't in the prior ones that I sent out to all the services.

# KE Kesterson, Aimee E 26:46 Oh, go ahead Chris.

### KH KNIGHT Chris \* HCS 26:58

So this is slightly like one paragraph new version.

So I just want to notate that. Go ahead, Amy. Sorry.

### KE Kesterson, Aimee E 27:06

No, no, no worries at all.

So I know that these changes we're hoping to make permanent in the fall of 2025. What will be the expectation of OHCS for how quickly services should be prepared to implement and begin offering these programs?

### KH KNIGHT Chris \* HCS 27:22

Really the programs didn't themselves didn't change.

Excuse me, we just made some tweaks to like the approval process for modifications. Partial claims and things like that and some other small clarifications.

So really all the programs are the same, just some small implementations of a little bit of you know changes in how we want to things to proceed and we sent out the original one. I think July 14th.

- KE Kesterson, Aimee E 27:42 Sure.
- KNIGHT Chris \* HCS 27:50

  So you know, hopefully the plan is to get everybody kind of full motion and full

swing by the time this goes live and permanent.

## KE Kesterson, Aimee E 27:58

OK. Perfect. cause, we kind of floated to our partners like, hey, this is coming. Like heads up, you know, right, so that everybody can be prepared, but I know there are challenges sometimes within surfacing of other priority items or kind of already in line waiting, right. So, this.

- KH KNIGHT Chris \* HCS 28:03 Mm-hmm.
- DAVIS Jaci \* HCS 28:09 Yeah.
- KE Kesterson, Aimee E 28:15

New change, no matter how minor, right?

We just want to make sure that we're ready to go.

Whenever we get the final approval.

So thank you, Chris, for letting me know. That's great.

KH KNIGHT Chris \* HCS 28:26

Yeah, I think we're talking about early December for this to go live.

- DH DAVIS Jaci \* HCS 28:32 Yeah.
- Kesterson, Aimee E 28:32 OK.
- DAVIS Jaci \* HCS 28:34

  Yes, and that is something that we will absolutely be of

Yes, and that is something that we will absolutely be communicating with all of you RAC members specifically for as well.

- **KE Kesterson, Aimee E** 28:34 Great. Thank you.
- DAVIS Jaci \* HCS 28:41

So when we file that notice of proposed rulemaking to open up our common periods when we're going to have our public hearing just to listen to public comments on this, all of you on our RAC are going to know about that.

And you're going to be invited to come in and watch or listen or, you know, look at the hearing Officer report afterwards to see if there was any feedback that we received.

And all of you will also receive an e-mail when we go to file that perm.

So once we codify all of this later on, like Chris said, I think we're planning to hopefully be done with this around late November, early December. Around that time, you all should expect another e-mail from Chris saying, hey, guys, thank you so much for your help here is our finalized rule and that's where it will have an effective date associated with it as well.

Kesterson, Aimee E 29:28
Perfect. Thank you very much.
I appreciate it.

# DH DAVIS Jaci \* HCS 29:30

Absolutely.

All right.

And I'm going to move us into just. This is the part of our of our meeting today where a lot of discussion is going to be happening and even if it's just validating like, Yep, that's what I'm aware of too.

I don't see anything different, even that validation is super helpful.

So even if you don't feel like you're adding much to this conversation space, trust me, you are.

But we're going to go through.

Our fiscal and economic impact statements at this time.

All right.

And with our drafted impact statements, we always start with our fiscal analysis. So how much money is this going to take for you all to implement it? And Chris also kind of pre shadowed that with letting us know that a lot of this program's information is sustaining the same way. There might be some modifications and you all may have feed.

Around what this is going to cost, that's different than what we've reported here. But ultimately we.

Report on any fiscal impact, whether it is positive or negative across the state for any department that may be, or any entity that may be utilizing the servicing manual.

And we only have a small group of us that are using the bond residential loan products at this point.

So we don't have a huge net to cast because we're not going to be touching a lot of the members of the general public, right?

