



United States
Department of
Agriculture

Rural Development



Avoid Foreclosure: Pre-Foreclosure Sale & Deed In Lieu to the Rescue!

Section 502 Guarantee Loan Program

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COST OF FORECLOSURE

Survey of FY 2017 paid claims

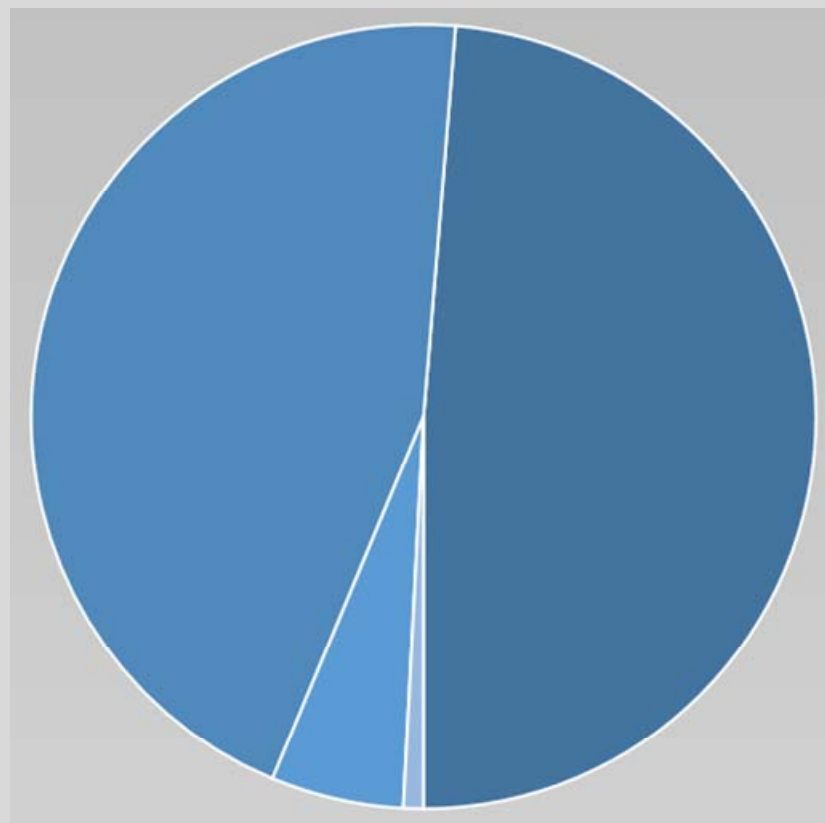
- Average loss claim: \$50,990
- Average liquidation costs: \$6,168



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LOSS MITIGATION OPTION USE

- ✓ **Loan Modification** 49%
- ✓ **Repayment Agreements** 45%
- ✓ **Pre-Foreclosure Sales** (Less than 1%)
- ✓ **Deed In Lieu** (Less than 1%)



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**COULD FORECLOSURE
BE AVOIDED?**



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EVIDENCE OF HOPE

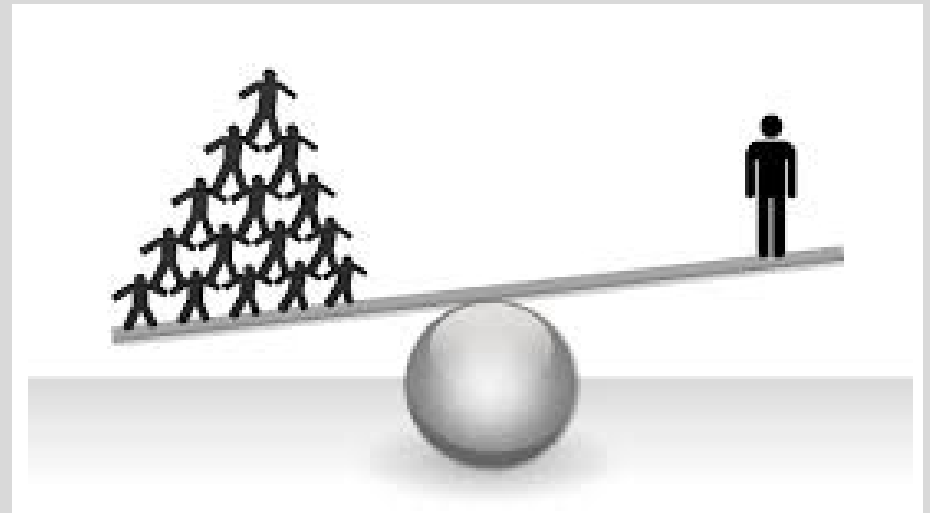
- Less than 3,000 claims
- Not due to foreclosure



