



# LoanCare, LLC, Virginia Beach, VA

## Ginnie Mae Program



**To:** Michael Drayne, Senior Vice President, Office of Issuer and Portfolio Management,TS

//signed//

**From:** Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

**Subject:** LoanCare Did Not Always File Claims for Foreclosed-Upon Properties Held on Behalf of Ginnie Mae and Convey Them to FHA in a Timely Manner

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of LoanCare's master subservicer responsibilities related to foreclosed-upon properties held on behalf of the Government National Mortgage Association (Ginnie Mae).

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



**Audit Report Number: 2015-KC-1012**  
**Date: September 30, 2015**

**LoanCare Did Not Always File Claims for Foreclosed-Upon Properties Held on Behalf of Ginnie Mae and Convey Them to FHA in a Timely Manner**

## Highlights

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### What We Audited and Why

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We audited LoanCare, LLC, because of concerns that the Government National Mortgage Association's (Ginnie Mae) single-family master servicers did not file claims with the Federal Housing Administration (FHA) for foreclosed-upon properties in a timely manner. Our audit objective was to determine whether LoanCare conveyed foreclosed-upon properties held on behalf of Ginnie Mae, filed claims with FHA, and remitted the funds to Ginnie Mae on time.

### What We Found

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LoanCare did not always convey properties to FHA, file claims with FHA, or remit claim funds to Ginnie Mae on time. It did not always (1) convey foreclosed-upon properties to FHA within 30 days of acquiring possession and title, (2) file the part B portion<sup>1</sup> of its conveyance claim within 45 days of the date the deed was filed for record or within 15 days of the title approval letter date, and (3) remit FHA claim funds to Ginnie Mae within 2 business days. As a result, FHA's insurance fund was subjected to additional costs, and Ginnie Mae was unable to recover its costs on time.

### What We Recommend

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We recommend that Ginnie Mae require LoanCare to repay any additional costs associated with the violations noted.

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<sup>1</sup> Servicers file claims with FHA on form HUD-27011, Single-Family Application for Insurance Benefits. The claim form has two parts: Part A: General Information and Part B: Fiscal Data.

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# Background and Objective

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LoanCare is a nonsupervised mortgage company approved to operate by the U.S. Department of Housing and Urban Development (HUD) since May 27, 1986. It is headquartered in Virginia Beach, VA, and is a Government National Mortgage Association (Ginnie Mae) authorized issuer of mortgage-backed securities. It was contracted with Ginnie Mae to be a single-family master servicer from 2009 until 2014, when its contract expired. As a Ginnie Mae single-family master servicer, its duties included providing services in connection with issuer defaults and servicing current, delinquent, and defaulted loans, including foreclosure services, management and disposition of acquired properties, and preparation and submission of insurance or guarantee claims to the Federal Housing Administration (FHA), U.S. Department of Agriculture Rural Development (RD), U.S. Department of Veterans Affairs (VA), and HUD's Office of Public and Indian Housing (PIH). Specifically, LoanCare was required to service the mortgages or the installment loan contracts in accordance with relevant agency regulations, its contract with Ginnie Mae, and the Ginnie Mae Mortgage-Backed Securities (MBS) Guide.

Ginnie Mae is a unique program in that it uses the explicit full faith and credit guarantee of the U.S. Government to back its mortgage-backed securities. Ginnie Mae is authorized by Title III of the National Housing Act, as amended, to guarantee the timely payment of principal and interest on securities that are issued by approved entities and which are backed by FHA, VA, RD, or PIH mortgages. It does not make or purchase mortgage loans, nor does it buy, sell, or issue securities. Instead, private lending institutions approved by Ginnie Mae originate eligible government loans, pool them into securities, and issue mortgage-backed securities. Ginnie Mae, in turn, guarantees the performance of the lenders that issue the securities and that continue to service and manage the underlying loans.

When a Ginnie Mae-approved issuer defaults, Ginnie Mae steps into the role of the issuer and makes the timely pass-through payments to investors and then assumes the servicing rights and obligations of the issuer's entire Ginnie Mae-guaranteed pooled loan portfolio of mortgage-backed securities using its master servicer.

Our objective was to determine whether LoanCare conveyed foreclosed-upon properties held on behalf of Ginnie Mae, filed claims with FHA, and remitted the funds to Ginnie Mae on time.