So I'm going to just give folks a couple of minutes.

To finish reading this slide and then for anyone who might have a visual impairment or a disability, I will be reading out loud our responses here to make sure everyone is aware.

OK.

So our drafted impact statement here around fiscal impact, it says currently OHCS does not foresee the proposed rule changes impacting Oregonians fiscally both negative and positive.

Now RAC members does that.

How does that land for you?

Are there any fiscal impacts that we should be reporting with this rule change?

- Kesterson, Aimee E 31:48
  There were none that I saw.
  I agree with the response. I'm aligned.
- Ashmore, Andrew C. 31:52
  And they come to mind for me either.
- **DH DAVIS Jaci \* HCS** 31:56 Thanks drew.
- Sw Suzanne Wells 32:02 I don't either.
- DH DAVIS Jaci \* HCS 32:03

Thank you, Suzanne.

All right, let's move on to the next impact statements.

Now these are specifically we have a lot of impact statements.

Oh, go ahead, Chris. Sorry.

KH KNIGHT Chris \* HCS 32:15

Sorry, I wanted to mention one thing real quick, just kind of jump back to the thing is in just so you know that you're not required as a servicer, you're not required to offer all the services that we've made, but you know put those in into.

- Suzanne Wells 32:30 Mm-hmm.
- KH KNIGHT Chris \* HCS 32:30

Our guide.

It's just a guide if you are going to offer it, this is what we want you to do. So again, not a requirement that you offer, you know, partial claims or modifications

- KE Kesterson, Aimee E 32:42 OK.
- KNIGHT Chris \* HCS 32:42

  It's just something that you can, you know, and if you're going to this is this is the way we want you to do it.

  So sorry to jump back there.
- KE Kesterson, Aimee E 32:52 Thank you, Chris.
- Oh, you're good.

And here again we have about three or four impact statements, specifically looking at the impact of small business. And when we say small business in the APA that's looking at an organization that has 50 or less employees.

So that's what we define as a small business and again these servicing loans, we're kind of rotating them away into our new Flex lending product.

So it will look a little bit different in the future with our other lending products. But currently within the bond residential, we do not foresee this going into an impact to small business.

So the first question is identifying if there will be significant adverse impact to small business and OHCS does not foresee a negative fiscal impact to small business and there will be no mitigating efforts needed at this time because of that.

And then also there was an estimate about how many small businesses this is going to touch, right?

How many people?

How many small entrepreneurs are we going to be impacting with these rule changes? And because they don't impact small businesses, we have not engaged with, and we do not estimate that any small businesses here would be impacted. Do you all see any impact to small businesses that we are not seeing?

- KE Kesterson, Aimee E 34:17
  I did not see any.
- Sw Suzanne Wells 34:21 I'm not.
- Ashmore, Andrew C. 34:23 No, same here.
- DAVIS Jaci \* HCS 34:25
  Thank you. Perfect, great.

And I feel like this slide has a lot in it and it's around compliance and its around administrative cost. And as Chris mentioned, a lot of our service manual has a lot of information that you don't have to do all right? But if you're going to do.it, we should do it in this way.

We should report it around this way as well.

Thanks Drew.

- KHIGHT Chris \* HCS 34:56 Thank you, Drew.
- DAVIS Jaci \* HCS 34:59

So our impact around administrative compliance and cost.

The first question is asking us to describe any projected reporting or other administrative activities that for compliance that this administrative rule is going to create and any cost to that professional services that may be rendered. But it has been determined from OHCS standpoint at this point that the.

Projected reporting and other administrative requirement compliance, including the cost of professional services will not be new, and inherently not create new impacts around administrative costs for any of our servicers.

There's also a secondary question here around equipment supplies, labor increase, administrative requirements, and anything else that we put in our rules. That is new that's going to create a need for administrative or cost of compliance.

And again there is no new requirements for equipment.

Or supplies.

Or laborers or increase administration to comply with any of our existing servicing. And so it's not included in our servicing manual as well.