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LEVERAGE YOUR OPTIONS!

- Pre-Foreclosure Sale
- Deed in Lieu

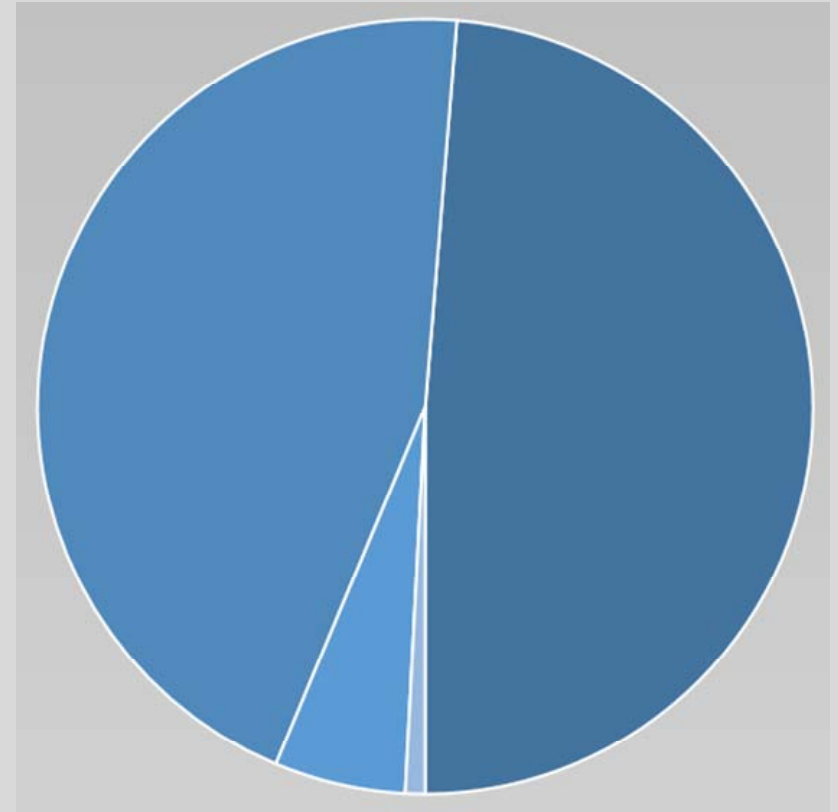


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**Pre-Foreclosure Sales:
LESS THAN 1%?**

Missed Opportunities?

