



City of El Paso

---

# Loan Servicing and Collections Manual

Community + Human Development

**EFFECTIVE March 2, 2020**

# Table of Contents

Introduction	3
1.0 Loan Servicing & Management Process	4
1.1 Loan Set-Up	4
1.2 Loan Payments	4
1.3 Ach Payments	5
1.4 Loan Pay-Off	5
1.5 Information Security	6
2.0 Collections Procedures	7
2.1 Delinquency Management – Delinquent Letters	7
2.2 Foreclosures	10
2.3 Bankruptcy	10
2.4 Credit Reporting	10
2.5 Reports	10
3.0 Loss Mitigation Process	11
3.1 Servicing Early Delinquency Loans (30-60 Days Past Due)	11
3.2 Borrowers Delinquency 60-90 Days Past Due- Default AtRisk Loans	16
3.3 Borrowers Delinquency 90-120 Days Past Due- Default AtRisk Loans	17
3.4 Borrowers Ability (Capacity) To Cure Default (Over 120 Days Past Due)	17
3.5 Loan Reclassification	18
3.6 Special Forbearance	20
3.7 Loan Modification	23
3.8 Special Loan Servicing	26
Definitions	30
Appendix A: Servicing of Loan Forms	32
Servicing Of Loan Request Form	32
Forgivable Deferred Payment Loan Promissory Note	35
Builders & Mechanics Lien Contract	36
Deed of Trust	37
Shared Appreciation/Deferred Payment Loan Promissory Note	38
Appendix B: ACH Authorization Form	39
Appendix C: Payment Discount Policy	40
Appendix D: Release of Lien Process	41
Appendix E: Acknowledgment of Handling Sensitive Information	42
Appendix F: Portfolio Reports	43

Appendix G: Special Forbearance Checklist_____	45
Appendix H: Loan Modification Checklist_____	46
Appendix I: Loan Process Flowchart_____	47
Appendix J: Loan Review Form_____	48
Appendix K: Behind on Mortgage Brochure_____	49
Appendix L: Save Your Home Brochure_____	50
Appendix M: Guidelines for Subordination Agreements_____	51
Appendix N: Subordination Agreement Request_____	52

**Note:** The administrative policies and procedures outlined in this manual supersede all previous administrative policies and procedures in place prior to, January 1, 2019, that may have been included in memorandums, emails or other means of communication. All questions or conflicts with departmental procedures need to be directed to the Administrative Services Division of the Community and Human Development Department at (915) 212-0139.

## **Introduction**

This manual outlines the administrative policies and procedures with respect to the Community Development Block Grant (CDBG), HOME Program Income (HOME PI) and Empowerment Zone Revolving Loan activities for the City of El Paso (“*COEP*”). This manual includes policies on loan procedures for set up, collections, loan activity and mitigation procedures processed by the COEP. It additionally focuses on the most common situations encountered during loan collection procedures once a loan is disbursed to the borrower. Under special circumstances, deviations will be reviewed, approved, and noted in the loan file by the Department of Community and Human Development.



## 1.0 Loan Servicing & Management Process

The practice of making loans includes the responsibility of collecting payments and reconciling customer accounts. The effectiveness of these activities relies on an accounting system that accurately compiles payment information while generating timely loan account reports. Subsequently, attention can be focused on procedures designed to prevent delinquent account balances by reducing late payments and eliminating past due amounts. These collection procedures when combined, determine the overall collection policy of the Department of Community and Human Development (DCHD).

After a loan is processed and the mandatory three-day right of rescission has expired, DCHD Senior Accounting and Loan Collections Specialist will scan copies of the following documents into a shared Community Development network drive: (See Appendix A)

- Servicing of Loan Request Agreement
- Loan Note
- Secured Grant Note
- Builders and Mechanics Lien & Deed of Trust
- Deed of Trust
- Shared Appreciation/Deferred Payment Loan Promissory Note

DCHD Senior Loan Accounting and Collections Specialist and Grant Accounting Specialist will set-up the loan in Down-Home system, which is the loan-tracking software system for community development lenders and utilize by COEP. Borrowers will receive a monthly statement including a payment coupon with instructions on how to make a payment. At year-end, loan servicing staff will mail a Form 1098, if applicable, postmarked by January 31<sup>st</sup> of each year.

DCHD Accounting Staff will review the monthly statements

### 1.1 LOAN SET-UP

Refer to the Down-Home user guide for loan set-up; <https://help.downhomesolutions.com/>. Updates for the Down-Home user guide should be requested to the Down-Home Director-Administration and Technical Support Services.

### 1.2 LOAN PAYMENTS

For the convenience of our customers, the COEP offers the following options for loan payments. The Cashiers Office at the One Stop Shop (OSS) will receive payments for HUD loans and processes them through the Accela system.

**In Person:**

City of El Paso (OSS)  
811 Texas Ave.  
El Paso, TX 79901

City Hall  
Office of the Comptroller  
City of El Paso  
300 North Campbell  
El Paso, Texas 79901

**Loan payments can be mailed to:**

City of El Paso HUD Loans  
P.O. Box 206259  
Dallas, TX 75320 - 6259

Community + Human Development,  
Attention Loan Servicing,  
City of El Paso  
801 Texas, City 3, 3rd Floor  
El Paso, Texas 79901



Payments will be posted daily in the Down-Home system. For the loans that did not receive a payment on their respective deadline and after the 10-day grace period, the DCHD Accounting staff will post a code to indicate the loan account is past due.

### 1.3 ACH PAYMENTS

ACH is defined as Automatic Clearing House, which represents electronic withdrawals from the clients' bank accounts for monthly loan payments. At this time, ACH payments will be required to be established for all new loans. ACH payments will assist in the timely and accurate collection of loan payments thereby minimizing late payments and late fees. A Direct Payment Authorization Form must be completed in order to participate in this free service option. A sample of this form is included in Appendix B.

### PAYMENT DISCOUNT POLICY

Customers that elect to use ACH for their existing loans with the COEP may qualify for a discount to their loan if the entirety of the policy below is followed without exception:

1. ACH account is set up and a related ACH responsibility disclaimer is completed and signed by the customer.
2. The ACH account is kept current and payments are received on a timely basis for 12 full months.
3. A credit of \$100.00 will be made to the customer's account if items 1-2 are in compliance. (See Appendix C).

**Payment discount policy is a one-time promotional offer that will not be extended beyond December 31, 2019. Enrollment period concluded January 31, 2019.**

### 1.4 LOAN PAY-OFF

Accounts with less than two monthly payments worth of principal balance will be identified, analyzed and tracked for an imminent pay-off. These borrowers will be contacted by the DCHD Accounting Staff, informing them of their final pay-off amount balance. After final payment, including other applicable fees received and posted to the Down-Home system, DCHD Accounting Staff will initiate the process and prepare the documents to record the release of lien on behalf of the borrower ([See Appendix D](#)). This assumes that any and all grant balances have been either forgiven or paid-off in connection to the referenced loan. As part of the loan payoff process, a request for a release of lien will be required of the borrower with all required information. A reconciliation will be completed by the loan servicing staff prior to completing the release of lien.

In some cases where the pay-off balance comes from the lawyer's collection services; DCHD Accounting Staff will audit the pay-off statement and will prepare the release of lien documents.

Payoff balances for Single Family and First Time Homebuyer loans shall be calculated based on the terms stipulated in the loan documents, i.e. Loan Note and Grant Note. A payoff amount will be calculated using the current principal balance, applicable interest, and any unforgiven or deferred loan balance due.

For example, a First Time Homebuyer loan has a principal loan balance of \$7,000.00 with a 0% interest rate. This loan is tied to a 30-year grant note of \$12,000 (1/30th of the amount is forgiven per year). This grant note has only been forgiven for 8 years, leaving a grant balance of \$8,800.00. Therefore, the total payoff of this loan is calculated of \$15,800.00 (\$7,000.00 loan balance plus outstanding grant balance of \$8,800.00)



Forgiveness of grant balances may or may not be impacted by the affordability period if specifically stipulated in the original loan documents; Loan Note, Grant Note, Builder's and Mechanic's Lien and Deed of Trust. As an example, an outstanding grant balance may be considered fully forgiven if the total loan principal balance is paid in full.

### **1.5 INFORMATION SECURITY**

As part of their access to the Down-Home Loan Management software, all users must sign an Acknowledgment of Handling Sensitive Information disclosure (See Appendix E).

Any indication of a security breach and or incident related to Down-Home Loan Management software is to be reported to the Administrative Services Manager and Down-Home support staff in writing. Down-Home support staff will lock the use of the access and request for a password change for all of the software users. Depending on the severity of the breach and or unauthorized share of sensitive information, the DCHD will alert the Internal Audit Office, the Office of Information Technology and the authorities.



## 2.0 Collections Procedures

Due diligence will be applied to verify all loan account information through a full reconciliation, including corresponding payments and loan analysis when applicable. The appropriate action is determined on a case-by-case basis. Each loan has a ten-day (10) grace period beyond the due date. These accounts must be tracked closely to verify that the following payment is made when promised and that subsequent payments are made on time.

### 2.1 DELINQUENCY MANAGEMENT – DELINQUENT LETTERS

#### **30 Days Past Due:**

If payment is not made, DCHD loan servicing staff will send out a 30-day letter advising the loan customer of the missed payment and delinquent status. Applicable fees or penalties will be assessed to the borrower for late payments.

#### **60 Days Past Due:**

After 60 days past due, a collection letter will be mailed, informing the borrower that the loan agreement is in default and a possible consequence will include but not be limited to, submitting a negative report to a major credit bureau affecting borrower's creditworthiness. On the 65th day past due, a delinquent borrower will be contacted by DCHD loan servicing staff.

#### **90 Days Past Due**

After 90 days of unsuccessful attempts to bring the account current, the account file will be properly documented, and a certified collection letter will be mailed by DCHD loan servicing staff. This notice will include the same points noted above. In addition, the letter will encourage the borrower to call DCHD, this will establish a contact for obtaining more information to evaluate individual circumstances.

#### **120 Days Past Due**

For those accounts that fall behind more than 120 days past due, the loan is considered to be in default. The City Attorney assigned to DCHD will send a letter to borrower asking for an appointment to meet and discuss the account and possible remedies within section *3.0 Mitigation Process to clear the delinquency*.

At this time, the reasons for delinquency must be documented. The borrower will be informed of the possible temporary and permanent options available for resolving the delinquency. These options will vary from a referral to a credit counseling service and/or advising the borrower to seek other financing options to remedy the default account.

*Under no circumstances, will DCHD engage in outside collection efforts by way of personal visits.*

#### **Minimum Collection Efforts Timeline**

This process timeline will help better visualize when the specific requirements should take place within the delinquency period and the applicability of these collection efforts are further discussed in the mitigation section of this manual.

Available options to delinquent borrowers are:

- 1. Modification Agreement** – A modification agreement is used to allow a borrower's loan term to extend from three to five years depending on the loan type; up to five years for owner-occupied and up to three years for an investor-owner. Owner-occupied borrowers must make an initial good faith payment in the amount of 10% of the total delinquency of the loan. Investor-owned borrowers must make an initial good faith payment





## CITY OF EL PASO LOAN SERVICING & COLLECTIONS MANUAL

in the amount of 20% of the total delinquency of the loan. Borrowers will continue to pay a monthly payment to be determined by the outstanding balance and the extended term, as applicable. The modification will be in writing, notarized, and it will include the term and amount to be paid. Only borrowers with current status on their property tax record or current tax payment plan will qualify for this option. If the Borrower's secured grant note(s) (forgivable note), if any, has reached maturity, the unforgiven balance remaining will be deferred and will be forgiven upon full payment of the loan note.

- 2. Restructuring to Meet 35% Affordable Housing Ratio** – If DCHD determines that the owner-occupied borrower's total housing cost debt to gross income ratio exceeds 35% and the Borrower makes an initial good faith payment in the amount of 10% of the total delinquency of the loan and is current on property taxes or a tax payment plan, the City may restructure the loan such that the remaining portion of the loan principal balance that is above the 35% ratio, together with accrued interest, if any, less the collection costs, will be deferred and become immediately due in full and payable upon the sale or transfer of the property, or is otherwise conveyed (excluding life estates), or upon the date the property ceases to be owner-occupied. The deferred portion will not accrue interest. This restructuring option is also available to investor-owned borrowers who reside in the subject property and the property has less than five units.
- 3. Redetermination** - According to Chapter 1, Section VII of the Housing Rehabilitation Program Handbook, a borrower with an owner-occupied loan can apply to have the interest rate on the loan re-determined. In particular, Subsection 3(D) would assist many borrowers whose loans were made at a time when interest rates were high (e.g., 9% and 10%). This option is also available to borrowers who are current on their loan obligation through DCHD.
- 4. Assumption** –
  - A. Assumption of owner-occupied loans through DCHD** – Separately or in conjunction with a loan modification request, the original borrower's relatives who are within the second degree of consanguinity (parent, child, brother, sister, grandparent or grandchild) are permitted to assume the original borrower's delinquent owner-occupied loan provided that the proposed applicant(s): meets the relative requirement above; complies with the loan modification requirements in option number 1 above; meets the income eligibility requirements under the current Housing Program Guidelines and the income does not exceed 80% of the area median income, as determined by HUD; provides proof of ownership of the subject property; and will reside at the subject property as his/her principal residence for the remaining term of the loan.
  - B. Assumption of investor-owned loans** – Separately or in conjunction with a modification agreement request, an investor-owned loan may be assumed with the prior written consent of the City. In order for the DCHD to recommend approval of the assumption agreement the following terms and conditions must be met: (1) the loan must be current or restructured and property taxes be made current upon loan assumption; (2) the applicant must submit documentation to evidence its financial and property management capacity and experience with rental housing and low-income housing; (3) If the affordability period has expired, the City may require a renewed affordability period under negotiable terms; (4) The City may also consider increasing the interest rate under negotiable terms as part of its assumption approval; and (5) as applicable, the applicant will attend a DCHD training session on the HUD rules and regulations governing operation of the rental housing prior to loan assumption.



