



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

June 7, 2002

MORTGAGEE LETTER 2002-13

TO: ALL APPROVED MORTGAGEES

ATTENTION: SINGLE FAMILY SERVICING MANAGERS

SUBJECT: Deed-in-Lieu of Foreclosure Consideration Increase and the Authorization to Pay Cash to Occupants for Keys Prior to Eviction

Deed-In-Lieu Consideration

Effective on the date of this Mortgagee Letter, the Department is increasing the consideration for a deed-in-lieu of foreclosure to an amount not to exceed \$2,000. The funds may be paid to the borrower upon vacating the property or they may be used to pay off junior liens in order to clear a title. This payment increase amends the policy outlined in Mortgagee Letter 00-05, Loss Mitigation Program - Comprehensive Clarification of Policy and Notice of Procedural Changes, dated January 19, 2000.

Cash For Keys

Effective immediately, the Department authorizes a \$1,000 "cash-for-keys" consideration as an alternative to a legal eviction following foreclosure. The consideration represents the savings to the government by avoiding most of the legal expenses associated with an eviction and other property expenses related to delayed possession of properties. Servicers are encouraged to offer up to \$1,000 per dwelling, on the condition that the occupant peacefully vacates a property for which the mortgage has been foreclosed. Cash-for-keys may not be utilized in conjunction with deed-in-lieu or pre-foreclosure sale options. Additionally, in jurisdictions with rent control ordinances, lenders must adhere to all applicable laws and regulations.

The cash-for-keys offer should be made available only to occupants who fail to vacate a property after the first notice to quit is delivered and further legal action to evict is imminent. In order to receive the funds, all occupants must vacate the property within 30 days of the cash-for-keys offer. Occupants are required to leave the property in broom-clean condition. All built-in appliances and fixtures must be left in the property. Servicers must inspect the vacant properties prior to releasing the funds to ensure that the occupants have complied with their agreement on the condition of the property. Servicers must maintain documentation for the date and amount of the offer, the occupant's receipt of the funds and agreed upon date of vacancy.

If the cost of eviction in the jurisdiction generally exceeds \$1,000 and the servicer determines that \$1,000 is not an adequate incentive to avoid eviction, the servicer may contact the marketing and management (M&M) contractor that has jurisdiction over the property to request an increased amount. M&M contractors will refer requests for the over allowable costs to the Government Technical Representative (GTR) with responsibility for the contract area in which the property is located. The Department may develop a list of allowable costs by jurisdiction that will be communicated to servicers in a future mortgagee letter.

Claim Filing

Enter the increased deed-in-lieu and cash-for-keys considerations on form HUD-27011, Single-Family Application for Insurance Benefits, Part D, item 305, Disbursements for HIP, taxes, ground rents and water rates, eviction costs and other disbursements not shown elsewhere.

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner, H