# Results of Audit

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## **Finding 1: LoanCare Did Not Always Take Timely Actions on Foreclosed-Upon Properties Held on Behalf of Ginnie Mae**

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LoanCare did not always convey properties to FHA, file claims with FHA, or remit claim funds to Ginnie Mae on time for 10 loans reviewed. It believed that the delays were justified and beyond its control, and it did not understand that such delays were allowable only if it received an extension from FHA. As a result, FHA's insurance fund was subjected to additional costs, and Ginnie Mae was unable to recover its costs on time.

### **Delayed Actions**

LoanCare did not always convey foreclosed-upon properties to FHA, file claims with FHA, and remit claim funds to Ginnie Mae on time. The table below breaks down these deficiencies.

#### **Post-foreclosure Delays**

<b>Untimely actions</b>	<b>Number of properties with delays</b>
Conveying property to FHA	6 of 6
Filing part B claim with FHA	5 of 6
Remitting funds to Ginnie Mae	4 of 5

Ten loans were reviewed, but not all aspects could be evaluated for each loan. See appendix B for further details.

### Delayed Conveyance

LoanCare did not always convey foreclosed-upon properties to FHA on time. Regulations at 24 CFR 203.359 require servicers to convey properties to FHA within 30 days of acquiring possession and title. Possession is defined as when the property is vacant. LoanCare conveyed five of the properties reviewed between 91 and 370 days after it took possession of them. It did not convey a sixth property, instead transferring it to a new master servicer 59 days after acquiring possession.

In addition, LoanCare did not always remove personal property from foreclosed-upon homes within the 30-day timeframe. HUD Handbook 4330.4, paragraph 2-2(D)(4), states that the servicer must act promptly to ensure that all personal property has been removed within 30 days after acquiring title and possession.

For example, on one loan, LoanCare completed the removal of personal property 140 days after it acquired possession and conveyed the property on day 268.

### Delayed Filing of Part B of the Claim

LoanCare did not always file the part B portion of its conveyance claim within the required timeframe. HUD Handbook 4330.4, paragraph 2-2(H), states that the servicer must submit part B of form HUD-27011 to FHA within 45 days of the date the deed is filed for record or submit it within 15 calendar days of the approval letter received date, whichever is later. LoanCare filed part B of the conveyance claim for two of the loans reviewed between 51 and 55 days after the deed was recorded or approval letter received date. It did not file part B for three additional properties, instead transferring them to a new master servicer after the 45 days had passed.

### Delayed Remittance of Funds

LoanCare did not always remit FHA claim funds to Ginnie Mae on time. Its contract with Ginnie Mae required it to remit all claim funds received by the second business day following receipt of the funds. LoanCare did not meet this requirement for four of the five loans reviewed, remitting funds on the third to fifth business days.

### **Misunderstood Requirements for Delays**

LoanCare believed that the delays were justified and beyond its control, and it did not understand that such delays were allowable only if it received an extension from FHA. During the audit, LoanCare noted that the delays in conveying the properties and filing claims were justified and beyond its control because in many cases, the properties needed repairs before they would be in conveyance condition and also the records needed to file the claims were often difficult to obtain. LoanCare had inherited these loans from defaulted issuers so it had not been responsible for the loans during all of the servicing. In several cases, property condition issues prevented timely conveyance. However, these reasons did not fully account for the delays and in several cases, damages or title defects occurred after the conveyance deadline. For example, in one case, LoanCare identified roof damage 14 days after it took possession of the property but failed to convey it for a full year. LoanCare did not understand that to exceed the established timeframes, it needed to request and receive an extension of time from FHA. It did not request an extension for any of the sampled items as it believed that once the prior servicer had missed the initial deadline to file for foreclosure, an extension request was not necessary since interest was already being curtailed. However, HUD Handbook 4330.4, section 2-3, states that if the servicer cannot comply with the time requirements for a particular action because of circumstances beyond its control, it should submit a form HUD-50012 to FHA to request an extension of time.

### **Financial Impact**

As a result of LoanCare's noncompliance, the FHA fund was subjected to additional costs, and Ginnie Mae was unable to recover its costs on time.

The delays in conveyance caused the FHA insurance fund to pay out more claim funds for property preservation costs, such as lawn maintenance, repairs, and inspections, as well as hazard insurance costs and property taxes.

Also, Ginnie Mae advanced funds to LoanCare to reimburse it for property preservation costs and the costs of eviction and repairs. When LoanCare did not convey the properties to FHA promptly, Ginnie Mae had to continue advancing funds for property preservation costs during the delay. Further, the delays in filing the part B claims and remitting claim funds to Ginnie Mae resulted in Ginnie Mae's carrying these costs longer than necessary before receiving

reimbursement. Ginnie Mae's liquid assets were reduced until it could recover the costs from FHA's insurance fund, and it missed out on potential interest from the delayed remittances.