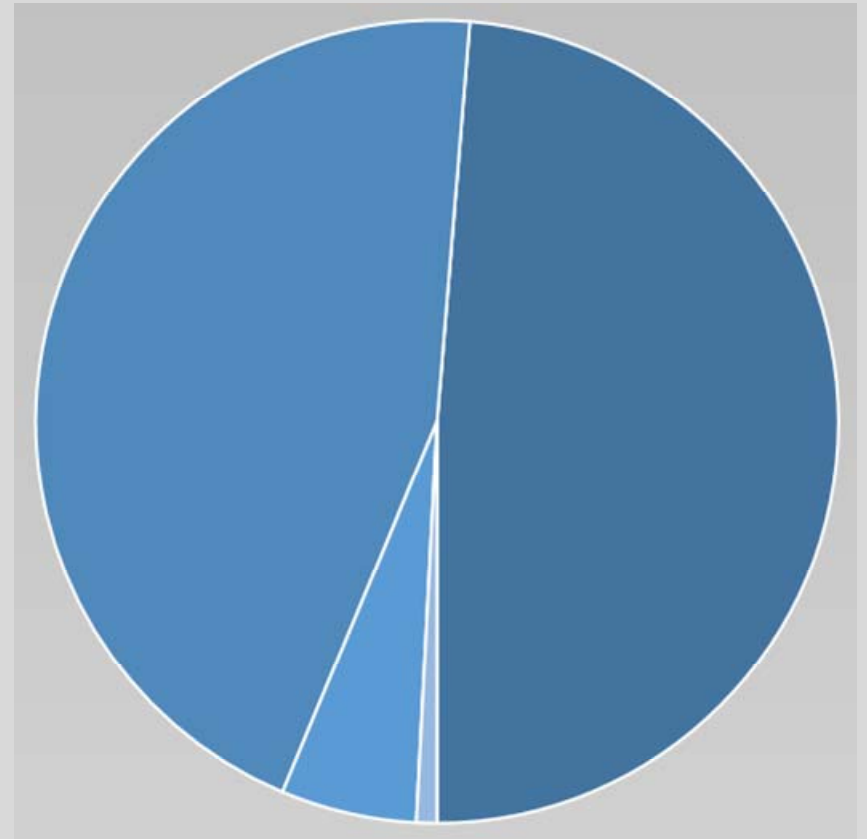
- Failed repayment plan
- Repair language confusing



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Deed In Lieu:
LESS THAN 1%?

- Short Sale falls apart
- Borrower in bankruptcy
- Failed repayment plan



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GOALS

- Empower Partners
- Encourage flexibility
- Document appropriately



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Regulation and Handbook

7 CFR 3555:

3555.305 Voluntary Liquidation

HB-1-3555: Chapter 18

Attachment 18-A: Loss Mitigation Guide



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USDA Regulations and Guidelines

<https://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13555>

HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK

A consolidated version of the handbook is available. [HB-1-3555](#) is a large document and may take sometime to load.

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- Appendix 8** - EDI Documentation
- Appendix 9** - Penalties
- Appendix 10** - Unnumbered Letter and State Supplements

APPLIED ASSUMPTIONS

- **Waterfalls are exhausted**

1. Informal Repayment Agreement
2. Special Forbearance
3. Loan Modification
4. Special Loan Servicing
5. Pre-Foreclosure Sale
6. Deed-In-Lieu

Special Relief Options:

1. Extended term and lower interest rate
2. Extended term, lower interest rate, and Mortgage Recovery Advance (MRA)
3. MRA alone

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LEARNING CHECKS: ***START YOUR ENGINES!***



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Question 1: True or False

- Borrower is discharged from Chapter 7 bankruptcy
- Mortgage debt is not reaffirmed

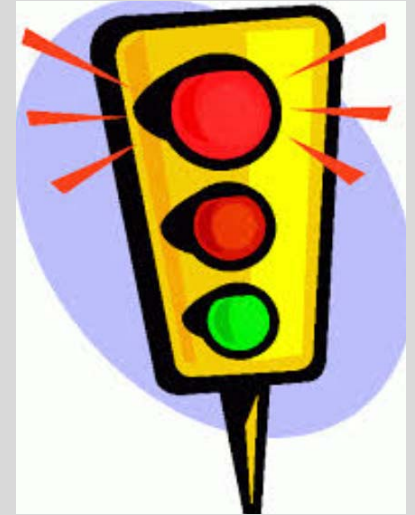
Lender must pursue PFS before a foreclosure may be initiated.

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Question 1: **FALSE**

Offer a Deed in Lieu (DIL)!

- Borrower is no longer liable for the mortgage debt
- No financial package is required: recent BK
- Save foreclosure/acquisition costs
- Title must be clear



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Question 2: True or False

- Borrower is 60 days delinquent
- Property appraised for \$100,000
- Required repairs: \$10k floor coverings, \$10k replace A/C and heating system, and \$10k deck replacement = \$30k total
- Repairs due to borrower neglect, not eligible for a homeowners insurance claim

Repairs exceed 10% of appraised value. A PFS or DIL is not an eligible option.