**Forbearance** – Two methods of loan forbearance are available to delinquent borrowers and to borrowers at risk of delinquency due to extraordinary circumstances; (1) Temporary deferral or reduced loan payments where interest continues to accrue (where applicable) within a period no longer than six months to the borrower experiencing extraordinary circumstances, which may be extended if circumstances have not changed or worsened through a review by staff and approval by Housing Program Manager or Administrative Services Manager, (2) Temporary modification in which the borrower is permitted to make extra payments to bring the loan current over a period of twelve months.

Forbearance assistance will only be granted to those loans with a good payment history during the life of the loan, where property taxes are current or being paid under a tax repayment plan, and when the borrower is experiencing extraordinary circumstances which negatively affect the borrower's ability to make timely payments.

For example, borrower's loss of employment will qualify as an extraordinary circumstance. Deferral or reduction in the loan payments will not change the annual percentage interest rate and the term of the loan will be extended to correspond with the additional months for the reduction or deferral requested.

An updated Truth-In-Lending Statement(s) will be provided to the borrower for any loan restructuring or change in loan terms due to the stated procedures. Only one restructuring agreement shall be permitted during the life of the loan, except when additional restructuring agreements are authorized by a loan servicing company under contract with the City or in the case of authorized loan assumptions or forbearance agreements. Any good faith payment of the required percentage of the delinquency amount on loans for owner-occupied borrowers or investor-owned borrowers who reside in the subject property and that property has less than five units, may be paid in installments over a period of six months.

**Special Forbearance-** A special forbearance is a written agreement between the COEP (lender) and the borrower.

The following conditions must be met in order for the borrower to receive a Special Forbearance:

- Loan must be delinquent for at least 90 days. It cannot be more than 120 days late.
- Loan must not be in foreclosure.
- The COEP may offer borrower debt relief not offered under an informal forbearance plan.
- The maximum amount of delinquency must not be more than 3 months' worth of loan payments. These loan payments include principal and interest.
- The special forbearance plan must reinstate the loan on a pre-arranged time table. Loan modification is may be available once payments are up to date.
- Borrower must prove a loss of income or increase in expenses that led to loan default. The borrower must also show that income is high enough to reinstate the loan according to the plan.
- During the forbearance, the borrower must live in the property as a primary residence. After the forbearance is executed and the loan is reinstated, the borrower may sell the property.
- The property must be inspected and be in acceptable condition for the borrower to qualify. Some specified repairs may be part of the forbearance plan.

Borrower's written agreement with COEP (lender) must include the term, frequency of payments, and amount of payments due. Borrower agreement will include any loan payments already missed, and there will be a disclosure that if the borrower doesn't succeed in the forbearance plan, borrower home may be foreclosed (only if COEP is on first lien position).

**Loan Forgiveness-** A debt may be discharged (also referred to as cancelled or as forgiven) when it is closed out without collection in full. When a debt is forgiven, the COEP has determined that further active or passive debt collection will not be taken. Partial or full loan forgiveness is an option based on the borrower's submittal of a request for loan forgiveness in compliance with HUD and City regulations. Loan forgiveness requests are evaluated based on extreme personal hardships (i.e. death, divorce or a catastrophic circumstance) i.e. to avoid a balloon payment on a deferred loan or exceeding the affordability index of 35%.



To be considered for loan forgiveness a borrower must submit a full application with all supporting documentation. The Housing Program Manager or Administrative Services Manager will review and make a final determination based on the information submitted.

**Loan Payoff-** See [Section 1.4](#)

### **2.2 FORECLOSURES**

Once the DCHD determines that all loan collection efforts and mitigation processes have been exhausted and a notice is received from the City's Attorney Office with information on the foreclosure; the foreclosure form and an audit will be generated by DCHD staff and forwarded to the DCHD Housing Program Manager or Administrative Services Manager for foreclosure processing. The DCHD will submit the foreclosure package to the City Attorney office.

### **2.3 BANKRUPTCY**

By filing a petition for bankruptcy, the borrower creates an automatic stay that prohibits all creditors from making contact or pursuing collection activity. Loans under this category will be closely monitored for collection purposes only. Notices on these accounts are processed through the City Attorney's Office. These loans will be identified manually, and actively monitored for purposes of repayment plan compliance. The City Attorney's Office will be notified if the borrower fails to make post-petition payments according to the plan.

### **2.4 CREDIT REPORTING**

DCHD will report its Loan Portfolio to a credit agency in accordance with the Federal Fair Credit Reporting Act (FCRA), subject to funding appropriations. Deferred payment loans will not be included in the credit reporting files, however, if a Deferred Loan has reached maturity and has a delinquent account status where no payments have been made and are due, the City will report on the loan file. DCHD is committed to reporting accurate and fair information. In addition, DCHD will commit to safeguarding the privacy of information of consumers being reported to the agency to the extent permitted by law.

### **2.5 REPORTS**

DCHD staff will provide month-end loan activity reports generated by Down-Home software by the 10<sup>th</sup> business day of the following month. Reports to be distributed on a monthly basis to the Housing Programs Manager and Administrative Services Manager are as follows: (See [Appendix F](#))

- Transaction Report
- Trial Balance Report
- Portfolio Activity Report – Delinquent Loans

The Transaction Report will show weekly amounts received from borrowers on a cumulative basis showing year-to-date activity by each fund. The Trial Balance Report generated by Down-Home will show principal balances and past due amounts by individual loans and sub-fund totals. The Portfolio Activity Report- Delinquent Loans will be generated on a monthly basis and retained for a permanent record to show the number of delinquent loans by aging.



### 3.0 Loss Mitigation Process

Both the City and borrowers have responsibilities under loss mitigation. While each option involves specific actions, some policies apply to all of the options, and some City actions are performed whether or not any of the loss mitigation strategies are used. This section describes the general policies, recommended procedures, and minimum actions that constitute effective loss mitigation techniques.

The City has the authority and the responsibility to use effective actions and strategies to assist borrowers to retain their homes, and thus reduce losses to the City. Because of its ongoing relationship with the borrower, the City is in the best position to determine which, if any, loss mitigation strategies are appropriate in a given circumstance. The City may use any of the following loss mitigation options.

#### A. CITY'S LOSS MITIGATION ACTIONS

The City must:

- Provide a complete and accurate loan-servicing plan that clearly outlines the approved action.
- Consider all reasonable means to address the delinquency at the earliest possible time.
- Use payment or credit scoring tools, if available, to identify high-risk borrowers that may need more attention, rather than wait until standard contact dates.
- Inform the borrower(s) of available loss mitigation options and the availability of housing counseling before the end of the second month (60th day) of delinquency. (Ensuring that the borrower receives the HUD publication 9692HC available at <http://portal.hud.gov/hudportal/documents/huddoc?id=9692-HC.pdf> concerning HUD-Counseling is acceptable, as well as documentation in the servicing and collection notes of conversations with the borrower concerning mitigation options).
- Evaluate each delinquent loan once they become greater than 30 days past due but no later than the 120th day of delinquency (default) to determine which loss mitigation option is appropriate.
- Use loss mitigation whenever feasible to avoid foreclosure.
- Reevaluate each delinquent loan monthly until the delinquency is cured or the mitigation action is complete
- Initiate foreclosure, deed in lieu of foreclosure or assumption within six months (180 days) of default unless a different loss mitigation option is being pursued aggressively, and ensure that all actions taken are documented.
- Initiate foreclosure timely on vacant and abandoned properties, if applicable.
- Retain a complete audit trail showing all loss mitigation actions.

#### 3.1 SERVICING EARLY DELINQUENCY LOANS (30-60 DAYS PAST DUE)

The purpose of all collection efforts is to bring all delinquent loans back to a current status in as short of a time as possible. The majority of one or two payment delinquencies will be addressed by either voluntary reinstatement by borrowers, or through traditional collection methods outlined in *Section 2.0 Collection Procedures*. That section details conditions for forbearance plans, modifications, restructures assumptions, (with the exception of Single Family Owned rehabilitation loans, which do not permit assumptions) and deeds-in-lieu of foreclosure (DIL). DIL should be used only in extreme hardship or involuntary inability to pay.

While a loss mitigation process is designed to address serious delinquencies, any of the City's efforts to cure loans that are past due for 30 days or more contribute to the goal of helping residents in areas of need retain homeownership or affordable rental units and reduce the City's losses. Thus, effective loss mitigation begins in the early stages of servicing delinquent loans. It is the City's responsibility to validate and document the borrower's capacity under the terms of the loss mitigation workout recommendation intended to prevent default.



### **A. EARLY INTERVENTION**

To facilitate a successful loss mitigation intervention, the DCHD will attempt to first make verbal followed written contact with the borrower if the payment is not received by the 26th day after it is due. Before an account becomes 60 days past due and if there is no contact or payment arrangement in place, the City must send a certified letter to the borrower requesting an interview in an effort to resolve the past-due account. The earlier the City makes contact with the delinquent borrower and identifies the cause of the default, the more likely it is that the default will be cured, and the borrower will be able to keep the home or affordable rental units. It is critical that the City make all decisions in a manner consistent with fair housing and lending principles.

### **B. CAUSE OF DELINQUENCY**

The City should identify the underlying cause of the delinquency at the earliest stage of borrower contact and determine if the problem is permanent or temporary. A borrower whose ability to support the loan debt has been permanently reduced through death, divorce, or permanent disability is unlikely to cure the default through a repayment plan. Such a borrower should be evaluated for either an assumption, loan modification, restructure or forgiveness, which may result in a reduction of the mortgage payment, reduction in balance through forgiveness or a pre-foreclosure sale, which allows a transition to more affordable housing. In some cases, a loan modification might result in higher payments due to the capitalizing the arrearage. This option may be feasible if the borrower's financial situation will accommodate a higher payment.

A borrower who needs credit, legal, or employment assistance to resolve temporary financial problems will be referred to the appropriate housing, employment or financial counseling, such as a HUD certified housing counseling agencies, Texas Workforce Commission (for unemployment situations) or Legal Aid (for legal matters) via an advisory notice along with all City loan notices.

### **C. DEFAULT PREVENTION COUNSELING**

A borrower who receives early counseling is much more likely to bring the loan current. The City strongly recommends financial counseling to borrowers and has established working relationships with counseling agencies i.e. Project Bravo and GECU. The City will provide to the borrower before the 45th day of delinquency HUD publication 2008-5-FHA, Save Your Home: Tips to Avoid Foreclosure, rev January 2014. This may not be feasible, however, if the borrower has filed a bankruptcy petition and, in the opinion of the City's legal counsel, providing a copy of the pamphlet would be a violation of the bankruptcy stay. In such cases, the City should keep documentation of this fact in the servicing file.

### **D. INFORMAL FORBEARANCE PLANS**

An informal forbearance plan is a written repayment agreement lasting for 3 months or less. Such a plan is the first and best means to ensure that a one or two-month delinquency does not escalate beyond the borrower's ability to cure. In such a plan, the City should carefully review the borrower's financial situation and arrange payment terms that the borrower can realistically keep, and the delinquency can be cured.

### **E. DEFAULT STATUS OF THE LOAN**

Loss mitigation options are intended to provide relief to a borrower who is delinquent or facing imminent default. For the purposes of this mitigation process, the default is defined as any loan that has failed to perform under any covenant of the mortgage or deed of trust for 120 days or more or is at risk of default.

If the borrower's circumstances warrant, the City may create accommodations such as a special forbearance agreement, loan modification, restructure, or an assumption, (with the exception for Single Family Owned Rehabilitation loans, which do not permit assumptions) available to a borrower whose failure to perform is involuntary and likely to continue. If the delinquency is incurable, a disposition option such as a pre-





foreclosure sale or a deed-in-lieu of foreclosure is recommended immediately because the borrower has no realistic opportunity to replace the lost income or reduce expenses sufficiently to meet loan obligation through other options.

Any attempt to deliberately manufacture or misrepresent pertinent facts about a borrower's financial or another qualifying status may disqualify the borrower from participating in loss mitigation options and result in civil or criminal penalties.

### **F. OWNER OCCUPANCY**

Generally, the borrower's eligibility for any of the reinstatement, special forbearance, or loan modification, restructure, or assumption (with the exception of Single Family Owned rehabilitation loans, which do not permit assumptions) options should be based on occupancy of the property as a, their principal residence. Loss mitigation retention or disposition options may be considered if the property has been recently vacated due to one of the following, but not limited, to special circumstances:

- Employment transfer
- Natural disaster
- Medical condition

The City must receive HUD concurrence to make an exception for a non-occupant borrower who is seeking relief through a pre-foreclosure sale (PFS), or deed-in-lieu of foreclosure (DIL) when it is clear that the subject property was not purchased as a rental investment or used as a rental for more than 12 months. The City maintains the documents justifying such an exception in the servicing file.

A loan secured by an abandoned property is not eligible for a reinstatement option. However, a disposition option may be used after HUD approves it when the property has been recently vacated by circumstances related to the default that are beyond the borrower's control, such as a job transfer or death. The City submits thorough documentation of such circumstances to HUD and keeps related notes in the servicing file.

### **G. OTHER ELIGIBILITY FACTORS**

A borrower who has a pending/active Chapter 13 bankruptcy may be considered for loss mitigation options; however, the City must fully document the borrowers pending plan with items such as, but not limited to, a copy of the proposed/confirmed trustee plan. In addition, the City must obtain trustee approval prior to a loss mitigation plan execution. If the City's agreement, investor guidelines, or applicable law, restricts or prohibits compliance with any steps outlined in this guide, the City must maintain evidence in the loan file documenting the nature of any deviation from the provided guidance.