### **Conclusion**

LoanCare did not take prompt actions on foreclosed-upon properties it serviced for Ginnie Mae. These delays negatively impacted FHA's insurance fund because of extra outflows. They also affected Ginnie Mae due to delays in receiving claim funds and lost interest. Because LoanCare is no longer contracted by Ginnie Mae to perform this function, we are not recommending that Ginnie Mae require it to receive training or change its practices. However, Ginnie Mae should require LoanCare to return any funds that it was not entitled to receive for servicing the sampled loans.

### **Recommendation**

We recommend that Ginnie Mae

1A. Require LoanCare to repay any additional costs associated with the violations noted.

# Scope and Methodology

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Our audit period generally covered October 1, 2013, through September 30, 2014. We performed our audit work from May through September 2015. We conducted onsite work at LoanCare's home office located at 3637 Sentara Way, Virginia Beach, VA.

To accomplish our objective, we

- Reviewed the Code of Federal Regulations and HUD handbooks;
- Reviewed the contract between Ginnie Mae and LoanCare;
- Reviewed LoanCare's audited financial statements;
- Reviewed relevant documents in the loan files, such as inspection reports, claim packages, reconveyance notices, case chronologies, and other legal documents;
- Reviewed information in Neighborhood Watch, a HUD system designed to provide comprehensive data for tracking the performance of loans originated, underwritten, and serviced by FHA-approved lenders;
- Reviewed claim remittances; and
- Interviewed LoanCare and HUD employees.

We selected a sample of 10 loans for review. This was a sample of five properties conveyed to HUD and five properties transferred to another master servicer, Selene Finance. For loans that were conveyed to HUD, we determined the number of days between when the foreclosure sale was completed and the date the property was conveyed to HUD. We then selected the five properties that had the greatest number of days between the foreclosure sale completion date and the conveyance to HUD date, which ranged between 882 and 1,491 days for the five loans selected. For loans that were transferred to Selene Finance, we determined the number of days between when the foreclosure sale was completed and the date the property was transferred to Selene Finance. We then selected the five properties that had the greatest number of days between the foreclosure sale completion date and the transfer to Selene Finance date, which ranged between 1,178 and 1,851 days for the five loans selected. The conclusions reached on the sampled items cannot be projected due to the selection method used.

We used LoanCare's information system to identify properties that were conveyed to HUD and those that were transferred to Selene Finance, as well as the time between the foreclosure sale completion and the conveyance or transfer. We used this information to select our sample and relied upon it for background information only as all of our conclusions were based on our review of original source documents.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Controls to ensure that all foreclosed-upon properties were conveyed to HUD within the required timelines after the foreclosure sales and evictions were completed.

We did not assess the relevant controls identified above because of the limited scope of the audit.

# Appendixes

## Appendix A

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments

#### Comment 1



**Response to HUD/OIG Audit on 10 Loans  
GNMA Seizure Loans**

Date: September 25, 2015  
Audit Month: March 2015  
From: LoanCare, LLC  
To: U.S. Department of Housing and Urban Development ("HUD"), Office of Inspector General ("OIG")

Subject: Response to HUD/OIG's audit of Master Subservicer Contract Deliverables Related to HUD/OIG's Audit of 10 Ginnie Mae Seizure Loans.

Ginnie Mae and LoanCare's Master Subservicer Contract: C-OPC-23423

**High Level Audit Summary:** HUD/OIG completed a review of 10 loans serviced by LoanCare, LLC ("LoanCare") as the Single Family Master Subservicer (MSS) for Ginnie Mae's (GNMA) Defaulted Issuers. The 10 loans were reviewed for the following activities:

- 1) Filing FHA claims for foreclosed-upon properties in a timely manner;
- 2) Conveying properties to HUD timely; and
- 3) Remitting FHA claim funds to GNMA within 2 business days.

The audit completed by HUD/OIG did not provide detailed information on LoanCare's efforts to inform, make aware and share on-going work efforts with GNMA, HUD and FHA to address the portfolio's origination issues, which issues caused delays in servicing including claims processing and conveyance to FHA. Our response identifies MSS contract sections and sets forth information on how LoanCare communicated servicing issues to GNMA, HUD and FHA. Evidence and information is listed in Appendix B and in the SFT folder for HUD/OIG to review.