So we do not foresee that there is going to be a cost to comply or administer the rule changes as we were looking to adopt them, but we'd really like to validate that with you all Suzanne and Amy and make sure that that is what you all are.

Seeing around how you have to comply with these rules.

Changes.

### KE Kesterson, Aimee E 36:31

So we do have some concerns, not necessarily with the cost at the you know level for you guys but starting October 1st FHA as new requirements they don't require any financials, they only wanted a reason for default and they want to know the customer's OCC.

# Sw Suzanne Wells 36:32

Yeah.

Mm-hmm.

### KE Kesterson, Aimee E 36:52

So we completely agree that obtaining financials is the best mechanism, especially in this rate environment with escrows going really high, right.

We want to make sure that customers can afford to retain their properties or we want to make sure that we have those kind of uncomfortable conversations, but still highlighting the benefit of liquidating right, taking some equity that they may have left in their property, that kind of thing.

However, that being said, in order to align to FHA changes, at least with U.S. bank, we're having some capacity changes, if you will, right.

Because they're moving away from that.

So the only thing that I see is that by.

You know, we'll still need folks to track down, you know, make sure we have a complete package that we can send you guys with financials and that's a little bit even though it's the same and nothing is changing on your side because it's changing on the F.

Side it's just going to be a little different, right?

DH DAVIS Jaci \* HCS 37:44 Hmm.

### KE Kesterson, Aimee E 37:47

We we're still absolutely going to do that, but just in talking with my business line partners that manage those groups, that was just a concern that they had was we're making some capacity changes.

So it may take a little more time, you know, to track down those documents and make sure we get those.

DH DAVIS Jaci \* HCS 38:00 Mm-hmm.

### KE Kesterson, Aimee E 38:03

Over to you guys.

So certainly not anything that's a show stopper we can work through that, but just wanted to be Cognizant and share that that while we still agree, we need to get those financials over, make sure.

Ability is there.

It will not be a requirement after October 1st and so we will be very vastly different than what FHA is looking for with regards to just you know approving based on RFD and occupancy.

## Sw Suzanne Wells 38:34

CERN as well.

Most, I mean that was very. That was exactly what I was thinking.

So I don't have to really say much more, except that I'm also concerned about the compliance issue. If that isn't required for FHA. I've already been contacted in the past by FHA by not following compliance for their for their under their rules.

And questioning whether or not we were, we were doing that and I'm concerned with that as well.

So if these products solutions are available and are FHA, it's like and we're kind of going against their rules in order to follow these rules. That would be a concern for me and that could be a potential.

DH DAVIS Jaci \* HCS 39:24 Yeah.

### Sw Suzanne Wells 39:24

Expense as well.

And it is more expensive to.

To require all the documentation.

So that was my because just that is it's time and time is money so.

You're requiring the borrower to do something different for these rules than the FHA.

# DAVIS Jaci \* HCS 39:44 Than the FHA? Mm-hmm.

### Sw Suzanne Wells 39:47

I didn't have any concerns with USDA that seemed to be in alignment with USDA because they specifically state that basically.

OHCS has the.

Whatever.

You do whatever they want, but FHA doesn't call that out.

### KE Kesterson, Aimee E 40:02 Yeah.

### Sw Suzanne Wells 40:03

They only call out for modifications in their guide that I can find.

### KE Kesterson, Aimee E 40:06 Yeah.

### Sw Suzanne Wells 40:07

So in this time the changes are happening again in October, so we.

So there's even there's concern there.

So I agree with the concern.

### KE Kesterson, Aimee E 40:18

And just to piggyback quickly on what Suzanne just said, that made me think about it. When you don't have those complete packages in your tracking down letters, you're paying postage, you're paying to send those letters, you're not able to retire some of that from your repository, right?

So just some of that administrative stuff that would introduce cost as well in addition to staffing.

To support.

DH DAVIS Jaci \* HCS 40:38
Great highlight.