### **H. CURABLE DEFAULT**

When the delinquency is curable, and the borrower is committed to remaining in the home, the City should consider reinstatement options in this order:

1. Special forbearance
2. Loan modification
3. Special loan servicing modification
4. Restructure
5. Assumption; if not a single-family owner-occupied rehabilitation loan



## **I. NON-CURABLE DEFAULT**

When the delinquency is not curable, and/or the borrower is not committed to remaining in the home, the City must consider disposition options in this order:

1. Assumption; if not a single-family owner-occupied rehabilitation loan
2. Pre-Foreclosure sale
3. Deed-In-Lieu of Foreclosure
4. Foreclosure (City in first lien position)

## **J. OPTION PRIORITY**

The following waterfall of loss mitigation workout alternatives must be adhered to:

1. Informal Forbearance
2. Special Forbearance
3. Loan Modification
4. Special Loan Servicing
5. Assumption; if not a single-family owner-occupied rehabilitation loan
6. Pre-Foreclosure Sale
7. Deed-In-Lieu – When a property owner surrenders the deed to the property to their lender in exchange for being relieved of the mortgage debt

In some cases, the waterfall of loss mitigation alternatives may warrant utilizing a disposition workout in-lieu of a retention workout based on the borrower's involuntary inability to pay.

## **K. MONTHLY EVALUATION**

As long as the account remains delinquent, the City reevaluates the status of each loan each month following the 90-day review and maintains documentation of the evaluations in its Down-Home servicing or collection software. The evaluation may be as simple as notes in the collection system that the borrower's payments under special forbearance are made as agreed. Reports generated by servicing systems that track repayment plans are adequate for documentation purposes.

## **L. EVALUATING THE BORROWERS FINANCIAL CONDITION**

For any loss mitigation option, the City must obtain detailed financial information from the borrower. The City may ask the borrower to give this information on a form of its choice that collects the data elements similar to those shown on the Request for Mortgage Assistance (RMA) Form:

[https://www.hmpadmin.com/portal/programs/docs/hamp\\_borrower/rma\\_english\\_081315.pdf](https://www.hmpadmin.com/portal/programs/docs/hamp_borrower/rma_english_081315.pdf)

If the borrower is cooperative, the information may be taken during a telephone interview if it is a complete picture of the borrower's financial information. Regardless of how the financial information is initially obtained, the City should request the borrower provide evidence to support the income with current paystubs and/or a profit and loss statement if the borrower is self-employed. In addition, the City should obtain a credit report to verify debts, and any other forms of verification the City deems appropriate.

Once the City has the borrower's complete financial information, it should analyze the borrower's current and future ability to meet the monthly mortgage obligation by estimating the borrower's assets and surplus income as follows.



## CITY OF EL PASO LOAN SERVICING & COLLECTIONS MANUAL

- Determine the borrower's current monthly net income making necessary adjustments for income fluctuations.
- Determine the borrower's normal monthly living expenses (food, utilities, etc.) including debt service on the mortgage and other scheduled obligations. Make adjustments for obligations due over the term of the proposed special forbearance agreement, or in the case of all other options, for a minimum of three months.
- Any child support or alimony obligations should be documented with a court order to determine the monthly obligation.
- Subtract expenses from income to determine the amount of surplus income available each month.
- Divide surplus income by total monthly expenses to determine the surplus income percentage.

All detailed financial information used to determine the borrower's financial capacity must be dated within 90 days from the date of receipt by the City. The City must communicate a decision to the borrower within 30 days of receiving a complete loss mitigation package.

The DCHD will exercise judgment to ensure that the workout option selected reasonably reflects the borrower's ability to pay. A borrower with sufficient surplus income or other assets is asked to cure the debt through a repayment option.

### **M. INCOME VERIFICATION**

The City shall document its process in determining each borrower's income scenario. When verifying the income of a borrower the City should use good business judgment consistent with how they evaluate borrowers when modifying loans held in their own portfolio but at a minimum provide the following:

#### Wage or Salary Income:

- Paystubs not more than 90 days old at the time of submission to the City, that covers at least 30 days of earned income.
- Borrowers most recent W-2 or executed tax returns

#### Self-Employment Income:

- Most recent quarterly or YTD profit and loss statement along with a copy of the most recent executed Tax Return. Audited financial statements are not required

#### Other/Benefit Income:

- Bonus, commission, tips, overtime, etc. income must be documented with reliable third-party evidence that such income is consistent and likely to continue.
- Benefit income including but not limited to social security, disability, public assistance, and Supplemental Nutrition Assistance Program (SNAP) benefits can be considered income for the purpose of loss mitigation. Benefit income must be documented through award letter, exhibits, or benefits statements from the provider or evidence of receipt to the borrower.

#### Non- Taxable Income:

- The City, at its discretion, may utilize the gross-up income which is not subject to Federal Taxes. With Gross Income, the City must document and support this amount and should use the same tax rate for Gross Income that the borrower used to calculate his/her tax from the previous year.

### **N. NON-BORROWER INCOME**

Income from a non-borrower who also occupies the property may be used to support payments under all loss mitigation options with the following restrictions:





## CITY OF EL PASO LOAN SERVICING & COLLECTIONS MANUAL

- Occupancy must be fully verified
- The City should conduct a financial review of the entire household income and expenses to determine if there is sufficient surplus income to pay back the arrearages
- The City should consult their legal counsel to determine if the asset is eligible for loss mitigation since the Non-Borrower is not on the original debtor
- When a borrower uses a non-borrower household member's income in qualifying for a loss mitigation home retention option and that non-borrower household member will be included on the modified note, the non-borrower household member must sign all required loss mitigation documentation.

### **O. DIVORCE-LEGAL SEPARATION**

In instances where borrowers are divorced or legally separated a lender can exclude an obligated borrower when determining eligibility for all loss mitigation options, providing the court has deemed the borrower not responsible for the loan. The remaining obligated borrower must provide the fully executed legal document (i.e. Divorce Decree) that shows the court's order, as well as an executed Quit Claim if necessary. If documented, the divorced/separated party does not need to sign any required documentation for the purposes of loss mitigation.

### **P. INELIGIBLE BORROWER**

If the borrower is not eligible for any loss mitigation alternative based on information secured from the borrower in person or telephone interview, the City should advise the borrower of the reason(s) and allow the borrower at least seven calendar days to submit additional supporting information that might have an impact upon the City's evaluation. The City will retain the financial analysis and supporting documentation and make it available for compliance reviews. Collection actions may continue.

### **Q. COMBINED OPTION**

Loss mitigation options may be used alone or in combination to resolve an existing default. There are some limitations, however:

- Special forbearance may be combined with a loan modification. The combination of options is sequential, not simultaneous.
- Pre-foreclosure sale may be combined with a deed-in-lieu provision in case the property does not sell within the time required.
- The City may combine a special forbearance plan with a loan modification when there is any doubt about a borrower's long-term income stability. To reduce the risk of a workout failure, the borrower can demonstrate the ability to support the debt by making at least three monthly payments at the modified amount before executing a modification.

## **32 BORROWERS DELINQUENCY 60-90 DAYS PAST DUE- DEFAULT AT RISK LOANS**

When the delinquency is curable, and the borrower is committed to remaining in the home, the City should consider reinstatement with the following mitigation options in this order:

- Special forbearance
- Loan modification
- Special loan servicing modification
- Restructure
- Assumption; if not a single-family owner-occupied rehabilitation loan



### **33 BORROWERS DELINQUENCY 90-120 DAYS PAST DUE- DEFAULT AT RISK LOANS**

#### **A. 90 DAY REVIEW**

The City evaluates each delinquent housing loan that it services when monthly installments are due and unpaid for 91 days, and considers all loss mitigation techniques to determine which, if any, are appropriate. To meet this evaluation requirement, the City's early involvement in the delinquency is demonstrated by contact with the borrower to gather sufficient information about the borrower's circumstances, intentions, and financial condition. This is especially important in light of the borrower's possible reluctance to discuss financial difficulties. While the City cannot be responsible if a borrower fails to respond to repeated contacts, the City must clearly document mailed efforts to reach the borrower within 90 days of the default.

**B.** When the delinquency is curable, and the borrower is committed to remaining in the home, the City should consider reinstatement with the following mitigation options in this order:

1. Special forbearance
2. Loan modification
3. Special loan servicing modification
4. Restructure
5. Assumption; if not a single-family owner-occupied rehabilitation loan
6. Review possible partial or full loan forgiveness request (application and supporting documents)
7. Each individual HUD loan, subject to partial or full loan forgiveness, shall be reviewed and evaluated with all supporting documentation by the Director of Community and Human Development. The director will either approve or disapprove partial or full loan forgiveness

### **34 BORROWERS ABILITY (CAPACITY) TO CURE DEFAULT (OVER 120 DAYS PAST DUE)**

**A.** The City should obtain as much information as possible regarding the borrower's capacity and willingness to cure the default. When it becomes apparent that an informal forbearance plan will not be sufficient to resolve the delinquency, the City should evaluate whether a more formal loss mitigation strategy would be acceptable.

**B.** Mitigation Options:

When the delinquency is not curable, and/or the borrower is not committed to remaining in the home, the City must consider disposition options in this order:

1. Assumption; if not a single-family owner-occupied rehabilitation loan
2. Assignment of rents (affordable rental units)
3. Pre-Foreclosure sale
4. Deed-In-Lieu of Foreclosure

#### **a. Pre-Foreclosure Sale of the Property**

A borrower who does not have the ability to cure the delinquent loan, but who has sufficient equity to sell the property and repay the arrearage from the sale proceeds, should be assisted in doing so within 60 days showing an executed earnest money contract. This assistance may include a written agreement that provides a short-term reduction or suspension of payments for 60 days and credit reporting pending the closing of the property sale within an additional 30 days of the execution date of the earnest money contract. The City has full responsibility in assisting the borrower in such a case.

#### **b. Deed in Lieu of Foreclosure (City at first lien position)**

Deed in Lieu of Foreclosure is a deed instrument in which the borrower conveys all interest in real property to the lender (COEP) to satisfy a loan that is in default and avoid foreclosure proceedings.



## CITY OF EL PASO LOAN SERVICING & COLLECTIONS MANUAL

Acceptance of a lieu deed terminates the liability of the borrower and all other persons liable for the debt unless there is an agreement to the contrary made contemporaneously with the lieu deed transaction.



**c. Foreclosure (City at first lien position)**

The City must have considered all feasible loss mitigation options before initiating foreclosure. The City must document all of the options it considered and retain such information for review. If the borrower has abandoned the property, loss mitigation home retention alternatives are not options before initiating the foreclosure.

**35 LOAN RECLASSIFICATION**

**(Loan inactivity by the borrower with no loss mitigation for 3 years or more)**

Loans are reclassified as “**Currently Not Collectible**” (CNC) only in the event that all other loss mitigation actions described herein have been exhausted. The city records all assets at the original cost (carrying amount), though there are cases where assets can be initially or subsequently recorded at their fair values or become delinquent and subsequently default. Eventually, it may become apparent that the amount recorded for an asset is too high or uncollectible, so management decides to reduce or even eliminate the amount of the asset. This is known as taking a write-off. Article V, Section 55 of the Texas State Constitution; however, does not allow for write-offs as it relates to the State, its Counties and Municipalities. The Legislature shall have no power to release or extinguish, or to authorize the releasing or extinguishing, in whole or in part, the indebtedness, liability or obligation of any corporation or individual, to this State or to any county or defined subdivision thereof, or other municipal corporation therein, except delinquent taxes which have been due for a period of at least ten years. (Article V, Section 55, Texas State Constitution) (Amended Nov. 8, 1932.)

**LOAN RECLASSIFICATION PROCESS (Following 3 years Classified as Default)**

- A.** After three years of no activity or responsiveness from debtors with regard to debt collection efforts, loans will be referred to the Office of the Comptroller by the Department of Community and Human Development Administrative Services Division for a loan reclassification consisting of moving defaulted loan balances from the “Active” category into an established “**Currently Not Collectible (CNC)**” category in the General Ledger. The Office of the Comptroller will then also adjust the deferred revenue associated with the defaulted loan and increase the allowance for the uncollectable accounts accordingly. If in the future, the opportunity arises to collect on the identified defaulted loan, the Office of the Comptroller will then reestablish the loan as “Active” and receipt the payment in order to clear the loan balance.
  
- B.** The city records all assets at the original cost (carrying amount), though there are cases where assets can be initially or subsequently recorded at their fair values or become delinquent and subsequently defaulted. Eventually, it may become apparent that the amount recorded for an asset is too high or uncollectible, so management decides to reduce or even eliminate the amount of the asset. This is known as taking a write-off. Article V, Section 55 of the Texas State Constitution; however, does not allow for write-offs as it relates to the State, its Counties and Municipalities. The Legislature shall have no power to release or extinguish, or to authorize the releasing or extinguishing, in whole or in part, the indebtedness, liability or obligation of any corporation or individual, to this State or to any county or defined subdivision thereof, or other municipal corporation therein, except delinquent taxes which have been due for a period of at least ten years. (Article 5, Section 55, Texas State Constitution) (Amended Nov. 8, 1932.)



### **C. TIME TO INITIATE ACTION**

If the City uses one of the loss mitigation options or initiates foreclosure within six months of the date of default. This requirement is considered satisfied if any of the following actions have occurred within the six-month period:

- The loan is brought current or paid off
- The borrower executes a special forbearance agreement
- The loan is modified
- The borrower executes a pre-foreclosure sale agreement
- The borrower executes a deed-in-lieu of foreclosure
- The City initiates the first legal action to begin foreclosure

### **D. CITY REPORTING**

The City reports these actions in the month they occur or, if after the monthly cut-off date, in the next reporting cycle using the appropriate status in Down-Home servicing system.

### **E. EXTENTION REQUESTS**

If the City initiated a special forbearance or loan modification but is unable to complete it, the City may request approval from HUD to extend the timeframe to initiate foreclosure provided the loss mitigation option was begun prior to the timeframe that foreclosure was to be initiated. To qualify for the extension, the City provides evidence that it analyzed the borrower's complete financial situation and evaluated the appropriate loss mitigation options. In addition, the City reports the loss mitigation initiative using the appropriate status in the monthly default status report.

The City may request an extension from HUD for completing a deed-in-lieu of foreclosure. If the City attempts a repayment plan (not special forbearance), the City may request an extension before the timeframe to initiate foreclosure expires and explains why an extension is necessary.