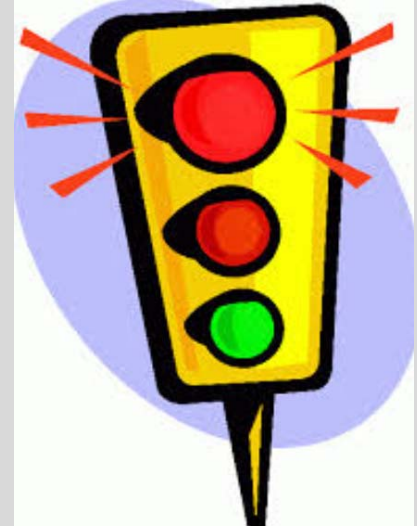
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Question 2: False

This property is eligible for a PFS or DIL.

- Property is in average to poor condition
- Repairs are not an insurable loss or eligible for reimbursement
- Lender may either 1. Offer PFS without repairs or 2. Offer DIL, complete repairs, market property

Either option = avoiding foreclosure and saving money



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Question 3: True or False

- Borrower is 30 days delinquent
- Residence was vacated and rented due to job relocation and upside down equity
- Renters left after two years, borrower is unable to cover the current mortgage

Borrower is eligible for a PFS.

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Question 3: True

The borrower is eligible for a PFS.

- Reason to vacate the property and hardship is involuntary
- Capacity to repay is not supported



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Question 4: True or False

- Borrower was approved for a PFS
- Reason for default was involuntary
- No capacity to repay the mortgage
- Property has been on the market for 90 days, no offers

Borrower is eligible for a DIL.

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Question 4: True

The borrower is eligible for a DIL.

- Borrower's capacity to repay is unchanged
- No new financial package is required if there is no change in hardship circumstances



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Question 5: True or False

- All borrowers to the mortgage are deceased
- The home is now held by the heirs of the estate
- Mortgage balance is \$105,000
- Appraised value is \$98,500

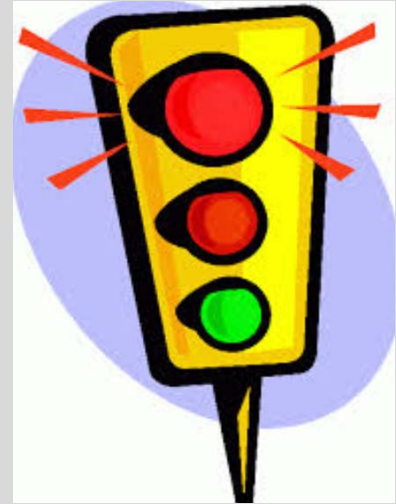
Lender must offer a PFS before a DIL could be considered.

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Question 5: False

The lender may offer the heirs a DIL.

- There is no equity in the home
- Title must be clear
- The DIL reduces the burden on the heirs
- Reduces financial costs to liquidate the property



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Question 6: True or False

- Loan is DQ 30 + days
- Loss of job 2 months ago
- Borrower was renovating the kitchen, fire occurred: Total damage: \$45,000
- Appraised value of dwelling: \$215,000
- Insurable loss

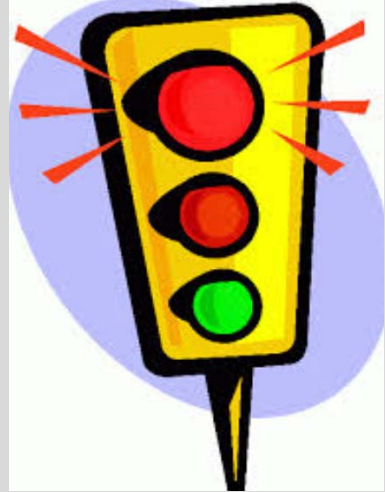
Lender must proceed to foreclosure due to damage.

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Question 6: False

The lender may offer the borrower a PFS.