**MSS Contract Requirements:** The MSS contract required LoanCare to provide reports, special work efforts and information to ascertain the status of the loans and identify any missing and/or defective documents needed to complete the FHA process. Below is additional information, including the Contract Sections that apply to the activities of servicing defaulted issuer single family GNMA loans.

LoanCare was required to submit to GNMA portfolio status reports of post default seizure, listing servicing impacts (10, 30 and 60 day reports). (Contract Sections:

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## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

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Default Services (CLINs 0003) page 14, (e), (f), (k)). Information included in these status reports included fraud impacts to loans associated with the Lend America portfolio, origination issues, and delayed foreclosure efforts.

LoanCare was required to submit semi-annual litigation reports to GNMA, (Contract Section: Specific Subservicing Tasks (CLINs 0004) page 18, (k) and Legal Services (CLIN 0006) page 21, (g)), which reporting included loan-level litigation impact to servicing, including title and documentation issues.

LoanCare provided GNMA recommendations and support services based on our knowledge as a GNMA Issuer and Master Subservicer. (Contract Section: Analytical and Research Services (CLIN 0007)). Such information provided by LoanCare to GNMA about defaulted issuers included missing holder ID impacts (which prevented the timely filing of claims), missing documents, missed first legal, and poor property preservation efforts. All of the foregoing, individually or collectively, adversely impacted LoanCare's ability to file claims timely.

LoanCare believes its business judgment was sound given our industry experience and taking into consideration the unique conditions and circumstances of these loans (Contract Section: Section H – Special Contract Requirements, H-1 General Requirements Page 30.

GNMA was responsible for any principal losses not covered by FHA claims as well as foreclosure expenses, interest, and other expenses not customarily paid by the insurer (or errors or omissions by the defaulted issuer) under the terms of the insurance, unless such curtailment was caused directly by LoanCare (including missing a deadline). (Contract Section: Asset Management – Reimbursable (CLIN 0005) page 20, (b)).

**Conclusion:** LoanCare made all attempts to notify and share information with GNMA/HUD of servicing impacts at loan and portfolio level. LoanCare advised GNMA/HUD via phone calls, on-site visits, reports and/or emails of impacts to servicing on these 10 loans..

There are other impending factors which contributed to the ability to service these loans, including mortgage industry impacts and LoanCare's limited authority to take corrective action absent specific guidance from HUD, GNMA and state courts. There was a moratorium in many states delaying foreclosure processing caused by the "robo signing exposure" in 2011 thru 2013. Although LoanCare did not have "robo signing" activity, the state courts were impacted causing foreclosure delays including holds on foreclosures. FHA did not adjust timelines to accommodate for mortgage industry impacts.

Comment 2

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## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

### Comment 5

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An example of a defaulted issuer impact is the Ironwood/Neil Smaller seizure. (Loan number 0006562177). This property was serviced by Ironwood, Neil Smaller (officer and owner of Ironwood) claimed rights to this loan, and HUD was involved in solutions and provided next steps and instructions to LoanCare. After HUD completed their efforts and informed LoanCare of next steps, the property needed to be re-inspected to ensure it was in ICC (in-conveyance-condition) before LoanCare could file claims associated with it.

Our information and detailed impacts for each loan are listed in Appendix B. Of note, the total cost in funds due to Ginnie Mae from LoanCare as a result of late remittances is \$1.62.

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## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3  
(Loan 1)

Comment 4  
(Loan 2)