### **F. OPTION FAILURE**

If loss mitigation options fail, the City may either commence or recommence foreclosure, or initiate another loss mitigation option. Failure occurs when:

- The borrower does not perform under the terms of a written special forbearance agreement for 60 days  
Or
- The borrower does not perform under the terms of a special forbearance (trial period) used as a condition of loan modification or special loan servicing approval for 30 days. The City must continue to perform outreach efforts to borrowers for other workout alternatives. Borrowers financial capacity will dictate whether a retention or disposition workout alternative is feasible.
- There is no signed contract of sale within 3 months of a pre-foreclosure sale agreement; or if there is a signed contract of sale, settlement has not occurred within 6 months of the agreement; or the borrower notifies the City of withdrawal from the agreement; or the City notifies the borrower in writing that it has terminated the agreement.



## **G. DOCUMENTATION**

For each claim, the City must maintain evidence in its servicing notes and collection history systems of its compliance with loss mitigation guidelines as well as supporting documentation including all communications with any outside agency. The City's servicing notes and collection history systems contain evidence of compliance with counseling and other actions on loans that do not result in a claim.

## **H. SERVICING PLAN**

The City must maintain a servicing plan when a loan is 90 days delinquent and a method other than foreclosure is approved to resolve the delinquency. The loan review form in Appendix F should be used to communicate servicing plan data to the agency. For pre-foreclosure sales and deed-in-lieu of foreclosure alternatives, the City must submit the Disposition (PFS/DIL) Cost-Benefit Analysis along with the servicing plan.

## **I. DELEGATED LOSS MITIGATION**

HUD delegates authority to the City of El Paso in regards to implementing and enforcing loss mitigation procedures.

Under this delegation, the City has the authority to review and decide all loss mitigation options provided for in this guide without the need for agency concurrence.

## **J. OPTION CHECKLISTS**

The Special Forbearance and Loan Modifications checklist show the most important actions for each loss mitigation process. See Appendices G-H. Their use is optional and need not be submitted with the servicing plan submitted to the Agency.

### **3.6 SPECIAL FORBEARANCE**

A special forbearance agreement is a written plan that may gradually increase monthly payments in an amount sufficient to repay the arrearage and/or temporarily reduce or suspend payments for a short period. A special forbearance agreement may also involve payments for several months followed by a loan modification (Trial Plan). The agreement provides the borrower with relief not typically afforded under an informal repayment agreement. Examples of provisions in a special forbearance agreement include a repayment term of four or more months; suspending or reducing payments for one or more months to allow the borrower to recover from the cause of default; or an agreement to allow the borrower to resume making full monthly payments while delaying repayment of the arrearage.

An informal forbearance is a plan lasting 3 months or less to cure short-term delinquency. A special forbearance is a plan that involves one of the following:

- Full repayment: Monthly payments in an amount sufficient to repay the arrearage over time, typically less than or equal to six months.
- Unemployment or disaster forbearance: Reduced or suspended monthly payments while the borrower(s) resolves the hardship, such as unemployment, followed by an evaluation for other home preservation options if needed.
- Trial period: Remittance of monthly modified payments for a period, generally three months (or four months for borrowers facing imminent default), followed by a permanent loan modification.



At no time does the maximum arrearage under a special forbearance plan exceed the equivalent of 12 months of principal, interest, taxes and insurance.

### **A. LOAN ELIGIBILITY**

The loan is a minimum of 30 days delinquent but not more than 12 payments delinquent and is not in foreclosure when a special forbearance agreement is executed. A loan that had previously been referred to foreclosure may be removed from foreclosure status after executing a special forbearance. The City suspends foreclosure, on the advice of its legal counsel, subject to the borrower's performance under the terms of the special forbearance agreement, if the suspension is stated in writing in the agreement.

### **B. PROPERTY ELIGIBILITY**

The City must conduct an inspection to verify that the property has no physical conditions that adversely affect either the borrower's continued use or ability to support the debt. Normally a simple curbside inspection is sufficient; however, a borrower will not be able to support payments under a special forbearance plan if the property is in such a deteriorated condition that repairs will drain the borrower's monthly resources. The City must use good business judgment to determine if an interior inspection should be utilized. The analysis of the borrower's surplus income should consider obvious property maintenance expenses.

The use of good business judgment is imperative. If significant deferred maintenance is a contributing cause of the default, it may be appropriate to provide a period of mortgage forbearance during which specified repairs are completed at the borrower's expense. If the property is in extremely poor physical condition, a special forbearance plan that allows a reduction or suspension of payments without a requirement to repair the property may not offer a permanent solution.

### **C. BORROWER ELIGIBILITY**

Special forbearance may be offered to a borrower who has recently experienced a verified loss of income or an increase in living expenses. Such a borrower should be the owner-occupant of the property securing the Special Forbearance loan and committed to occupying the property as a primary residence during the terms of the special forbearance agreement.

### **D. FINANCIAL ANALYSIS**

The City's responsibility is to validate and document the borrower's capacity under the terms of the recommendation. The City Determines that the borrower has the capacity to resume full monthly payments and bring the loan a current status under the terms of a forbearance plan. The City does this by projecting the borrower's surplus monthly income for the duration of the special forbearance period. The proposed repayment terms must be consistent with the borrower's ability to pay. The following documentation must be obtained in order to determine the financial capacity of the borrower:

- Special Forbearance Loan Servicing Plan
- Letter from borrower outlining involuntary inability to pay/hardship
- Income Documentation as stated in the overview section
- Credit Report
- Detailed budget
- Documentation of any other sources of income to be used in the evaluation





Excluding documentation from prior years, all financial information must be dated within 90 days from the date of receipt by the City. If the City's financial analysis determines that, the borrower either does not or will not, have the ability to resume full monthly payments in the near future; special forbearance should not be used. The City should then consider other loss mitigation options.

### **E. UNEMPLOYMENT**

When it has been determined, that the reason for default is unemployment and the borrower does not have any immediate opportunities for re-employment, HUD extends additional latitude to the City to mitigate losses.

The City has the authority to enter into a forbearance agreement with a borrower who is unemployed or significantly underemployed and seeking re-employment at the time the borrower's financials are being analyzed. The terms of this forbearance shall be the lesser of 12 months or a term that would not cause the dollar amount of the borrower's delinquency to exceed 12 months of the borrower's scheduled monthly payment (which includes taxes and insurance for those loans where such expenses are escrowed) if applicable. The amount of the partial payment made, if any, by the borrower will be contingent upon the City's financial analysis of the borrower. As a condition of the forbearance agreement, the borrower must pursue employment during the terms of the forbearance agreement. Additionally, the borrower must contact the City if their employment status changes.

The City is required to verify the borrower's employment status monthly and restructure the forbearance agreement or evaluate the borrower for another option, such as a loan modification, when the borrower's employment status changes. As with all HOME and CDBG-RLF loans standard forbearance agreement, all of the requirements apply to these Special Provisions.

### **F. COMBINING OPTIONS**

Special forbearance may either be used alone or be combined with a loan modification. For example, if a borrower is expected to recover from the cause of the default and resume making full monthly payments, but will not have adequate surplus income to repay the arrearage, the City may establish a special forbearance agreement. Such an agreement allows the borrower to demonstrate recovery from the financial problem by making three payments (or four payments for imminent default) at the modified amount. Upon successful completion of the special forbearance payments, the delinquent amount is capitalized into the modified loan.

### **G. DOCUMENTATION**

The City and the borrower executed a written agreement that clearly defines the term, frequency of payments, and amounts due under the special forbearance plan. The agreement acknowledges previously missed payments and states that failure to comply with its terms can result in foreclosure. There is no maximum length for a special forbearance agreement and the City may allow as much time as is reasonable based on the borrower's repayment ability.

An acceptable agreement should:

- Provide the borrower with relief not available under an informal forbearance plan
- Bring the loan current, unless it is combined with a loan modification
- Not at any time allow the total arrearage amount to exceed the equivalent of 12P-I-T-I (Principal Interest Taxes Insurance) payments





- Not allow late fees to be charged while the borrower is performing under the terms of a special forbearance agreement
- Permit allowable foreclosure costs and late fees accrued before the special forbearance agreement is executed to be included as part of the repayment schedule. However, such costs and late fees are collected only after payment of all principal, interest, and escrow advances. The loan is never considered delinquent only because the borrower has not paid late fees or other foreclosure costs.

### H. REVIEW AND RENEGOTIATION

The City reviews the status of a special forbearance plan each month and takes appropriate action if the borrower is not complying with the terms of the plan. A plan may be renegotiated if the borrower's financial circumstances change; however, under a renegotiated plan, the loan should not be more than 12 months delinquent.

### 3.7 LOAN MODIFICATION

A loan modification is a permanent change in one or more of the terms of a loan that results in a payment the borrower can afford and allows the loan to be brought current. Loan modifications may include a change in the interest rate, even below the market rate if necessary. They may include capitalization of all or a portion of the arrearage (PITI) and/or re-amortization of the balance due. Capitalization may also include foreclosure fees and costs that are associated with the current foreclosure action, deficits in tax and insurance accounts, past due annual fees imposed by the City, but not late charges or the City's fees.

A modification may be appropriate for a borrower who has experienced a permanent or long-term reduction in income or an increase in expenses, or who have recovered from the cause of the default, but does not have sufficient surplus income to repay the arrearage through a repayment plan. To qualify for a modification, the borrower has a documented ability to support the monthly mortgage debt after the terms of the loan are modified. If necessary to support repayment ability, the loan term after re-amortization may be extended on a case-by-case basis from the date of the loan modification.

Not all loans are appropriate for modification. Loans that best support modifications include those with above-market interest rates; lower loan to value ratios; and/or mature terms (i.e., paid down ten years or more) a significant household income change, (i.e. death in the family, increase in living expenses or loss of income or under income and other). The modification is valuable when the arrearage can be capitalized into the loan balance and/or the interest rate is adjusted not to exceed the current market rate so that the borrower can better afford the resulting monthly payment.

#### A. LOAN ELIGIBILITY

To modify a defaulted note under loss mitigation:

- The loan is not in foreclosure at the time the modification is executed; however, a loan removed from foreclosure status may be modified.
- The default is due to a verified loss of income or increase in living expenses.

**Note:** The City may, at its discretion, modify a loan that is not delinquent but is in imminent danger of default; (i.e. will soon become delinquent due to known circumstances).



## **B. PROPERTY ELIGIBILITY**

While the modification option does not have a loan-to-value restriction, and an appraisal is not required, the City must conduct an inspection to verify that the property has no physical conditions that adversely impact the borrower's continued use or ability to support the debt. Normally a simple curbside inspection is sufficient; however, a borrower will not be able to support payments under a special forbearance plan if the property is in such a deteriorated condition that repairs will drain the borrower's monthly resources. The City must use good business judgment to determine if an interior inspection should be utilized. An analysis of the borrower's surplus income should consider anticipated property maintenance expenses. If the property is in extremely poor physical condition, a modification may not offer a resolution of the default. Costs to complete needed repairs may not be capitalized as part of a modification agreement, and the borrower may not receive any cash as a result of the modification.

## **C. BORROWER ELIGIBILITY**

A modification may be offered to a borrower who has stable surplus income, which, while not sufficient to repay the original loan and the arrearage, is sufficient to support the monthly payments under the modified rate. It is the City's responsibility to validate and document the borrower's capacity under the terms of the modification. The borrower must be the owner-occupant who is committed to occupying the property as a primary residence. A modification must not be used to bring a loan current before a sale or assumption.

## **D. FINANCIAL ANALYSIS**

The City will determine if the borrower has the capacity to support mortgage payments at the modified amount. The City determines the borrower's financial condition and projects the borrower's stable source of dependable income to support a minimum of three months payments. The loan is not modified if the City determines that the borrower does not have the ability to support the modified monthly payment.

The following documentation must be obtained in order to determine the financial capacity of the borrower:

- Servicing Plan
- Letter from borrower outlining involuntary inability to pay/hardship
- Income Documentation as stated in the overview section
- Credit Report
- Detailed budget

Excluding documentation from prior years, all financial information must be dated within 90 days from the date of receipt by the City.

## **E. COMBINING OPTIONS**

A modification may be used alone or as part of repayment, or special forbearance agreement. If a borrower needs time to resolve the default, but will eventually be able to support the debt at the modified payment, a modification may be included at the final step in a repayment plan or special forbearance. An existing repayment plan or special forbearance may also be converted to modification if the borrower's circumstances change.

## **F. MODIFICATION TERMS**

The following apply to loan modifications:

- The modification results in a fixed-rate fully amortizing loan



## CITY OF EL PASO LOAN SERVICING & COLLECTIONS MANUAL

- The modified interest rate may not exceed the original note
- The modification brings the loan current

The City may reduce the note interest rate below the market rate if necessary to resolve the default. Discount fees associated with rate reductions are not reimbursable. All or a portion of the P-I-T-I arrearage (principal, interest, and escrow items) if applicable may be capitalized into the loan balance, including foreclosure fees and costs that are associated with the current foreclosure action, deficits in tax and insurance accounts and past due annual fees imposed by the City.

Late fees may not be capitalized. If the City is unable to waive the late charges, the City may collect the late fees from the borrower either through a lump sum payment or through a repayment plan separate from, and subordinate to, the modification agreement. The modified principal balance may exceed the loan's original principal balance. The modified principal balance may exceed 100% loan-to-value. The City may amortize the total unpaid amount due over the remaining terms of the loan, or if necessary, extend the term on a case-by-case basis from the date of the loan modification.

### **G. LIEN STATUS**

The City reserves the right to be in first-lien or subordinate to a second lien, to ensure affordability of the First Time Home Buyer, Single Family Owner Occupied Rehabilitation or Multi-family Rental loan modification compliance with any applicable state or Federal laws and regulations.

### **H. DOCUMENTATION**

The City ensures that the modification documentation preserves the initial lien position of the loan. The City will make a determination in accordance with state law as to whether it is necessary to record the modification agreement in order to maintain the lien position. Copies of executed, not recorded, modification agreements must be maintained on the loan-servicing file.