- The damage is an insurable loss
- Lender must work with insurance company to repair
- Market property for 90 days
- If no sale after 90 days, proceed to DIL and continue to market property



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Goal: Avoid Foreclosure

- Reduce costs to lender and government
- Avoid lengthy litigation
- Encourage homeowner to leave peacefully, collateral intact
- Reduce personal/emotional loss
- Assist homeowner to maintain better credit: Avoid bankruptcy

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SOP

- 1-Standard
- 2-Operating
- 3-Procedure

1. Reason

2. Prudence

3. Good judgment

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SOP

- 1-Standard
- 2-Operating
- 3-Procedure

1. Document

2.Document

3.Document!

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Speaking of Document: USDA LINC

<https://usdalinc.sc.egov.usda.gov/RHShome.do>

USDA United States Department of Agriculture **USDA LINC** Lender Interactive Network Connection

[USDA LINC Home](#) [FSA LINC Home](#) [RBS LINC Home](#) [RHS LINC Home](#) [RUS LINC Home](#) [Help](#) [Site Map](#) [Message Board](#)

Single Family Guaranteed Rural Housing
[Electronic Status Reporting \(ESR\)](#)
[Guaranteed Annual Fee](#)
[Loss Claim Administration](#)
[Guaranteed Underwriting System \(GUS\)](#)
[Lender Loan Closing/Administration](#)
[ID Cross Reference](#)
[Application Authorization](#)
[Lender PAD Account Maintenance](#)
[Training and Resource Library](#)

Multi-Family Housing
[Lender Loan Closing/Administration](#)
[ID Cross Reference](#)
[Application Authorization](#)
[Lender Status Report List](#)
[Lender PAD Account Maintenance](#)

Community Facilities
[Lender Loan Closing/Administration](#)
[ID Cross Reference](#)
[Application Authorization](#)
[Lender Status Report List](#)
[Lender PAD Account Maintenance](#)

The image shows a speedometer graphic with a needle pointing towards the right. Above the needle is the word 'TURBOCHARGE' in a stylized, bold font. Below the needle, the text reads 'Save Time! Save Money!' and 'AUTOMATED LOAN CLOSING'. To the right of the speedometer is a green circular button with the word 'START' in white. Above the button, the text reads 'Your Guaranteed Loan Processing!'.

1. Enter servicing plans upon your approval.
2. Do not wait until the borrower responds.
3. USDA requires documentation of your decision.
4. Failure to report = unauthorized servicing.

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USDA LINC: Loss Claim Administration



United States
Department of
Agriculture

GLS Lender Loss Claim Administration

[RHS LINC Home](#) | [Lender Profile](#) | [Help](#) | [Logoff](#)

Loss Mitigation

[Add Loss Mitigation](#)

[Loss Mitigation List](#) (Access to View /Update Loss Mitigation)

[Lender Display Document](#)

User Authorization

[Maintain Lender/Branch Representative](#)

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Helpful Tips

- **Be Empowered!**
- **Put PFS and DIL options on the table**
- **Document decisions**
- **Low cost options are win/win**

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Resources: USDA LINC

<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

The screenshot shows the USDA LINC Training & Resource Library website. The header includes the USDA logo, the text "United States Department of Agriculture Rural Development", and navigation links: "About USDA", "Ask The Expert", "Help", and "En Español". A search bar is located on the right. Below the header is a main navigation bar with links: "Home", "About RD", "Programs & Services", "Browse by State", "Newsroom", "Publications", and "Contact Us". A secondary navigation bar shows the current path: "Home / Programs & Services / For Lenders / USDA LINC Training & Resource Library".

The main content area is titled "USDA LINC Training & Resource Library". It features a sidebar on the left with a "Programs & Services" menu. The menu items are: Overview, All Programs, For Businesses, For Communities & Nonprofits, For Cooperatives, For Individuals, **▼ For Lenders** (selected), Multi-Family Housing Loan Guarantees, Community Facilities Guaranteed Loan Program, LINC Training & Resource Library (highlighted), Lender Bulletins, Services, and For Developers.