### KE Kesterson, Aimee E 40:41

And that was a good call about the compliance with FHA insurance ability requirements and stuff like that. If we must issue denials and that kind of thing.

# DH DAVIS Jaci \* HCS 40:57

I'm just making some quick notes myself and I'm going to use our recording after this to make sure we get it all annotated and recorded correctly for our permanent record and also for what we put on the website for our administrative feedback that we've gotten from you today.

Standing.

Thank you for that feedback.

I really do appreciate it.

I'm going to go ahead and move us into our final impact statement. I believe it is. All right, here we are.

Part of what we also are charged with doing is talking about racial equity. This became a rule making requirement for us back in 2021.

And so we are always looking at ways that we can try and bridge some of our racial equity gaps or understand at the very least when our rulemaking could negatively impact some of those.

Really marginalized communities.

So has this rule, or is this rule going to be impacting the racial equity? Across the state.

The OHCS response and I'll read it, kind of paraphrasing it has been that there are no minimums.

And there's no impact to racial equity with these rule changes because the loan servicing manual will provide guidance to those with existing loans.

So we're not able to continue offering this out, is it not going to be impacting those that might really.

You know, be disproportionately impacted in our economy and because of racial and race and equity, and because we're now have a new lending product within our flex products, that is where we're going to see a lot more available impact around racial equity.

But we do not see the current service manual impacting racial equity across our state. How do our RAC members feel about that?

### KE Kesterson, Aimee E 43:12

I always talk first. So, Suzanne, please feel free to go first.

### Sw Suzanne Wells 43:19

No, I don't.

I don't see how the rules would impact necessary. I think my concern previous on the other previous one is where you're treating an FHA borrower slightly differently because of the rules, not necessarily has anything with racial impact racial equity.

### Kesterson, Aimee E 43:43

I was going to say the exact same thing.

So Suzanne and I are your dream team over here.

Please invite us back anytime.

### DH DAVIS Jaci \* HCS 43:53

Outstanding.

Perfect. All right.

And from this I want to make sure that Nathan also has a chance to kind of quickly go over what we have heard so far in today's rack.

So hearing your perspective, I know Nathan's been working on getting some notes collected, so I'll turn it over to him to summarize some of the impacts that we're going to be amending our impact statements with.

- CH CLARK Nathan \* HCS 44:29
  - Give me a second.

Sorry, I was taking them in a different spot. Give me a second.

- Oh, no, you're good.
- CH CLARK Nathan \* HCS 44:35 Nope.
- DH DAVIS Jaci \* HCS 44:44 OK.

Let me share my screen over here where folks can see all his live notes manifested in one second, let me sshare. Here we go.

So this is what it will look like.

We'll probably do a little bit more finessing when we get it on our website, but yeah, feel free to walk through that for us, Nathan.

CH CLARK Nathan \* HCS 45:07

Yeah. So.

The top part is just some notes I was taking from this so I can understand what's happening.

This is a newer one for me as well.

I heard you all did not have any concerns with our draft impact statements for the fiscal impact for the small business impact and for the draft racial equity impact. Where there was concern is around the new FHA requirements for not requiring financial statements.

I did have a follow up question and maybe this is pretty obvious, but if you're working with FHA and you're working with us and FHA does not require something, but we do require something.

Does that automatically put you all out of compliance with FHA or it's just you now have an extra step to be in compliance with OHCS? Does that make sense?

My understanding was that it would take us out of compliance with FHA and I'll back that up with.

KE Kesterson, Aimee E 46:01 It does.

### Sw Suzanne Wells 46:08

Prior to any of this, we were looking at the FHA product for a PSA and I was contacted by FHA because they didn't understand why we weren't going.

We would or would not. Their question was that we should or their impression was that we should offer that in their quide they specifically call out a modification.

Needs to be approved, but the other products, the PC or the forbearance whatever other plan it from what I can gather, I have never been able to find where they call those items out as needing approval so.

That was where my concern came from is that it's not called.

There's nothing that calls out that we would have to get these.

We would have to get approval to move forward with.