### **I. DISCLOSURES**

The City complies with any disclosure or notice requirements applicable under state or federal law.

### **J. FAILURE**

If the loan becomes delinquent on or after 120 days following modification, it shall be treated as a new default and serviced accordingly. Since the City maintains the lien status of the loan subsequent to modification, any amount that is not in the initial lien position is not guaranteed by the City and is not subject to a claim. If a claim is submitted, the City reserves the right to request documentation (legal or otherwise) establishing the loan's lien status.

### **K. SUBSEQUENT USE**

If a loan has been modified within the previous two years, the re-default risk is presumed to increase following a subsequent modification. Before granting a modification in this circumstance, the City must validate the borrower has experienced a change in circumstances that led to a separate default or imminent default unrelated to the first. Any such decision must be documented and placed in the servicing file. A subsequent modification should be an unusual occurrence, and the cause of the second default should not be related to the original reason for default.



## L. LOAN NOTE GUARANTEE

The terms of the Loan Note Guarantee (LNG) may change. The LNG may be extended to coincide with the terms of a loan modification that meets the eligibility criteria as previously noted in this manual in the eligibility section. Any loss on the modified loan is limited to the lesser of 90 percent of the original loan amount or the sum of the first 35 percent of the loss and 85 percent of the balance of the loss.

## M. THE CITY'S REPORTING

The City reports these actions in the month they occur or, if after the monthly cut-off date, in the next reporting cycle using the appropriate Down Home status. In addition, the City retains a copy of the executed loan modification in the servicing file and alerts the Administrative Services Division within 30 days of execution and no later than 60 days. The agreement should contain the following key data elements:

- Borrower and co-borrower name(s) and ID number(s)
- Effective re-amortization date
- Unpaid principal re-amortized
- Eligible interest and costs capitalized
- Sum of re-amortized principal and capitalized interest and costs
- Interest rate
- Maturity date

## 38 SPECIAL LOAN SERVICING

The City has the authority to approve the modification of single-family housing and multi-family rental housing loans that are in default or facing imminent default with terms extended on a case-by-case basis from the date of modification. The City may modify loans by reducing the interest rate to a level at the maximum allowable interest rate and extending the term of the loan on a case-by-case basis from the date of loan modification ("extended-term loan modification"). As with other authorized servicing options, the City must maintain a servicing plan when a borrower's account is 90 days delinquent and a method other than foreclosure is approved to resolve the delinquency.

Special Loan Servicing shall be used to bring the borrower's loan payment to income ratio as close as possible to, but not less than 31 percent, with a maximum ratio of 36 percent. The loan payment to income ratio is defined as the monthly mortgage payment (principal, interest, taxes, insurance and association dues) if applicable) for the modified loan divided by the borrower's gross monthly income.

### A. THE CITY ELIGIBILITY

The City must follow all HUD Loan statutes and federal regulations.

### B. LOAN ELIGIBILITY

To modify a note under Special Loan Servicing:

- The loan is not in foreclosure at the time the modification is executed; however, a loan removed from foreclosure status may be modified.
- The household or debtor(s) has experienced a verifiable loss of income or increase in living expenses.

**Note:** The City may modify a loan that is not delinquent but is in imminent danger of default; i.e. will soon become delinquent due to known circumstances.



### **C. ELIGIBILITY – MAXIMUM LOAN AMOUNT**

- First Time Home Buyer \$40,000 limit,
- Single Family Owner Occupied Renovation dependent on valuation up to \$123,000,
- Minor repair up to \$15,000
- Multi-family dependent on the current Request for Proposal budgeted amount.

### **D. PROPERTY ELIGIBILITY**

At the time of the special loan servicing, the borrower must occupy the property as the borrower's primary residence and intend to continue occupying the property as such. Multi-family rental housing must maintain maintenance on the property and comply with the affordability period and loan agreement.

### **E. BORROWER ELIGIBILITY**

The current borrower(s) on the existing FTHB, Single Family Owner Occupied Renovation or Multi-family rental-housing loan must be identical to the support on the modified loan.

The borrower(s) must be facing imminent default or be in default. A borrower is in default if that borrower is 120 days or more past due on the loan obligation. A borrower is "facing imminent default" if that borrower is current or less than 60 days past due on the loan obligation and is experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment on the loan during the month in which it is due.

The borrower must have a starting front-end ratio (loan payment PITI to income ratio) greater than 31%.

Special Loan Servicing is only permitted one time over the life of the loan.

The borrower(s) total back end debt to income ratio after modification must be no greater than 55%. Back end debt is described as verifiable debt that can be found on the borrower's credit profile, (i.e. credit cards, auto loans, etc...) and should not include normal household expenses, such as utility bills, monthly food allowances, etc...

### **F. FINANCIAL ANALYSIS**

To be considered for special loan servicing, the borrower(s) must provide detailed financial information to the City.

The City may collect financial information from borrower either in writing or during a telephone interview. Regardless of how the borrower's financial information was secured, the City must independently verify the financial information.

The following documentation must be obtained in order to determine the financial capacity of the borrower:

- Servicing Plan
- Letter from borrower outlining involuntary inability to pay/hardship
- Income Documentation as stated in the overview section
- Credit Report

The credit report should only be used to validate monthly installment debt, revolving debt, and primary mortgage debt. A borrower's credit score obtained from any credit repository will not be considered in determining whether a borrower is eligible for Special Loan Servicing. Questions relating to documentation requirements should be directed to the Administrative Services Division of the DCHD.



## **G. UNDERWRITING GROSS MONTHLY INCOME**

Gross monthly income includes the following, with respect to the borrower and any co-borrower:

- The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services
- For self-employed borrowers, the net income from operation of a farm, business, or profession;
- Interest, dividends, and other net income of any kind from real or personal property (for example, investment income and rental income)
- Benefit income, including the full amount of periodic payments received from Social Security (may be grossed up to a maximum of 125% of non-taxable income) (including Social Security received by adults on behalf of minors or by minors intended for their own support), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts
- Alimony and/or child support may be used to qualify, however, it is voluntary and if the income renders the borrower ineligible, the City is allowed to remove and re-evaluate the borrower income received by the borrower that is reasonably likely to continue

## **H. UNDERWRITING BACK END TOTAL DEBT TO INCOME**

The Back-End Ratio (total debt to income ratio) is the ratio of the borrower's total recurring monthly debts (such as the borrower's monthly mortgage payment (PITI), payments on all installment debts, monthly payments on all junior liens, alimony, child support, car lease payments, aggregate negative net rental income from all investment properties owned, and monthly mortgage payments for second homes) to the borrower's gross monthly income. This ratio must not exceed 55% after special loan servicing.

The City must validate all monthly installment debt, revolving debt, and secondary mortgage debt. This can be accomplished by pulling a credit report for each borrower or a joint report for married co-borrowers. The City must also consider any information obtained from the borrower orally or in writing concerning monthly obligations not reported on the credit file and document such obligations accordingly.

## **I. UNDERWRITING SUBORDINATE FINANCING**

Payments on subordinate mortgages are not included in the Front-End Ratio, but they are included in the Back-End Ratio.

## **J. MORTGAGE MODIFICATION WATERFALL**

The City must consider the following traditional servicing options before considering special loan servicing: a written informal payment plan, a special forbearance agreement, and a loan modification plan with a term on a case-by-case basis from the date of the loan modification.

The City shall calculate the target payment as 31% of the verified gross monthly income. Special Loan Servicing options shall be used in the following order to bring the borrowers mortgage payment (PITIA) to as close as possible but not less than 31% with a cap of 36%.

1. Capitalize all delinquency. Capitalization may include foreclosure fees and costs that are associated with a current foreclosure action, deficits in tax and insurance accounts, past due annual fees imposed by the City, but not late charges or other City fees.
2. Reduce interest rate to a level at or below the maximum allowable rate as defined by the City.
3. One-eighth of one percent (0.125%)
4. If the target payment is unable to be achieved with rate reduction alone, the City shall extend the term as necessary to achieve the targeted mortgage payment up to the maximum allowable by the investor but not to exceed 480 months.
5. If the targeted monthly mortgage payment still cannot be achieved, the City may consider a mortgage recovery advance in addition to the extension of the terms to achieve the monthly target payment.





In all cases, the City should adhere to specific investor loan modification requirements when it comes to rate reduction or term extension.

**K. LOAN NOTE GUARANTEE**

The terms of the Loan Note may change. The Loan Note may be extended to coincide with the terms of a loan modification that meets the eligibility criteria. Any loss on the modified loan is limited to the lesser of either 90 percent of the original loan amount or the sum of the first 35 percent of the loss and 85 percent of the balance of the loss.

**L. LOAN REEVALUATION-INTEREST RATE – MODIFIED LOAN**

The modified interest rate must be fixed and meet the City guidelines in this loan manual. The City may establish an allowable interest rate in an extended-term loan modification.

**M. LOAN PURPOSE**

Mortgages modified using Special Loan Servicing are required to have a lower monthly mortgage payment than the unmodified mortgage.

**N. LIEN PRIORITY**

The City must ensure the lien status of the modified loan in compliance with any applicable state or Federal laws and regulations.

**O. CREDIT HISTORY**

No minimum credit score is required. (Credit report is only used to verify recurring debts.)

**P. PROPERTY VALUATION**

No property valuation is required.

**Q. TRIAL MODIFICATION**

Prior to modifying a loan using Special Loan Servicing, the City must have the borrower complete a trial period during which the borrower makes the monthly mortgage payment they would make under the modified mortgage.

For borrowers who are in default when special loan servicing is initiated, the trial period must be three months in length. The City cannot modify the loan using special loan servicing unless the borrower makes all three reduced trial payments on time.

For borrowers facing imminent default when special loan servicing is initiated, the trial period must be four months in length. The City cannot modify the loan using special loan servicing unless the borrower makes all four reduced trial payments on time.



## Definitions

1. **Accela**—the payment and project management system software utilized by the City’s Cashier, who is responsible for receiving HUD loan payments.
2. **ACH** - “ACH” stands for Automated Clearing House. In accordance with National Automated Clearing House Association Operating Rules (the “ACH Rules”) Wells Fargo Bank enables the City of El Paso, Office of the Comptroller (OTC) to originate an automated transaction through a credit or debit entry on one of its depository HUD bank accounts.
3. **Active Loan Status** – refers to a loan being serviced and reported on the Portfolio Status report and where payment collections are being made including those loans in bankruptcy, foreclosure and/or modification.
4. **Affordability Period** – The period of time during which a property must comply with the HOME rules and regulations, including income and rent restrictions.
5. **Borrower** – refers to an individual who has received a loan through the CDBG or HOME program from Community and Human Development and who is the primary signer on the loan note.
6. **Closed Account** – refers to a loan that has been paid in full.
7. **Credit Reporting** - refers to the disclosure of consumer’s credit transactions and history of consumer’s creditworthiness and credit standing used to obtain and use credit.
8. **Deferred Payment Loan / Forgivable Deferred Payment Loan Agreement** – refers to a deferred payment loan structure where one lump sum is due at the maturity of the loan note or an amount is forgiven monthly, per agreement on the note and conditions of the applicable program.
9. **Deed in Lieu of a forbearance (DILF)** - Deeds in Lieu of Foreclosure. Another option to avoid foreclosure is by completing a deed in lieu of foreclosure. A deed in lieu of foreclosure is a transaction in which the homeowner voluntarily transfers title to the property to the lender in exchange for a release from the mortgage obligation. Should the City’s lien position be in second place, then the City will take whatever if any balance is left from the cure of the first lien and forgive any remaining debt.
10. **Down-Home Program** – is the loan servicing and managing software program utilized by DCHD to record payments and maintain all HUD loans. A Down-Home Process and Procedures manual are included; however, currently being finalized by Down-Home systems.
11. **Forbearance** – refers to a temporary period no longer than six months where the borrower is authorized to defer payments granted only under extraordinary circumstances such as loss of employment. There are two types of forbearance a formal and informal. A formal forbearance may be granted for up to a 6-month period with the submittal of an application and full back up documentation. An informal forbearance can be granted for up to 3 months with only proof of hardship in case of an emergency. Only an informal forbearance may be extended to a formal forbearance with the submittal of an application and full back up for up to no more than a period of 6 months. A formal forbearance cannot be extended, instead of a different form of mitigation may be considered, i.e. modification, restructure, etc.
12. **Foreclosure** – is a process that transfers the right of home ownership from the homeowner to the bank or lender.





## CITY OF EL PASO LOAN SERVICING & COLLECTIONS MANUAL

13. **Inactive Loan Status** – refers to a loan that has been either paid in full, deemed uncollectible, and/or foreclosed.
14. **Loan Assumption** - Loan assumption is the conveyance of the terms and balance of an existing loan to a new borrower of a COEP financed property, commonly requiring that the assuming party is qualified under COEP's guidelines.
15. **Modification Agreement** – refers to the formal written agreement where a qualified borrower will have the opportunity to bring a delinquent loan to a current status.
16. **Pre-foreclosure Sale (PFS)** – Pre-foreclosure refers to the state of a property that is in the early stages of being repossessed due to the property owner's inability to pay an outstanding debt obligation. At this point, the property owner can pay off the outstanding debt or sell the property before it goes into foreclosure.
17. **PITI**- acronym lenders use to describe the different components that make up your monthly mortgage payment. It stands for: principal, interest, taxes, and insurance.
18. **Redetermination** - refers to a borrower requesting a reduction of the interest rate charged on a loan where the Director of Community and Human Development will consider for approval after satisfying program conditions.
19. **Rescission Period** - the period where the borrower may opt to rescind a contract, where a contract is canceled, annulled, or abrogated by the parties, or one of them.
20. **Sale of Note** - is where the lender sells the note to a third party who may then foreclose or take other such collections activity
21. **Subordination** – the process by which the City is placed in a lower priority for the collection of its debt from its debtor's assets than the priority the City previously had. The COEP will not consider a subordination where money is received through a refinancing of external debt.