Response from LoanCare.	Supporting Document Placed in SFT Folder	Cost impact due to Claims Funds remitted to GNMA after 2nd day.	Cost/Funds due to GNMA from LoanCare
<p>Multiple issues on this loan prevented full claim recovery and timely conveyance to HUD. Issues with signing and deed prevented timely completion of eviction. Loan was within guidelines of FHA Servicing and had deed issues.</p> <p>1) Issues with signing and deed prevented timely completion of eviction. 2) Claim was curtailed to 9/5/10 due to eviction delay. HUD extension could not be approved as document delays were the root cause for missed timelines. 3) Part B could not be filed until the title was approved by HUD. 4) Title was approved by HUD on 10/6/14, and the Part B was filed on 10/14/14. Within HUD approved timeframe per CFR 203.365, Item H.</p>	<p>1) HUD:CFR 203.365. 2) Correspondence regarding deed issues. 3) Title approval letter. 4) Claim B submission cover letter with date.</p>	<p>Part B Date notified and funds came in =12/2/14 for \$27,256.03, Date Remitted to GNMA Part B = 12/4/14. Date of interest from effective rate for Federal Funds on 12/2/14 = 0.12%</p>	<p>Part B = (1 day at \$0.09 per day) = \$0.09</p>
<p>Multiple issues on this loan prevented full claim recovery and timely conveyance to HUD. Prior servicer missed first legal which caused claim curtailments and full claim recovery. In addition, Title issues stemming from UCC liens dating back to 2004 delayed proper conveyance in this matter.</p> <p>1) Previous Servicer Missed Timelines: Previous servicer filed first legal on 11/16/2010. However, first legal was due on or before 2/1/2010. Impact to Claims processing and loan did not qualify for FHA extension. 2) Borrower contested Foreclosure sale: 10/07/2011 – 09/27/2013. 3) UCC LIEN\Title issue: 11/19/2014 – transfer out date. Note: The Title issues stemming from UCC liens dating back to 2004 delayed proper conveyance in this matter. HUD's legal team still working on clearing the UCC lien - Transfer out date: 04/01/2015. Status at time of transfer: HUD was working to clear lien so title could be issued and part B filed. Attorney firm contacted HUD to advise of UCC lien payoff with payoff info. HUD contacted finance company and attempted to negotiate, however, finance company refused. At the time of transfer out, HUD was still working to resolve the UCC lien. 4) GNMA was heavily involved in resolving this title issue and was under observation of HUD. Full transparency was provided to GNMA regarding the servicing and current statuses of this loan.</p>	<p>1) Litigation Reports delivered to GNMA. &amp; Emails to GNMA regarding status. 2) AOP showing curtailment date. 3) Copy of actual first legal 4) UCC liens</p>	<p>Part A. Date of notification and funds in from HUD =5/8/14 for \$184,902.70, Date Remitted to GNMA Part A = 5/9/14. Date of interest from effective rate for Federal Funds on 5/8/14 = 0.08%</p>	<p>Part A (1 day at \$0.41 per day) = \$0.41</p>

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 5  
(Loan 3)

Comment 6  
(Loan 4)

Comment 7  
(Loan 5)

Response from LoanCare.	Supporting Document Placed in SFT Folder	Cost impact due to Claims Funds remitted to GNMA after 2nd day.	Cost/Funds due to GNMA from LoanCare
<p>Multiple issues on this loan caused full claim recovery and delays in conveyance. The prior servicer failed to initiate eviction timely which caused claim curtailments and prevented full claim recovery. In addition, title issues delayed proper conveyance in this matter</p> <p>1) GNMA/HUD and DOJ-Neal Smaller case: Title Issue. During eviction a deed issue was identified as the prior servicer deeded the property to a third party.</p> <p>2) Claim was curtailed for untimely eviction. Eviction was to begin 10/13/11. Loan was received by LoanCare on 10/31/2011.</p> <p>3) Legal and Title impact timeline: Eviction: 01/11/2012 - 07/24/2012; Title Issue: Transfer in - 11/26/2013; Re-conveyance: 05/17/2013 - 06/02/2014</p> <p>4) Loan did not qualify for FHA extension.</p>	<p>1) Reports delivered to GNMA.</p> <p>2) Emails to GNMA regarding status.</p>	<p>1) Part A Date of notification and funds in from HUD = 11/18/14 for \$189,588.44, Date Remitted to GNMA Part A = 11/24/14. Date of interest from effective rate for Federal Funds on 11/18/14 = 0.09%</p> <p>2) Part B Date of notification and funds in from HUD = 9/22/14 for \$23,804.44, Date Remitted to GNMA Part B = 9/29/14. Date of interest from effective rate for Federal Funds on 9/22/14 = 0.09%</p>	<p>Part A (2 days at \$0.47 per day) = \$0.94</p> <p>Part B (3 days at \$0.06 per day) = \$0.18</p> <p>Total = \$1.12</p>
<p>Multiple issues on this loan prevented full claim recovery and timely conveyance to HUD. Due diligence timeframes were missed relating to reasons outside of LoanCare's control and the claim was curtailed. The due diligence timeframe was missed due to state required mediation conferences. Lack of documentation (prior title policy) and receipt of confirmation of clear title caused additional delays.</p> <p>1) The due diligence timeframe was missed due to state required mediation conferences. Loan did not qualify for FHA extension.</p> <p>2) Litigation Impact with Contested Eviction: 07/25/2012 - 05/31/2013</p> <p>3) Property was placed ICC 15 days after completion of eviction.</p> <p>4) Missing documentation from prior servicer=prior title policy. Delay in receiving lien search to prove title was clear accounted for delay in filing Part A on time.</p> <p>5) Part B was not 116 days delayed as part B could not be filed until the title was approved by HUD. Title was approved by HUD on 04/27/14, and the Part B was filed on 06/17/14. This is 35 days outside of the HUD approved timeframe per CFR 203.365, item H.</p>	<p>1) CFR 203.365</p> <p>2) Reports delivered to GNMA &amp; emails to GNMA regarding status.</p> <p>3) Mediation conference results.</p> <p>4) Evidence of ICC 15 days from eviction completion.</p> <p>5) Title approval letter.</p> <p>6) Claim B filing cover letter.</p> <p>7) Claims remittance timeframe</p>	<p>Remitted same date - see Supporting Documents</p>	<p>50.00</p>
<p>Multiple issues on this loan prevented full claim recovery and timely conveyance to HUD. Previous servicer missed due diligence timeframes and the claim was curtailed preventing full claim recovery.</p> <p>1) Previous servicer missed due diligence timeframes and the claim was curtailed preventing full claim recovery. Claim was curtailed to 9/17/2009. LoanCare received the loan on 4/14/2010. Loan did not qualify for FHA extension.</p> <p>2) Mediation\Court delay: 04/2/2010 - 08/31/2011 3)Eviction\Litigation: 01/14/2012 - 07/8/2013</p> <p>4) First time vacant was dated 7/8/13.</p> <p>5) Property was vandalized on 7/24/13, therefore, conveyance could not be completed.</p> <p>7) Property re-conveyed: 07/08/2014 - 04/01/2015 - waiting on QCD from HUD at time of transfer out</p>	<p>1) Copy of AOP showing curtailment.</p> <p>2) Evidence of vandalism with photos and date.</p> <p>3) Claims remittance timeframe</p>	<p>Remitted same date - see Supporting Documents</p>	<p>50.00</p>