The main content area contains a yellow banner with the following text: "7 CFR 3555 | Electronic Status Reporting | Guaranteed Annual Fee | Guaranteed Underwriting System | Lender Loan Closing | Loss Claim Administration | Loan Origination | Loss Mitigation | Property Disposition | Security". Below the banner, a paragraph states: "The documents and material contained in the USDA LINC Training and Resource Library use Adobe PDF and Adobe Flash formats. To view PDF files you must have Adobe Acrobat Reader installed on your computer. To view Flash files you must have Adobe Flash Player installed on your computer." Below this is a section titled "7 CFR 3555" and "Training".

The "Training" section lists four items:

1. Become an Approved Lender (Webcast) 16 minutes
 - Become an Approved Lender: 1 slide per page (Training Handout)
 - Become an Approved Lender: 2 slides per page (Training Handout)
 - Become an Approved Lender: Slide with notes (Training Handout)
2. 7 CFR 3555 and HB-1-3555 Overview (Webcast) 23 minutes
 - 7 CFR 3555 and HB-1-3555 Overview: 1 slide per page (Training Handout)
 - 7 CFR 3555 and HB-1-3555 Overview: 2 slides per page (Training Handout)
 - 7 CFR 3555 and HB-1-3555 Overview: Slide with notes (Training Handout)
3. Applicant Eligibility (Webcast) 17 minutes
 - Applicant Eligibility: 1 slide per page (Training Handout)
 - Applicant Eligibility: 2 slides per page (Training Handout)
 - Applicant Eligibility: Slide with notes (Training Handout)
4. Property Eligibility (Webcast) 14 minutes
 - Property Eligibility: 1 slide per page (Training Handout)
 - Property Eligibility: 2 slides per page (Training Handout)

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Resources: USDA LINC

Loss Claim Administration and Servicing

Documentation & Resources

1. [Guaranteed Servicing Contact Information \(PDF\)](#)
2. [Trading Partner Agreement - Addendum E \(PDF\)](#)
3. [Quick Reference Upload Loss Claim Documents \(PDF\)](#)

[Top of Page](#)

Loan Origination

Documentation & Resources

1. [Guaranteed Annual Fee Calculation Methodology \(PDF\)](#)
2. [Guarantee Fee & Annual Fee Calculator\(EXCEL\)](#)
3. [Electronic Doc Delivery \(Non-GUS loans\) PDF](#)

[Top of Page](#)

Loss Mitigation

Documentation & Resources

1. [Loss Mitigation Servicer User Guide \(PDF\)](#)
2. [RD Special Loan Servicing Final Rule \(PDF\)](#)
3. [RD Special Loan Servicing Job Aid \(PDF\)](#)
4. [Quick Reference Upload Loss Mitigation Documents\(PDF\)](#)
5. [Loss Mitigation User Agreement\(PDF\)](#)

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Property Disposition

Documentation & Resources

1. [Property Disposition and Document Upload Servicer User Guide \(PDF\)](#)

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Security

Training

1. [Lender eAuth Training for SFH \(FLASH\)](#)

Documentation & Resources

1. [Additional Lender Security Administrator - Fillable \(PDF\)](#)

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Resources: GovDelivery



The screenshot shows the USDA LINC Training & Resource Library website. The header includes the USDA logo, navigation links (Home, About RD, Programs & Services, Browse by State, Newsroom, Publications, Contact Us), and social media icons. A red arrow points to the 'Back to Previous Page' link in the top right corner.

USDA United States Department of Agriculture
Rural Development

About USDA | Ask The Expert | Help | En Español

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Site Map | A-Z Index

Home / Programs & Services / For Lenders / USDA LINC Training & Resource Library

Programs & Services

- Overview
- All Programs
- For Businesses
- For Communities & Nonprofits
- For Cooperatives
- For Individuals
- ▼ For Lenders
- Multi-Family Housing Loan

USDA LINC Training & Resource Library

7 CFR 3555 | Electronic Status Reporting | Guaranteed Annual Fee | Guaranteed Underwriting System | Lender Loan Closing | Loss Claim Administration | Loan Origination | Loss Mitigation | Property Disposition | Security

The documents and material contained in the USDA LINC Training and Resource Library use Adobe PDF and Adobe Flash formats. To view PDF files you must have Adobe Acrobat Reader installed on your computer. To view Flash files you must have Adobe Flash Player installed on your computer.