### Appendix A: Servicing of Loan Forms

#### SERVICING OF LOAN REQUEST FORM

Date: \_\_\_\_\_

Housing Programs Supervisor: Mark A. Marquez

Application Number: \_\_\_\_\_

FTHB    SF Rehab    SF Recon    Minor Repair    M-F Rental Investor Program    M-F Rental CHDO

\_\_\_\_\_  
IDIS Number

\_\_\_\_\_  
Applicant's Name

\_\_\_\_\_  
S.S Number

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Property Address

\_\_\_\_\_  
Mailing Address

**Type Of Loan:**  
**Deferred**

**Loan**  
**Forgivable**

Fund Type: Loan  
Closing Date: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_  
Term of Loan: \_\_\_\_\_  
1<sup>st</sup> Payment Due Date: \_\_\_\_\_  
1<sup>st</sup> Payment: \_\_\_\_\_  
Subsequent Payments Begin: \_\_\_\_\_  
Subsequent Payments: \_\_\_\_\_  
Late Fee: \_\_\_\_\_  
*(Only applies to FTHB/SF Rehab/SF Recon)*

Fund Type: Deferred  
Closing Date: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_  
Term of Loan: \_\_\_\_\_  
1<sup>st</sup> Payment Due Date: \_\_\_\_\_  
1<sup>st</sup> Payment: \_\_\_\_\_  
Subsequent Payments Begin: \_\_\_\_\_  
Subsequent Payments: \_\_\_\_\_

Fund Type: Forgivable  
Closing Date: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_  
Term of Loan: \_\_\_\_\_  
1<sup>st</sup> Payment Due Date: \_\_\_\_\_  
1<sup>st</sup> Payment: \_\_\_\_\_  
Subsequent Payments Begin: \_\_\_\_\_  
Subsequent Payments: \_\_\_\_\_  
Late Fee: \_\_\_\_\_



## SERVICING OF LOAN ACCOUNT REQUEST

\_\_\_\_\_  
Applicant's Name

### THE FOLLOWING DOCUMENT(S) ARE INCLUDED WITH THIS FORM

- a.  Copy of Loan Note
- b.  Copy of Grant Note
- c.  Copy of Deferred Payment Note
- d.  Copy of Builder's & Mechanic's Lien/Deed of Trust
- e.  Copy of Amortization Schedule
- f.  Copy of Applicants ID & Social Security (for Credit Reporting)

### LOAN COUNSELING AGENCY

- YWCA
- EPCUAH
- PROJECT BRAVO

FUND \_\_\_\_\_

DRAWN FROM PEOPLESOFT ACCOUNT: \_\_\_\_\_

PEOPLESOFT VOUCHER NUMBER: \_\_\_\_\_

\_\_\_\_\_  
Signature

CD Accounting Technician

**LOAN NUMBER ASSIGNED:** \_\_\_\_\_ (loan #)

#### FINANCIALSERVICES USE ONLY

**DEPARTMENT:** FINANCIAL SERVICES

**RECEIVED DATE:** \_\_\_\_\_

**DATE ENTERED IN DH:** \_\_\_\_\_

**ACCOUNTING SPECIALISTS**

**NAME:** \_\_\_\_\_

**LOAN ACCOUNT NUMBER ASSIGNED:** \_\_\_\_\_

**BILLING CYCLE ASSIGNED**     1<sup>st</sup>     15<sup>TH</sup>



### Loan Note

(Principal Reduction Assistance Program)

\$ \_\_\_\_\_

El Paso, Texas \_\_\_\_\_, 20

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (hereinafter [jointly] referred to as "Maker"), hereby promise to pay to the order of The City of El Paso, (hereinafter referred to "Payee") at P. O. Box 1890, El Paso, Texas 79950-1890, or at such other address as the holder of this Note may designate from time to time in writing, the principal sum of \_\_\_\_\_ AND \_\_\_\_\_ /100THS DOLLARS (\$ \_\_\_\_\_), with interest on each installment from date due until paid at the rate of three percent (3.00%) per annum for so long as the principal, or any part thereto, shall remain outstanding from and after this date as hereinafter provided.

This Note, together with all interest and charges hereon, shall be due and payable in consecutive monthly installments as follows, to wit:

The principal and interest on this Note is payable on the fifteenth (15<sup>th</sup>) day of each month in 360 monthly installments, commencing with a payment of \_\_\_\_\_ AND \_\_\_\_\_ /100THS DOLLARS (\$ \_\_\_\_\_) on \_\_\_\_\_, 20\_\_\_\_\_, and continuing thereafter with monthly installments of \_\_\_\_\_ AND \_\_\_\_\_ /100THS DOLLARS (\$ \_\_\_\_\_) per month for each of the remaining 359 consecutive months, in lawful money of the United States at the principal office of The City of El Paso, P. O. Box 1890, El Paso, Texas 79950-1890, or at such other address as shall be designated by Payee. A \$10.00 late fee will be added for any payment that is not received by Maker by the twenty-sixth (26<sup>th</sup>) day of each month in which the monthly payment is due. The late fee will be assessed only once on each late payment.

**PAYMENTS:**

Maker shall make monthly payments to The City of El Paso at P. O. Box 1890, El Paso, Texas 79950-1890, or at such other address as may be designated by Payee. The indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on Maker by Payee, is subordinate in right of payment only to the prior payment in full of the indebtedness evidenced by a First Mortgage to the Senior Lien Holder, which is secured by a Deed of Trust to the Senior Lien Holder at the time of this Note's execution.

Maker agrees not to send Payee partial payments marked "paid in full", "without recourse" or with similar language. If Maker sends such a payment, Payee may accept it without losing any of Payee's rights under this Note, and Maker will remain obligated to pay any further amounts owed to Payee. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes *payment in full* of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be marked for "special handling" and mailed or delivered to the attention of: Housing Programs Manager, Community and Human Development Department, at the designated address for Payee.



**FORGIVABLE DEFERRED PAYMENT LOAN PROMISSORY NOTE**

(Down Payment and Closing Costs Assistance Program)

\$000.00

El Paso, Texas \_\_\_\_\_, 20

FOR VALUE RECEIVED, the undersigned (hereinafter collectively referred to as "MAKER") jointly and severally, hereby promise to pay to the order of The City of El Paso, (hereinafter referred to "Payee") at P. O. Box 1890, El Paso, Texas 79950-1890, or at such other address as the holder of this Note may designate from time to time in writing, the principal sum of AND 00/100THS DOLLARS (\$) with interest thereon at three percent (3%) accumulating per annum for a ten (10) year period, commencing on the date of execution of this Note.

Provided that Maker fully complies with the terms of the Loan Note [delete if no other loan note], this Note and the Deed of Trust (defined below and executed on even date herewith), the amount due and payable under this Note shall be deferred and the outstanding principal and accrued interest will be immediately due and payable upon the first to occur of the following events: the sale, transfer, first mortgage payoff with refinancing, lease, or conveyance of the following described property located in El Paso, Texas:

; also known and numbered as , El Paso, Texas ("the Property").

For the term of this Note provided that Maker: [delete (1) and (2) if there is no other Loan Note] (1) remains current on the consecutive monthly payments due on his/her loan note of even date in the principal amount of \$ in favor of THE CITY OF EL PASO, Payee, (the "Loan Note") and is not in default under any of the obligations securing that Loan Note; (2) is not in default under any of the obligations securing this Note; (3) and has not ceased living on the premises securing this Note as his/her principal residence; then the original principal amount and accrued interest of this Note will be proportionately forgiven following a 60-month period at the rate of one-fifth (1/5th) each year in years 6 through 10, thereby reducing the amount due on the loan note from the 61st month to the maturity date for each year that Maker has met each of the above obligations.

The amount due and payable at any time shall be the remaining unforgiven principal amount and accrued interest of the Note.

**REPAYMENT UPON DEFAULT OR BREACH**

Except as otherwise provided, this Note shall become immediately due and payable without notice or demand by Payee upon the event of a default or breach of any term, condition, or obligation of this Note or the Deed of Trust securing same, which default or breach is not corrected within thirty (30) days of the Payee giving written notice of such default or breach to the Maker.

The indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on Maker by Payee, is subordinate in right of payment only to the prior



**BUILDERS & MECHANICS LIEN CONTRACT**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER**

**BUILDER'S & MECHANIC'S LIEN CONTRACT  
AND  
DEED OF TRUST  
(WITH POWER OF SALE)**

THE STATE OF TEXAS)  
)  
COUNTY OF EL PASO)

THIS CONTRACT made and entered into by and between \_\_\_\_\_ hereinafter called OWNER(S) and hereinafter called CONTRACTOR, all of El Paso County, Texas, and provides for a transfer of lien to the City of El Paso, as Lender:

WITNESSETH: That CONTRACTOR, in consideration of OWNERS' agreement to pay the sum of \$\_\_\_\_\_, hereby agrees with OWNERS to furnish and pay for all labor and materials needed to construct and to build, construct and complete in a good and workmanlike manner, the improvements contained in the Community Development Contract of even date herewith to which reference is made for all purposes, according to the plans and specifications this day agreed upon by the parties hereto, upon the following described real property belonging to OWNERS, to-wit:

\_\_\_\_\_, An Addition to the City of El Paso, El Paso County, Texas, according to the plat thereof, recorded in Volume \_\_\_\_\_, Page \_\_\_\_\_, Plat Records of El Paso County, Texas; also known and numbered as \_\_\_\_\_, El Paso, Texas.

The CITY OF EL PASO, P. O. Box 1890, El Paso, Texas 79901; hereinafter called CITY, at the instance and request of OWNERS, having agreed to advance and pay the above-stated consideration, in cash to CONTRACTOR, in accordance with the above-referenced contract; and pursuant to such OWNERS have executed and delivered to said CITY their loan note/forgivable deferred payment loan note (collectively, the "Note(s)") of even date herewith for the total sum of \$\_\_\_\_\_, hereinafter called INDEBTEDNESS, being in renewal and extension of the indebtedness acknowledged herein.

To secure the prompt payment of such INDEBTEDNESS, a Builder's and Mechanic's Lien Contract and Deed of Trust (With Power of Sale) is hereby created and granted by OWNERS to and for the benefit of CONTRACTOR and CITY, the holder of the INDEBTEDNESS evidenced by such Note(s), upon the hereinabove described real property, and



**DEED OF TRUST**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER**

**DEED OF TRUST**

THIS DEED OF TRUST ("Security Instrument") is made on \_\_\_\_\_, 20 \_\_\_\_ . The Grantor(s) is/are \_\_\_\_\_ and \_\_\_\_\_ (hereinafter referred to as "Borrower"). The trustee appointed by Borrower pursuant to this instrument is the City Clerk of the City of El Paso, El Paso County, Texas, whose address is P. O. Box 1890, El Paso, Texas 79950-1890 ("Trustee") unless a substitute trustee is otherwise designated by the City of El Paso. The beneficiary of this Deed of Trust is The City of El Paso, El Paso County, Texas which is a Municipal Corporation duly organized and existing under the laws of The State of Texas and whose current address is P. O. Box 1890, El Paso, Texas 79950-1890 (hereinafter referred to as "Lender").

Pursuant to the terms of the Promissory Note or Notes ("Note(s)") executed of even date, Borrower owes (and acknowledges the validity of such debt[s]) Lender the total aggregate principal sum of \_\_\_\_\_ AND NO/100 DOLLARS (\$ \_\_\_\_\_), with interest [add "and Shared Appreciation" if DPL/SA] thereon, if any. This debt is evidenced by Borrower's Loan Note(s) of even date, which provides for the payment of the debt on the terms provided therein. Borrower understands and acknowledges that this debt constitutes a loan(s) from Lender to assist Borrower in financing the purchase of Borrower's principal residence from funds available to Lender under the U.S. Department of Housing and Urban Development, HOME Investment Partnerships Program ("HOME Program"), as described in Title II, the Cranston-Gonzalez National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990) Title 24 Code of Federal Regulations Part 92, and/or funds allocated under the American Dream Down-Payment Initiative ("ADDI"), Public Law No. 108-186 (2003), a component of the HOME Program, and/or Community Development Block Grant ("CDBG") funds, as described in Title I, Housing and Community Development Act of 1974, as amended, Title 24 Code of Federal Regulations Part 570 (collectively herein referred to as "HOME Program"), and pursuant to rules and regulations promulgated thereunder, and the requirements of the Lender's Community and Human Development Department.

This Security Instrument secures to Lender: (a) the repayment of the debt (purchase money) evidenced by the Note(s), with all interest, and including but not limited to any renewals, extensions and modifications to the extent applicable; (b) the payment of all other sums required to preserve Borrower's interest in the property, with interest, as well as performance of all obligations (noted in paragraph 7 of this Deed of Trust) to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements contained in this Security Instrument and in the Note(s). For this purpose, Borrower irrevocably grants and conveys to Trustee, in Trust, with Power of Sale, the following described property located in El Paso County, Texas:

\_\_\_\_\_ ; also known and numbered as \_\_\_\_\_, El Paso, Texas.

together with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, minerals, oil, and gas rights, profits, water rights, stock and all fixtures now or hereafter becoming a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is collectively referred to in this Security Instrument as the "Property".





**SHARED APPRECIATION/DEFERRED PAYMENT LOAN PROMISSORY NOTE**  
(Principal Reduction Assistance Program)

\$ \_\_\_\_\_ El Paso, Texas \_\_\_\_\_, 20

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (hereinafter [jointly] referred to as "Maker"), hereby promise to pay to the order of The City of El Paso, (hereinafter referred to "Payee") at P. O. Box 1890, El Paso, Texas 79950-1890, or at such other address as the holder of this Note may designate from time to time in writing, the principal sum of \_\_\_\_\_ AND \_\_\_\_\_ /100THS DOLLARS (\$ \_\_\_\_\_) ("deferred principal amount") plus a share of appreciation as contingent deferred interest ("Shared Appreciation") due upon the sale, conveyance, first mortgage payoff, lease, or other transfer or conveyance, whether voluntary or involuntary, of any interest in that property described in that certain Deed of Trust of even date herewith, executed by Maker in favor of Payee, legally described as:

\_\_\_\_\_, also known and numbered as \_\_\_\_\_, El Paso, Texas ("the Property").