A program that FHA offers that doesn't require financials.

But they do call out specifically that you have to get approval for the modification. So there's there was the concern.

### KE Kesterson, Aimee E 47:20

And I think to Suzanne's Point, just to go like that, this specific piece of it is the rate and term, right.

### Sw Suzanne Wells 47:21

I don't.

Mm-hmm.

### KE Kesterson, Aimee E 47:27

They give us some grace there and getting the approval, but there's nothing about an exemption, if you will or and I don't know if this piggybacks with what you are saying as well.

But where?

We've been questioned in the past is especially when customers end up getting

denied and FHA is saying well, but under our guidelines we can approve them and we're like yes, but you know.

OHCS is the investor and as the investor, they are exercising their investor, you know, rights to not approve this.

And so that's where there's a little bit of conflict just in the insurability component versus the investor component. And when there's, I won't say egregious, that's probably not the right word. But when they were vastly different requirements from the investor than we have from the insurer, it just.

Gets a little sticky for us as a servicer in the middle.

With HUD.

I don't know if that helps at all.

But that's kind of what we're seeing as well, just too picky back off of what Suzanne had provided.

# Sw Suzanne Wells 48:24

OK.

And that doesn't seem to have been the same situation for other USDA or other investors.

- KE Kesterson, Aimee E 48:33 Agree.
- Sw Suzanne Wells 48:34

  It's specific to FHA because it's and yeah, that's it.
- **KE Kesterson, Aimee E** 48:41

  FHA is the Unicorn in the situation for sure, right?
- Sw Suzanne Wells 48:42 That's right.
- CH CLARK Nathan \* HCS 48:44 Received.
- KE Kesterson, Aimee E 48:45

But you know we try and make sure that we keep all our investors and insurers, you know, happy and doing again what's right for the customers and the different entities. And this just kind of puts us in a little bit of a disadvantage and.

And not that it's not something we can't work through.

We're fully aware of it and we're, you know, trying to make sure we're notifying HUD as well that, hey, this is coming and this is kind of where we're going to be.

But again, just knowing that this will be a November or December timeline. It'll be right on the heels of their October update, so this potentially could have some impact that we just want to keep on y'all's radar.

I'm sorry, Nathan.

### CLARK Nathan \* HCS 49:26

I'll defer follow up questions for my colleagues who are much more well versed than I am in this.

### Kesterson, Aimee E 49:27

You were like, take it all the dudes over there.

### DH DAVIS Jaci \* HCS 49:37

Now I appreciate all of that too.

Chris, did you want to add anything to that one before?

because, I feel like summarizing it again. It might not be useful for us because I do get that.

The need around the inter intense piece in the JFHA differences around October 1st.

### KNIGHT Chris \* HCS 49:57

Yeah. And I might do, I guess if I was just more of a comment that I might do some additional research through HUD and FHA to find out I was, you know we ran this through DOJ and they didn't see any issues with it of course.

But they're not, HUD.

So there's that.

I guess my thought process on it, you know, just coming from the private sector is stricter rules are OK.

Especially with FHA, but less rules are not, and so and again we didn't set this out to be a requirement for the financials for every borrower who's going through a modification.

And really the meat behind her, the bones behind it, if you will, is what we've been seeing over and over again is folks who will have an FHA loan and they'll get a partial claim and that'll bring them current for exactly one month.

And then they'll stop making payments again, and wash, rinse, repeat and they keep the same thing saying that, oh, well, our hardship was due to excessive obligations, but now we can afford to make the payments.

Well, show me.

KE Kesterson, Aimee E 51:12 Right.

### KH KNIGHT Chris \* HCS 51:12

Not just tell me, show me.

And that's where it's coming from, are those people that have been repeat offenders of getting partial claims and modifications. And so yeah, now if we need to do it on everyone to be quote UN quote fair.

Then so be it.

But I'll do some follow up with FHA on my own and see where exactly in HUD to see exactly where they stand. As far as that and you know and given that we're an HFA, if there is you know a difference, if you will.

