

Rigorous Vetting Of Contractors Reduces Eviction Errors

When it comes to trash-out services relating to property evictions, diligent documentation is of paramount importance.

by Alan Jaffa

Homeowners evicted in error, locked out of their homes, or discovering personal belongings removed by mistake have made news headlines across the country. Although stories like these make interesting news, they also create the perception that erroneous evictions, lockouts and property removal are common in the mortgage industry. In reality, the error rate is actually a small fraction of the total of properties in some stage of default or foreclosure.

Lenders, servicers, investors and property-preservation (P&P) contractors all are keenly aware that even one mistake can be costly. Beyond the financial cost, mistakes harm perception of the mortgage industry, and they are stressful and emotional for the homeowners involved. For this reason, lenders, servicers and P&P companies have worked to create and evolve industry standards and quality control procedures to minimize errors through all stages of the default and foreclosure process.

The challenges are enormous. Property volumes are at record levels. Homeowners in default often avoid communications with their lenders. Loan portfolios and individual properties can quickly change ownership between servicers, investors and private individuals. Laws and regulations vary significantly from city to city and state to state. In the field, verifying the occupancy status is not always easy, and in some areas -

especially rural communities - property addresses may be difficult to identify.

Yet, addressing each of these issues, every day, one property at a time, is essential to minimize the risk of errors in the default and foreclosure process.

Outreach to defaulted borrowers

Lenders and servicers make major efforts to contact homeowners who are in default. Public perception aside, it would be virtually unheard of for a homeowner to be surprised by an action by the lender or servicer to secure a defaulted property that they believe to have been abandoned.

Servicers and lenders make numerous phone calls and send letters to establish contact with a defaulted borrower. When a property is in default - meaning that the mortgage payment is 45 days or 60 days late, depending on the guidelines of the loan documents - the lender or servicer will order monthly default inspections as a condition of the mortgage deed to verify occupancy of the property. The default inspections continue until the loan becomes current or the property has been determined vacant or abandoned by the homeowner.

Before any actions are taken to secure a property believed to be vacant, the servicer or lender will send a letter of vacancy by certified mail, notifying the property owner that the home appears to be vacant and that it will be secured (typically in 10 days) unless the borrower makes contact. Laws vary by

state with regard to this notification and timing. Based on those laws, without a response from the borrower, and per the mortgage deed, the servicer or lender will take action to protect its collateral interest.

The servicer's field service company will change the lock on one secondary door of the house to allow access for interior inspections, winterize the plumbing in cold climates and remove any materials that pose an infestation risk. The field servicer will also remove yard debris and cut the grass in season on a regular basis.

During this pre-foreclosure period, no personal items will be removed from the home, and the homeowner may gain access to the property at any time. It is only after the foreclosure sale, and at the direction of the investor, that personal items may be removed.

Utilizing qualified contractors

In years past, contractors often were hired to perform the full spectrum of services - from lock changes, winterization and grass cuts, to evictions and post-foreclosure maintenance services.

Today, however, the industry has grown, and guidelines and regulations have become more complicated. Using skilled, trained and qualified contractors for specialized services has helped to ensure that work in all service lines is performed according to applicable regulations and guidelines. For example, even though P&P contractors are sent to secure a defaulted property only after it has been determined vacant, well-trained contractors will double-check for evidence of occupancy before entering. The contractor may look in the windows and check for other visual cues inside and outside the home. If

the home appears to be furnished, for example, or shows other signs of occupancy, the contractor will take sufficient photos to document the evidence and prepare a written report, submit it to his field servicer, and leave without entering the property.

Even after entering the property, a skilled and knowledgeable contractor will know to look for interior evidence of occupancy. Evidence may include the presence of furnishings, fresh food or current newspapers inside the home. If the contractor identifies such evidence, he or she will follow careful procedures to photo-document that evidence and prepare a written report, leave notification to the homeowner of his or her entry (along with a number for the homeowner to contact) and exit the property with minimal disruption to the property.

To minimize the chances of entering the wrong property, experienced P&P contractors know to check and verify addresses on their work orders. All contractors should be equipped with laptop computers with Internet access to check on any address discrepancies. Contractors often call their field servicers from the site to work out any possible discrepancies.

Similarly, qualified and skilled real estate owned (REO) property contractors who provide post-foreclosure market-ready services receive training on specific guidelines to follow for handling personal items that homeowners have left behind. Guidelines vary by servicer or investor, based on the value of the items. Personal items below a certain "garage sale" value may be removed as debris. Above that value, they will be stored and documented, and the homeowner will have a certain amount of time to retrieve them.