Provided that Maker fully complies with the terms of this Note and the Deed of Trust, the amount due and payable under this Note shall be deferred and will only be immediately due and payable upon the first to occur of the following events: the sale, transfer, first mortgage payoff, lease, or other conveyance of the above-referenced Property.

**REPAYMENT UPON DEFAULT OR BREACH**

Except as otherwise provided, the entire deferred principal amount and Shared Appreciation, if any, under this Note shall become immediately due and payable without notice or demand by Payee upon the event of a default or breach of any term, condition, or obligation of this Note or the Deed of Trust securing same, which default, or breach is not corrected within thirty (30) days of the Payee giving written notice of such default or breach to the Maker.

The indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on Maker by Payee, is subordinate in right of payment only to the prior payment in full of the indebtedness evidenced by a First Mortgage to the Senior Lien Holder, which is secured by a Deed of Trust to the Senior Lien Holder at the time of this Note's execution.

**BORROWER'S RIGHT TO PREPAY:**

Maker's right to make a prepayment under this Note is limited to only the right to make a full prepayment of the deferred principal amount together with Shared Appreciation, if any. No prepayment charge or penalty will be assessed. Payee will not accept any partial prepayment(s) of this Note





### Appendix B: ACH Authorization Form



#### Community and Human Development HUD Loans - ACH Form

**STAPLE VOIDED CHECK**

(MUST ATTACH VOIDED CHECK OR LETTER FROM BANK INSTITUTION)

START

STOP

I authorize the City of El Paso to initiate a debit to my account (information stated below) on a monthly basis. This ACH transaction will cover the monthly loan payment due for my current loan note debt (as stated below). The debit entry will not exceed the total amount agreed to as per this authorization form (as stated below).

Print Name	Signature	Date
Effective Date	Loan No.	Amount of ACH Transaction
Bank Name	Routing Number	Bank Account Number
Savings or Checking	Phone Number	Email Address

- \*Note: A written 30-day notice is required in order to stop ACH transactions from occurring.
- If your bank account closes, please notify our office immediately.
- \*If any changes occur in your payments, a new ACH form will need to be completed.
- \*All returned ACH transactions will incur a NSF fee of \$20.
- \*Please contact Community and Human Development at (915) 212-0139 for further instructions.

Entered by: \_\_\_\_\_ Date: \_\_\_\_\_ Verified By: \_\_\_\_\_ Date: \_\_\_\_\_



### Appendix C: Payment Discount Policy



#### Automated Clearing House (ACH) Disclaimer

Customers electing to use ACH to make payments on their City of El Paso Housing Program loan(s) may qualify for a yearly \$100.00 principle reduction. For this policy to be effective, the following must occur without exception:

- This ACH disclaimer completed, signed, and dated by the note holder.
- The designated ACH financial institution is kept current each month by the note holder(s).
- Scheduled payment(s) to the City of El Paso loan(s) from the designated financial institution are received before the scheduled due date(s) each month for each consecutive 12 month period.
- No returned payment(s) to the City of El Paso from the designated financial institution for any reason, i.e. non-sufficient funds, stop payments, etc.
- No scheduled payments in person or dropped off.

The principle reduction is voluntarily waived if for any reason, through no fault of the City of El Paso, any of the above occurrences happen. Any other instance not listed will be evaluated on a case-by-case basis.

Why sign up for ACH payments? Here are the benefits:

- As long as you have available funds, the ACH payment is processed immediately.
- ACH payments can be credited to your account in less than three business days. Payments made through any mailing service can take seven to ten business days.
- ACH payments save you money by eliminating the need for paper checks, envelopes, postage stamps, metered parking and most beneficial of all, reducing your City of El Paso loan note(s), i.e.
- Your ACH payment cannot be lost in the mail.
- You will save time by not traveling to the City of El Paso and/or waiting in line.

#### Automated Clearing House (ACH) Sign-Up Form

Loan Number:	Amount of ACH:	Date to start ACH:	Month & Day for ACH
	\$	/ /	/ /

Customer Name(s):		

To assist in providing accurate information to the City of El Paso's Business and Financial Section, please attach a voided check, savings account deposit slip and/or your financial institution letter providing the information needed for a successful ACH payment set up. If this information cannot be provided, please complete the information below. The City of El Paso cannot guarantee the accuracy of the information you provide.

Name of Financial Institution	Financial Institutions Routing Number:	Account Number:

I authorize the City of El Paso, Business and Financial Services Department, to initiate an ACH payment to cover the monthly loan payment due for my current loan note debt. The ACH entry will not exceed the total amount agreed to as per this ACH Sign-Up Form.

I elect to participate in the City of El Paso's payment discount program, which consist of a one-time yearly incentive of \$100.00 credited to my City of El Paso loans principle balance at the end of each 12 consecutive successful ACH monthly payments without interruption of any kind. Any interruption of the consecutive ACH payments will waive the incentive although will activate from the beginning with the first successful ACH payment. It is also understood that the \$100.00 credit is not to be understood as a monthly payment; scheduled monthly payments continue as per your agreement with the City of El Paso.

To stop the ACH payment, I understand a signed and dated written request is required. I further understand that a minimum of 30 days advance notice is required for the stop request to take effect.

Please contact Business and Financial Services at 212-0138 for further instructions or questions.

Signature	Signature	Signature	Date



## Appendix D: Release of Lien Process

### RELEASE OF LIEN CHECKLIST

1. Verify that loan has been paid off and print out statement showing balance is paid in full.
2. Obtain documents from file, usually via application extender and print out Loan Note, Grant Note (if applicable) and Mechanic's Lien or Deed of Trust.
3. Prepare documents for Legal Department. These are: Department Head Approval form, the Release of Lien Memo and actual Release of Lien using the appropriate templates.
4. For loans that have been with Amerinational, the following documentation must also be provided to legal: loan history from ACS showing original loan amount and balance of loan at time of transfer back to the City. This transfer amount should correspond to the beginning balance in Down Home software.
5. Once documents are completed, forward to Senior Accounting & Collections Specialist (SACS), via email. Provide SACS with contact information; that is who to contact when release is ready. Make SACS aware of any unusual or pertinent information that would need to be sent to Legal Department. For example, (e.g.) some files do not have copies of all notes, or there is only a Promissory Note and not a Deed of Trust or Mechanic's Lien. Also, some releases may involve only a Grant Note and no Loan Note required.
6. When final release is ready, it is to be obtained from Legal Department and delivered to SACS' desk inbox. SACS will then route to obtain both Department Head signature and notarization.
7. Release of Lien is then forwarded to City Manager for signature and notarization.
8. Release of Lien is then forwarded to City Clerk's for recording. In the event a title company needs to obtain the Release of Lien, this step is omitted as title companies typically record releases for buyers.
9. Once Release of Lien is recorded, customer (or Title Company) is notified and the release is either picked up in person or mailed out. A copy of the recorded release is kept for our files. Once Release of Lien is recorded, customer or Title Company is to be notified and document may be picked up in person or mailed out. A copy of recorded release is kept in the City's files.



## Appendix E: Acknowledgment of Handling Sensitive Information



### ACKNOWLEDGMENT OF PROPER HANDLING OF THE DEPARTMENT OF COMMUNITY AND HUMAN DEVELOPMENT BORROWER'S SENSITIVE INFORMATION

1. I understand my access to sensitive data is limited to use within the City of El Paso and related work functions. This data cannot be transmitted electronically and or in hard copy.
2. I understand that willful or gross carelessness in the unauthorized revealing or disclosing of any Sensitive Information pertaining to the Department of Community and Human Development Loan borrower's may constitute sufficient cause for disciplinary action under the City's Disciplinary Matrix, as well as criminal penalties or civil liability.
3. I also understand that there are City resources available to assist me in keeping up with any updates or revisions to City Policies, Procedures, Guidelines and Regulations such as <http://my.elpasotexas.gov/>, and the City's HR website: <http://www.elpasotexas.gov/human-resources>. Any log in access information is restricted to the assigned user and cannot be shared under any circumstance.

Employee Signature:

---

Printed Name:

---

Date:

---



## **Appendix F: Portfolio Reports**

- Transaction Report
- Trial Balance Report
- Portfolio Activity Report



## Transaction Report

Transaction Detailed Report for Selected Funds - 05/02/2018 - 05/02/2018  
By Funding Source  
(All transactions)

05/03/2018 03 25 PM

Payment Period	Date	Code	Disbursement	Amount paid	Fees paid	Interest paid	Principal paid	TA paid	Check No.	Ending Balance	Comment
----------------	------	------	--------------	-------------	-----------	---------------	----------------	---------	-----------	----------------	---------

## Trial Balance Report

Trial Balance Report for Selected Funds for the Period 05/02/2018 - 05/02/2018  
By Funding Source  
(All transactions)

05/03/2018 03 26 PM Page 1

LoanID	Borrower	Close Date	Loan Amount	Principal Balance	=== Cumulative Pmts ===		=== Latest Pmts ===		=== Periods Past Due ===						Total Past	Days Past
					Principal	Interest	Amount	Date	ONE	ONE+	TWO+	THREE+	FOUR+	FIVE+		

## Portfolio Activity Report – Delinquent Accounts

Portfolio Summary Report for Selected Funds -- ACTIVE ACCOUNTS  
By Funding Source  
(All transactions)

05/03/2018 03 28 PM Page 1

LoanID	Borrower	Close Date	Loan Amount	Principal Balance	=== Cumulative Pmts ===		=== Latest Pmts ===		=== Periods Past Due ===						Days Past
					Principal	Interest	Amount	Date	ONE	ONE+	TWO+	THREE+	FOUR+	FIVE+	



### Appendix G: Special Forbearance Checklist

SPECIAL FOREBEARANCE CHECKLIST			
Loan Number:	Borrower:	Date:	
Issuer:		Verification (Date, Amnt, Source of Info. Etc)	
Has the borrower experienced a verified loss of income or increase in living expenses?		Yes	No
Is the borrower an owner-occupant?		Yes	No
Did the borrower receive the "How To Avoid Foreclosure" brochure?		Yes	No      Date:
Will the loan be more than 90 days and less than 365 days delinquent on the effective date of the agreement? (# of Days)		Yes	No
Did the surplus income analysis to determine the borrower's ability to repay the debt include:			
A financial statement provided by the borrower?			
A credit report?			
Income/expense verification?			
Evidence the borrower can support the payment schedule?			
Show the borrower's surplus income percentage.                      %			
Has an inspection determined that the property has no adverse conditions affecting continued occupancy?		Yes	No
Does the written agreement executed by the borrower:			
clearly define the terms and frequency of re-payment?			
offer relief not available through a normal repayment plan?			
state that failure to comply may result in foreclosure?			
limit the total default to 12 months or less?			
If the special forbearance agreement culminates in a modification, show the proposed date of that action.			





### Appendix H: Loan Modification Checklist

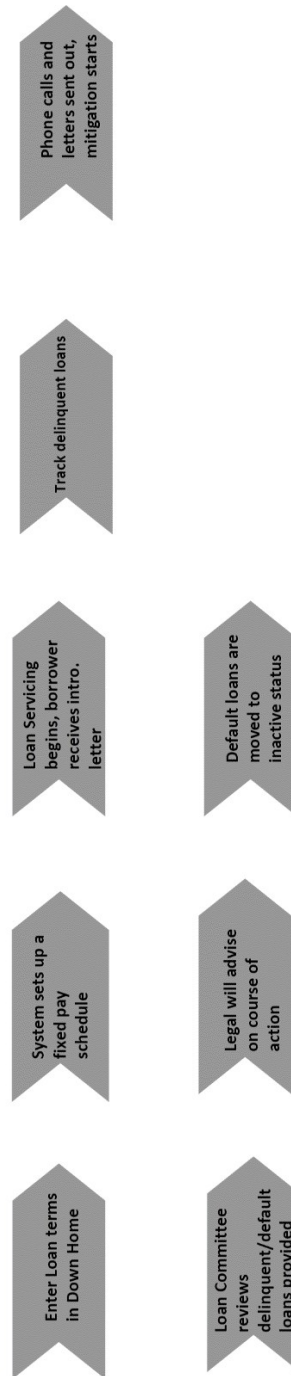
<b>LOAN MODIFICATION CHECKLIST</b>			
Loan Number:	Borrower:	Date:	
Issuer:		Verification (Date, Amnt, Source of Info., Etc.)	
Has borrower experienced a verified loss of income or increase in living expenses?	Yes	No	
Does the borrower have a commitment to occupy the property as his or her primary residence?	Yes	No	
Did borrower receive the "How To Avoid Foreclosure" brochure?	Yes	No	Date:
Will the loan be more than 90 days delinquent on the date of execution and funding? (Show # of days)	Yes	No	
If this loan had a prior modification within the past two years, justify the decision to modify within this box.			
Did the surplus income analysis to determine the borrower's ability to repay the debt include:			
a financial statement provided by the borrower?			
a credit report?			
income/expense verification?			
evidence of the borrower's ability to repay for at least 3 months?			
What is the borrower's surplus income percentage?                      %			
Reason why the default cannot be cured through special forbearance?			
Has a title search established first lien status of the modified loan?	Yes	No	
Will release of junior liens be required?	Yes	No	
Will title endorsement be required?	Yes	No	
Has an inspection determined that the property has no adverse conditions affecting continued occupancy?		Yes	No
Does the written modification agreement executed by the borrower:			
include all advances necessary to cure the delinquency of the principal, interest, taxes, insurance and foreclosure fees and costs?	Yes	No	
administrative costs excluded?	Yes	No	