### KE Kesterson, Aimee E 51:35

Hang up.

Yeah. And just to let you know, Chris, just to kind of help with some of this as well, HUD is reintroducing that 1 by 24 seasoning requirement.

That seemed to have gone away when they lost their minds with COVID. So again, I think that's going to help some of those people that have gotten very accustomed to, as you said, become those repeat offenders, right?

## KH KNIGHT Chris \* HCS 51:53 Mm-hmm.



### KE Kesterson, Aimee E 52:04

They were just used to. I want to take a vacation, you know, and then I'll come back, and I'll worry about my mortgage payment because there's these options and we don't have seasoning requirements. And I can get whatever I want.

And now we're kind of going back to that pre COVID type mentality where we're trying to be, you know, help them make responsible choices.

And either you know, get them to an affordable payment or help them exit gracefully.

So completely agree.

Hopefully the seasoning requirement helps a little too.

### KH KNIGHT Chris \* HCS 52:31

And do you know the cause? I haven't seen any of the details coming out besides the whole 24-month thing.

Do you know that it is it?

KE Kesterson, Aimee E 52:36 Sure.

### KH KNIGHT Chris \* HCS 52:37

Is it 24 months?

Separation between partial claims or is it 24 months and a set number of payments like you could go two years without making a payment and the foreclosure process is so freaking slow that doesn't ever get anywhere?

It just, you know, wait two years and there you go.

But I guess you know two more to Rule update is like we want to see that they've made 12 payments and that's not, I don't think it's asking the world.

Especially, you know, if we've done a large partial claim or.

We've done a large modification this bottom current, but I guess and I just don't know.

So, do you know, do either one of you, Suzanne or you, Amy know, is FHA requiring a set number of payments we made or is it just a 24 months before another partial claim is processed?

- KE Kesterson, Aimee E 53:26
  Suzanne, did you want to take this one?
- Sw Suzanne Wells 53:27
  That one I don't know off the top of my head.
- KE Kesterson, Aimee E 53:29
  OK.
  That's OK.
- Suzanne Wells 53:30

  I'd have to ask, but I it would make sense to me that it's you would have become current and then at one point in that process and then another a total of 24 months.
- KE Kesterson, Aimee E 53:31
  You're fine.

You're fine. So, the only.

Yep, it's not looking at payments at all, except that there had to have been an X amount of payment since originations in order before we can even give you the very first workout. But then as soon as we bring you contractually current, through a partial claim.

Suzanne Wells 53:45 So.

Yeah.

KE Kesterson, Aimee E 53:58

Or a modification.

Hud's counting 24 months from the date of execution of those workouts and they are not looking at any payments made after that. Once we trigger the 98 SFDMS code, telling them that its current that tracks them for this was.

Completed workout and then that's that 24 months starts after that.

So to your point, Chris, it's not looking to see, OK? But could they afford it all they're looking at was, OK? It brought them current and now it starts the clock over.

KH KNIGHT Chris \* HCS 54:28 OK.

Thank you.

- KE Kesterson, Aimee E 54:30 Of course.
- DAVIS Jaci \* HCS 54:35

I feel like This is why we really appreciate a lot of your expertise in our policy discussions, so we can try to work on mitigating some of this possible issues in the future.

Especially as we're approaching having our permanent rules codified later on in late fall, early winter of this year.

So hopefully they'll give us lots of time to work on this and we will be ultra transparent around the decisions and our responses to all of this.

KE Kesterson, Aimee E 55:05

For sure.

And we appreciate the opportunity to be able to share some of what we're seeing on our side proactively instead of reactively for sure.

- Sw Suzanne Wells 55:08 Yeah, yeah.
- DAVIS Jaci \* HCS 55:16 Alright.
- Sw Suzanne Wells 55:17 Yes.
- DH DAVIS Jaci \* HCS 55:20

I'm going to move us into our final slide today and we're just going to talk about what to expect next.