In many cases, avoiding mistakes comes down to judgment, intuition and experience. As with P&P contractors, REO contractors should have laptops and phones in the field to reconfirm any discrepancies in paperwork and work orders.

The eviction process

Once a property has gone through the foreclosure sale, the lender or servicer will initiate evictions proceedings if a property is occupied. Evictions fol-

low strict legal procedures, which also vary by jurisdiction.

Typically, evictions are ordered by the servicer, who works through legal counsel and with the local sheriff's office. Contractors are assigned to evictions based on their experience, knowledge of local laws and guidelines, understanding of strict time frames in which evictions must be carried out, and very importantly, professional demeanor and sensitivity to the circumstances.

For every foreclosed property that attracts negative media attention, hundreds more go unnoticed.

Prior to the eviction, the lender will contact the homeowner to be certain the borrower is aware of when the eviction will take place.

Additionally, 24 to 48 hours prior to eviction, the contractor assigned will conduct a quality control validation. The contractor will visit the property to verify the correct location and will determine if the property is occupied or vacant, as homeowners often leave voluntarily prior to an eviction proceeding. If the property has been determined vacant, the eviction may be canceled or proceed as an eviction of personal property only. This may be dictated by local statute.

Also directed by local statute is where a homeowner's personal property is to be placed. Statutes may require that personal property be moved to one room within the house, to a moving truck or to the curb. If moved to the curb, some statutes further require that the items be left for 24 hours, after which remaining items may be considered debris and removed.

The contractor photo-documents all aspects of the evictions process. This documentation process includes taking location photos of the property pre-eviction, photos of the contractor with officers from the sheriff's office, photos

showing personal property in place in each room, photos of personal property in the process of removal, and photos of the location from which personals were removed. The contractor also provides written documentation of the eviction and receives signed documentation from the sheriff's office that the eviction was completed in accordance with applicable statutes. When the eviction has been completed, the contractor calls from the field to verify that it has been done.

Post-eviction, the property receives standard REO services. The property will be secured and inspected on a regular basis until it is sold from the investor's portfolio. Securing the property includes a lock change, securing of any broken doors or windows, winterization, removal of interior and exterior debris, and interior and exterior inspection. In season, the property also will receive a regular schedule of lawn and interior maintenance.

Contractor recruitment, training

Quality control to minimize the potential for errors in the P&P and evictions process begins with recruitment and training of qualified contractors. Based on volume and the types of services needed, it is the job of a vendor management department to recruit contractors who can serve the needs of each of a field service company's service lines and who specialize in specific areas within a service line.

Examples of specialization include REO contractors who specialize in trash-outs and cleaning; P&P contractors who specialize in lock changes, winterization and other services related to the initial securing of a property; and evictions contractors who are familiar with local statutes and understand the sensitivities around the eviction process.

Beyond the application process, prospective contractors should submit to a questionnaire, phone interview and other preliminary screening measures.

Candidates who pass the initial screening must review training materials online and respond to a quiz. Passing that, the candidates participate in a series of more in-depth training and assessment modules, with heavy emphasis on proper documentation (both written and photo), information security and quality control procedures. On yet a

deeper level, the training process continues with video conferencing and more in-depth tutorials.

The dropout percentage through this process is high, but the rigor is crucial. Before contractors receive their first work orders, they also undergo a thorough background check. Even after they achieve an active status, contractors receive only a 45-day certification, after which they may be re-credentialed or no longer utilized.

Field quality control representatives visit the offices of newly credentialed contractors, accompany them to properties to monitor their performance, and review their photo and written documentation to assure that it is thorough and accurate.

All contractors - new and veteran

- should continue to receive ongoing quality control checks. Such checks may include random site or office visits, and phantom orders with purposely inaccurate information to validate the contractors' trustworthiness and attention to detail.

In this unprecedented period in the mortgage industry, with record numbers of vacant properties creating challenges for neighborhoods and communities across the country, each negative perception casts a shadow on the entire industry.

For every defaulted or foreclosed property that attracts negative media attention, hundreds more go unnoticed because they are properly maintained and transition through the foreclosure process in a careful and methodical

manner. However, for homeowners and their families impacted when the process goes astray, the results can be emotional, frustrating, and sometimes devastating.

Redoubling our efforts to minimize the impact of the foreclosure crisis includes working to assure that not only do we protect and preserve vacant properties to the best of our ability, but that we also work to minimize the human suffering as well. **SM**



Alan Jaffa is CEO of Safeguard Properties, the largest privately held mortgage field service company in the U.S. He can be contacted at (800) 852-8306.