# Appendix I: Loan Process Flowchart

## ACTIVE & INACTIVE DELINQUENT LOANS

### Loan Servicing Process





### Appendix J: Loan Review Form

Loan Review									
<b>Part A. Applicant/Borrower(s) Information</b>									
Borrower:					Co-Borrower:				
Borrower SSN:					Co-Borrower SSN:				
Address:				Phone No:			E-mail:		
City:				State:			Zip Code:		
<b>Part B. Loan Information</b>									
Loan #	Loan Amount	Interest	Term	Balance	Past Due	Last Pymt	Terms Left	Due Date of Last Paid Installment	
Loan #	Loan Amount	Interest	Term	Balance	Past Due	Last Pymt	Terms Left	Due Date of Last Paid Installment	
Loan #	Loan Amount	Interest	Term	Balance	Past Due	Last Pymt	Terms Left	Due Date of Last Paid Installment	
Junior Lien	Loan Amount	Interest	Term	Balance	Past Due	Last Pymt	Terms Left	Due Date of Last Paid Installment	
<b>Part C. Reason for Request</b>							<b>Documentation</b>		
							Loss of Work		
							Accident		
							Divorce		
							Death		
Intentions							Keep Property		
							Sell Property		
<b>Part D. Financial Information</b>									
Gross Monthly Income			Documents	Gross Monthly Expenses			Documents	Housing Cost Ratio (expense/income)	
\$			Provided	\$			Provided		
Tax Return		\$		1st Mortgage		\$			
W-2		\$		2nd Mortgage		\$			
Social Security		\$		Property Taxes		\$			
Pension		\$		Insurance		\$			
Food Stamps		\$		(4) Electric Bills		\$			
Child Support		\$		(4) Gas Bills		\$			
Other		\$		(4) Water Bills		\$			
<b>Part E. Workout Recommendation (Staff only)</b>									
				Date	Verified mailing address			Verified Phone #	
Did customer receive the "How to Avoid Foreclosure"?				Yes	No				
Did customer receive the "Save your home" brochure?				Yes	No				
Prior Payments Arrangements?			Yes	No	Kept Plan?	Yes	No		
Payment Arrangements									
Past Due Amount		Terms			Comments				
Prior Forbearance?			Yes	No	Kept Plan?	Yes	No		
Special Forbearance									
Past Due Amount		Terms			Comments				
Prior Modification?			Yes	No	Kept Plan?	Yes	No		
Modification									
Past Due Amount		Terms			Comments				
Prior Restructure?			Yes	No	Kept Plan?	Yes	No		
Restructure									
Past Due Amount		Terms			Comments				
Prior Redetermination?			Yes	No	Kept Plan?	Yes	No		
Redetermination									
Past Due Amount		Terms			Comments				
Is an Assumption an Option?				Yes	No	Comment			
Is an Deed in Lieu an Option?				Yes	No	Comment			
All collection methods were attempted before foreclosure?				Yes	No	Comment			
Preparer:				Signature			Date:		



## Appendix K: Behind on Mortgage Brochure



# BEHIND ON YOUR MORTGAGE PAYMENTS? *Help is available.*

**FREE** assistance from HUD-approved housing counseling agencies is available to you.

**Housing Counselors** at non-profit or government agencies approved by the U.S. Department of Housing and Urban Development (HUD) are trained to help homeowners who are having problems making their mortgage payments. Counselors can help you find the best option for your situation.

### HUD-approved Housing Counselors will:

- Work with you in person or over the phone.
- Help you understand your housing options.
- Help communicate with your lender.
- Recommend financial tools to help you solve current problems and avoid future ones.
- Connect you with local resources that may provide you with additional assistance.

### This Help is Free.

HUD approved housing counseling agencies cannot charge to help you explore your options if you are having trouble paying your mortgage loan.

- Watch out for companies that charge a fee for these services. It may be a scam.
- Check [www.hud.gov/findacounselor](http://www.hud.gov/findacounselor) to confirm the counseling agency is HUD-approved.

### HOW TO FIND A HOUSING COUNSELOR TODAY:

- **Online.** Search for a housing counseling agency near you at: [www.hud.gov/findacounselor](http://www.hud.gov/findacounselor) or <http://www.consumerfinance.gov/find-a-housing-counselor/>
- **By Phone.** Call HUD's Housing Counseling Locator Service at (800) 569-4287.
  - Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at (800) 877-8339.
  - Comprehensive foreclosure assistance is available around the clock at (888) 995-HOPE (4673).

9692HC-(English)



# Appendix L: Save Your Home Brochure

**FHA HOMEOWNERSHIP FEDERAL HOUSING ADMINISTRATION**

### SHOULD I BE AWARE OF ANYTHING ELSE?

Beware of foreclosure prevention scams! You may be approached by organizations with official sounding names offering a quick fix to your mortgage problems. They often charge hefty fees or require that you "temporarily" sign over your deed to them. Remember—solutions that sound too good to be true usually are. These precautions will help you avoid being taken by a scam artist:

1. Never sign any papers you don't fully understand.
2. Check with a lawyer, your lender or trusted advisor, or a HUD-approved housing counselor before entering into any deal involving a loan assumption, contract of sale or a transfer of the deed to your home.
3. If you can't afford your current mortgage, don't be talked into refinancing into a new loan with a higher payment.

To find a HUD counselor in your area call:  
1-800-569-4287 or TDD 1-800-877-8339.

### WHAT IS FHA?

The Federal Housing Administration is part of the U.S. Department of Housing and Urban Development (HUD). FHA provides mortgage insurance to approved lenders who in turn offer mortgage loan financing to individuals and families throughout the United States and territories. The FHA mortgage insurance enables approved mortgagees to provide home loans to eligible borrowers who might not otherwise qualify for other mortgage loan financing. FHA borrowers are often first-time homebuyers, moderate income families or folks who can't afford a large downpayment.

To learn more about FHA's programs, please visit:  
[www.hud.gov/fha](http://www.hud.gov/fha) or contact the  
FHA Resource Center:  
1-800-CALL-FHA (1-800-225-5342)  
**Federally Insured, Always There!**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION  
451 SEVENTH STREET, S.W.  
WASHINGTON, D.C. 20410

**FHA**  
Your Door to  
HOMEOWNERSHIP

**MAKING YOUR HOME AFFORDABLE**  
1-888-995-HOME  
HUD-2008-5-FHA  
April 2012

**FHA HOMEOWNERSHIP FEDERAL HOUSING ADMINISTRATION**

## SAVE YOUR HOME

### Tips to Avoid Foreclosure

[www.hud.gov/fha](http://www.hud.gov/fha)  
**1-800-CALL-FHA**  
(1-800-225-5342)

FHA—BUILDING COMMUNITIES BY INSURING THE AMERICAN DREAM OF HOMEOWNERSHIP FOR MILLIONS OF PEOPLE SINCE 1934

### HELP! I CAN'T MAKE MY MORTGAGE PAYMENT.

Every day thousands of people like you have trouble making the next mortgage payment. Though things may seem hopeless, help is available. However, you need to take the first step! If you ignore the problem you may lose your home to foreclosure, possibly affecting your ability to qualify for credit or to rent another home.

### WHAT SHOULD I DO?

1. Contact your lender right away. You can find a contact number on your mortgage statement. When you call, be prepared to explain:
  - ✓ Why you are unable to make your payment.
  - ✓ Whether the problem is temporary or permanent.
  - ✓ Details about your income, expenses, and other assets like cash in the bank.
2. If you are uncomfortable talking to your lender, a HUD-approved housing counseling agency can help you understand your options. These services are free of charge.
3. Open all of the mail you receive from your lender. It contains valuable information about repayment options. Later mail may have important legal notices. Failing to read the mail will not prevent a foreclosure action.
4. Look for ways to increase the amount you have available to make your mortgage payments. Can you cancel cable TV, pack lunches, or get a part-time job? While these actions may not replace all of your lost income, they send a strong message to your lender that you are serious about keeping your home.

**NOTHING IS WORSE THAN DOING NOTHING!**

### WHAT OPTIONS WILL HELP ME KEEP MY HOME?

FHA provides, as part of its insurance contract with lenders, loss mitigation actions the lender must evaluate and take, when appropriate, to reduce financial losses on loans in default. Your lender needs information from you to fully evaluate these options. If you want to keep your home, talk to your lender about available workout options for home retention. While the options listed here are for borrowers with FHA-insured loans, most lenders offer similar workout plans designed to help you keep your home.

**Special Forbearance.** Your lender may provide for a temporary reduction or suspension of your payments to allow you time to overcome the problem that reduced your income. Then you may be offered a payment plan so you can pay back the missed payments a little at a time until you are caught up. An extended forbearance period may be provided to unemployed borrowers who are actively seeking employment.

**Mortgage Modification.** A modification is a permanent change to your loan through which the overdue payments may be added to your loan balance, the interest rate may be changed or the number of years you have to pay off the loan may be extended.

**Partial Claim.** In a Partial Claim, a borrower receives a second loan in an amount necessary to bring the delinquent loan current. The loan is interest free and does not need to be repaid until you pay off your first mortgage or sell your house. This option is only available to borrowers with FHA-insured loans. However, if you have a conventional loan, ask your lender if they offer an "advance claim."

**FHA-Home Affordable Modification Program (FHA-HAMP).** This option combines an enhanced partial claim with a loan modification. Under the FHA-HAMP, the partial claim loan will not only include any amounts necessary to bring your mortgage current but

may also include an amount to reduce your existing loan balance by up to 30%. The reduced loan balance will then be modified to lower your monthly mortgage payment to an affordable level. As described above, the partial claim loan is interest free, but must be repaid when you pay off your first mortgage or sell your house.

To qualify for any of these options, you will need to provide your lender with current information about your income and expenses. Also, your lender may require that you agree to a payment plan for three or more months to demonstrate your commitment before you are approved for a modification or partial claim.

### WHAT OPTIONS DO I HAVE IF I CAN'T KEEP MY HOME?

If your income or expenses have changed so much that you are not able to continue paying the mortgage even under a workout plan offered by your lender, you should consider the options below.

**Pre-foreclosure sale.** With your lender's permission you can offer your house for sale and sell it at fair market value even if the amount you receive from the sale is less than the amount you owe. If you meet certain conditions, you may be eligible to receive relocation expenses.

**Deed-in-lieu of foreclosure.** As a last resort, you may be able to voluntarily give your property back to your lender. If you leave the property clean and undamaged you may be eligible to receive relocation expenses.

There could be income tax consequences to any plan that reduces the amount of debt you owe so check with a tax advisor before accepting these workout options.

**Contact FHA**  
Struggling homeowners with FHA-insured loans can get assistance by contacting HUD's National Servicing Center at (877) 622-8525. Persons with hearing or speech impairments may reach this number via TDD/TTY by calling (800) 877-8339.

Beware of Scams! If It Sounds Too Good To Be True...It Usually Is.  
Report mortgage fraud. Call 1-800-347-3735.





## Appendix M: Guidelines for Subordination Agreements

### The City of El Paso

### **Guidelines for Subordination Agreements:**

- A written request stating the reason for the Subordination.
- The City must have some valuable consideration for processing the subordination
- Lower interest rate and **NO CASH OUT TO THE BORROWER**, the subordination must be for refinancing only. (In order to process a Subordination the Borrower must be in “good standing” with the City to initiate a subordination).
- 
- Itemized statements should be provided such as Settlement Statement or Closing Docs to provide proof that customer is receiving a fair deal as approved by City of El Paso. These documents will need to disclose the loan amount, interest rate, payment amount, and proof that no cash will be going to the customer as part of the refinancing.
- It requires the review and signatures of our City Attorney, Director of Community Development and the City Manager.
- Also needed will be the Senior Lender, Address for Notice for the Senior Lender, and a contact name with address and/or phone number. We will also require a contact name and address from the bank providing the refinancing.
- We also request current contact information for borrower also be provided, either a phone number or email address or both.
- First Time Home Buyers may be subordinated as long as there is no cash out to borrower, equal or lesser interest rate and payments become lower as a result of the refinancing / subordination. As above, documents will need to be provided to indicate the payment, amount, interest rate, loan amount and proof that no cash will be going out to customer as part of the refinancing.
- The entire process requires two to three weeks to go through our Legal Department and City Manager.



### Appendix N: Subordination Agreement Request



## COMMUNITY AND HUMAN DEVELOPMENT DEPARTMENT (DCHD) SUBORDINATION AGREEMENT REQUEST [ONLY FOR RATE AND TERM REFINANCE LOANS]

Complete and submit the form to [DCHDCompliance@elpasotexas.gov](mailto:DCHDCompliance@elpasotexas.gov) Please be aware; failure to submit all required materials may delay or prevent the processing of your request. All requests are processed in the order in which they are received.

If you need assistance, please call (915) 212.0139 option #4.

#### Requestor Information

Date of Request: \_\_\_\_\_ Comment(s): \_\_\_\_\_  
 Name (Last, First): \_\_\_\_\_ Firm: \_\_\_\_\_  
 Email address: \_\_\_\_\_ Phone: \_\_\_\_\_

#### Homeowner's Information and Property Information

Last/First Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Property Address: \_\_\_\_\_

#### Current Mortgage Information

Name of Lender/Mortgage Company: \_\_\_\_\_  
 Old Loan Amount, Interest Rate and Terms: \_\_\_\_\_

#### New Mortgage Information (To be included in Subordination Agreement)

DCHD DOES NOT SUBORDINATE TO CASH-OUT REFINANCE LOANS

New Name of Mortgage Company that will appear on new Deed of Trust: \_\_\_\_\_  
 New Name of Trustee that will appear on new Deed of Trust, if applicable: \_\_\_\_\_  
 New Loan Amount, Interest Rate and Terms: \_\_\_\_\_

#### Reason for the Request

Check one or more of the following:

- Refinance (no cash out)                       Home Equity (cash out)                       Loan Modifications

#### Supporting Documentation

The request will not be accepted until all items are received. DCHD reserves the right to request additional supporting documentation.

#### Required Supporting Documents

- Closing Disclosure (Note: Estimated values are allowed, except homeowner cannot receive cash back.)  
 Homeowner's authorization must be in writing and must authorize:  
 For proof of residency, submit the following items):  
     • Copy of homeowner(s) driver's license(s)  
     • Last month's water and electric bill  
 If applicable, loan modification agreement and any other supporting/closing document(s)

#### Delivery Options

Please select from one of the following:

- \*FedEx Overnight Delivery (attach an air bill label)                       Courier pick-up  
 \*Other