And I think we talked about it briefly earlier about how our RAC members, you're

going to get emails from Chris all along our rulemaking process. So as we're getting close to file, our notice of proposed rulemaking that is the filing that we'll send over to the secretary of.

State's office that says, hey, legislator, hey, general public, we're going to be doing some rule changes over here.

What do you all think?

It'll also include a date and time for our public hearing, and that will be a very much of a different facilitated space than you're in today.

This has definitely been a very helpful dialogue, but when we go into our public hearing, our staff and us, we will be much more in a listening phase.

So we will just be there to hear and take down any recorded.

Comment from the public and anybody who comes into our public comment spaces.

We will conclude our legislative comment period. The last part of November, they get 49 days to take a look at our proposed rules and provide any feedback they would like and then our public comment period is only going to be held open for 30 days, so after.

Our concluded conclusion of the legislative comment period.

That's when this team again, you're going to get some more emails from Chris and he's going to say thank you all for all of the contributions.

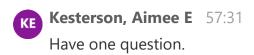
Here's what we landed with and we will be filing a permanent rule order with this draft.

So you will also get a notification when we get to that point later on. Like I said, like maybe late December might be early December or excuse me late November, early December.

Just depends on some when we can get some of our guidance finalized, but we need to talk about it internally within our leadership.

Maybe we need to have more conversations with DOJ.

All of those things can impact the date that we actually get. This all codified for us. But that is what to expect in our rulemaking process and timeline. And before we conclude, I just want to make sure there are any other last questions that our RAC members may have today?



The wonderful guide that's in the chat. I do not have access to open it says I wasn't set up with Oregon, so I didn't.

- Sw Suzanne Wells 57:32 Oh.
- KESTERSON, Aimee E 57:38

  If you could send that out in a PDF, Suzanne, I don't know if you had the same, OK.
- Suzanne Wells 57:41
  Same issue.
- KNIGHT Chris \* HCS 57:41 l can.
- DAVIS Jaci \* HCS 57:44 Ah.
- KNIGHT Chris \* HCS 57:44

  Can I e-mail that to both of you guys?
- Sw Suzanne Wells 57:45
  Thank you.
- KE Kesterson, Aimee E 57:45 Thank you so much, Chris.
- KH KNIGHT Chris \* HCS 57:46 I was going to.

I was going to e-mail it to everybody, everybody anyways, just because it is the most recent quote UN quote Final version so.

KE Kesterson, Aimee E 57:54

Awesome. No worries. Thank you, Chris.

- **KNIGHT Chris \* HCS** 57:54 We're just, yeah, not a problem.
- KE Kesterson, Aimee E 57:56
  I appreciate you taking care of us.
- DAVIS Jaci \* HCS 57:58
  Thank you, Chris.
- Sw Suzanne Wells 57:58

I did have a question for my team.

One of the things that is not covered in the guide that we're seeing is the imminent default requirements.

So if a borrower is not 60 days past due, it's different for. That's different. That is, you require a packet, but.

There, there wasn't anything discussed about that, so I he.

My home Preservation Officer was asking if that was going to be included.

- DH DAVIS Jaci \* HCS 58:28
  Get back.
- KHIGHT Chris \* HCS 58:28
  Back on that.

### Sw Suzanne Wells 58:30

Eminent default when the customer is not 60 days past due has a different, usually a requirements for review for any for their and that's when you would review for income and.

So if and you would require a packet and you would and you would go forward with whatever solution is but based on specific criteria, each investor has a different way of looking at that.

So GSC look at it.

A very specific way FHA.

Basically, I think it's a servicer guidelines.

So sometimes it's based on just if they're suffered death, disability or divorce.

That's the 3DS, and that's generally what the criteria is. Or if it's not one of those three things, then it's possibly.

Their credit score and their income versus their expenses.

To see if it's viable to be in this this, but anyway it's a, it's a definition that's not defined in the servicing guide and would be and it usually is in other servicing guides.