7 CFR 3555

Training

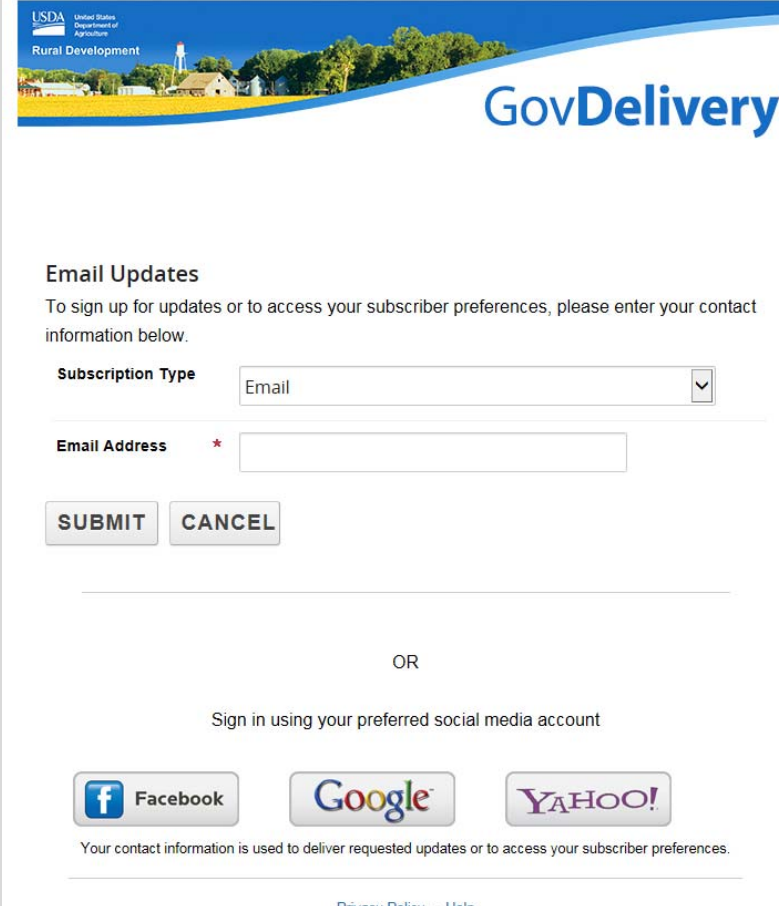
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Resources: GovDelivery

Subscriber Preferences

- ☐ Rural Development Housing Programs
 - ☐ SFH Direct
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 - ☐ SFH Guaranteed
 - ☐ SFH Guaranteed Origination 
 - ☐ SFH Guaranteed Servicing 



The image shows a screenshot of the GovDelivery website's "Email Updates" form. At the top, there is a header with the USDA logo and a rural landscape image. The "GovDelivery" logo is in the top right. The form is titled "Email Updates" and includes a sub-header: "To sign up for updates or to access your subscriber preferences, please enter your contact information below." The form contains two main input fields: "Subscription Type" with a dropdown menu currently set to "Email", and "Email Address" with a red asterisk indicating it is required. Below these fields are "SUBMIT" and "CANCEL" buttons. A horizontal line separates this section from the social media sign-in options. Below the line, the text "OR" is centered, followed by "Sign in using your preferred social media account". There are three buttons for social media: Facebook, Google, and YAHOO!. At the bottom, a small line of text states: "Your contact information is used to deliver requested updates or to access your subscriber preferences." and a link for "Privacy Policy - Help" is provided.

USDA United States Department of Agriculture Rural Development

GovDelivery

Email Updates

To sign up for updates or to access your subscriber preferences, please enter your contact information below.

Subscription Type Email

Email Address *

SUBMIT CANCEL

OR

Sign in using your preferred social media account

Facebook Google YAHOO!

Your contact information is used to deliver requested updates or to access your subscriber preferences.

[Privacy Policy](#) - [Help](#)

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