- DAVIS Jaci \* HCS 59:35 Hmm.
- Sw Suzanne Wells 59:39
  So that would be helpful.
- KH KNIGHT Chris \* HCS 59:43 OK.
- KE Kesterson, Aimee E 59:43

So are we asking to say hey, is the expectation the same for a borrower that's less than 60 days past due as it would be a borrower that's 60 days in default or are there different requirements?

- Sw Suzanne Wells 59:52 Yes.
- KH KNIGHT Chris \* HCS 59:55

And this and this wasn't a rule that was in any of our prior servicer guides.

So I will have to circle back on that.

I wasn't.

We just kind of really went, went off the stuff that was already in the guide and I don't believe that was addressed in any of the prior guides, you know, dating back to 2009 at least, so.

Sw Suzanne Wells 1:00:16

I agree.

It wasn't.

KH KNIGHT Chris \* HCS 1:00:18

OK.

So could you, could you?

Would you be?

Would either one of you level ladies be so kind to e-mail me the details of said rule? Because I.

- Suzanne Wells 1:00:23 Uh-h.
- KH KNIGHT Chris \* HCS 1:00:26

Literally it was it wasn't.

We were just basically taking one of the guys from 2015 and tweaked it a bit. It's really what it amounted to.

So if you all could e-mail me the details, pardon me of what? That is exactly, that would be fantastic.

- Sw Suzanne Wells 1:00:39
  Sure.
- KNIGHT Chris \* HCS 1:00:48
  And JACI is frozen in time now.
- Kesterson, Aimee E 1:00:51
  Oh no.
- KH KNIGHT Chris \* HCS 1:00:52 All right.
- Suzanne Wells 1:00:52
  Oh no.

- Ch, glitchy. There you go.

  I see you moving.
- DAVIS Jaci \* HCS 1:00:57
  Oh, I'm sorry.
  I think my computer froze.
  Sorry about that. I'm sorry.
- KH KNIGHT Chris \* HCS 1:01:02 It's all good. It's all good.
- DAVIS Jaci \* HCS 1:01:03
  I'm in the building.
  How does this happen?
- KH KNIGHT Chris \* HCS 1:01:05
  You're wired in.
- DH DAVIS Jaci \* HCS 1:01:05
  Sorry about that, Joe.
  Oh, right.

So again, I'm sorry I missed that last bit of the conversation, but I just wanted to quickly say thank you all so much for your time and your insight and thoughtful discussion today. I feel like your participation, I think we can all agree in this advisory commit.

It's really, truly appreciated.

We know that.

Your time and your expertise is very, very valuable, so we appreciate you coming in and lending us all of that.

And so feel free to also provide any additional follow up. We have Chris e-mail. I know you all talked to them and he's been emailing you already, so feel free to reach out to Chris if you can think of something, maybe even later on, maybe tomorrow, maybe later on in the month.

Just know that you can always reach back out. Like Oh yeah, I was having this thought as well.

About this thing, feel free to send those over to us even after today's rack, and we will be sure to loop you all in as our filing process continues and as we get ready to open up our proposed rules for the general public as well, so.

- Sw Suzanne Wells 1:02:13
  Great.
- **DH DAVIS Jaci \* HCS** 1:02:13 Thank you all for your time.

I told you we weren't going to need the whole 90 minutes, but I hope you all have a fantastic long weekend.

- KE Kesterson, Aimee E 1:02:17
  Yeah.
- DH DAVIS Jaci \* HCS 1:02:21

Enjoy your holiday.

Maybe make it out to the State Fair if you're a local here in Oregon. And feel free to reach out if you have any additional questions.

- Suzanne Wells 1:02:30 Thank you very much.
- KNIGHT Chris \* HCS 1:02:31 Thanks y'all.
- KE Kesterson, Aimee E 1:02:32
  Thank you so much. Bye everyone.
- Suzanne Wells 1:02:33
  Thanks. Thanks.



DAVIS Jaci \* HCS 1:02:36
Hi all.
Thank you.

□ stopped transcription