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 8

( Loan 6)

Comment 9

( Loan 7)

Comment 10

( Loan 8)

Comment 8

( Loan 9)

Comment 10

( Loan 10)

Comment 11

Response from LoanCare.	Supporting Document Placed in SFT Folder	Cost impact due to Claims Funds remitted to GNMA after 2nd day.	Cost/Funds due to GNMA from LoanCare
1) Litigation impact from 1/5/2009 - To transfer out date. Litigation not resolved prior to transfer (08/01/14) LoanCare worked with GNMA throughout the course of servicing to prepare and provide necessary documents required to mediate and defend litigation efforts.	1) Reports delivered to GNMA including litigation correspondence.	N/A	\$0.00
Conveyance timeline delayed due to a litigated eviction. Litigation concluded and property was vacant on 6/27/14. 1) Litigation timeline: 09/28/2010 - 6/27/2014 2) Conveyance timeline delayed due to a litigated eviction. Litigation concluded and property was vacant on 6/27/14. Service release stops and flags were placed on the loan 30 days prior to transfer out which halted claim filing within 30 days, as per transfer out process.	1) Transfer instructions. 2) Reports delivered to GNMA.	N/A	\$0.00
LoanCare was unable to submit and file the Part A claim due to a holder/servicer ID issues. 1) Servicer/Holder number issue: 10/13/2011 – 08/11/2014 2) Previous servicer conveyed property to HUD prior to seizure. Holder and servicer ID were listed under Ironwood/Saxon Mortgage; LoanCare was unable to file Part B claim due to servicer/holder issue.	1) Correspondence regarding Holder\Servicer ID issues.	N/A	\$0.00
This loan could not be conveyed timely due to litigated eviction. LoanCare worked with GNMA throughout the course of servicing to prepare and provide necessary documents required to mediate and defend litigation efforts. 1) Litigation 11/17/2011 to Transfer out date. 2) From 7/2014 to Transfer out date there was some confusion between HUD and GNMA as HUD had entered into a purchase agreement in error with BCC ( Boston Community Capital ). 3) This loan could not be conveyed timely due to litigated eviction. LoanCare worked with GNMA throughout the course of servicing to prepare and provide necessary documents required to mediate and defend litigation efforts. At time of transfer, the loan was still in an active litigation status.	1) Reports delivered to GNMA including 2) Litigation correspondence.	N/A	\$0.00
Multiple issues prevented full claim recovery and timely conveyance to HUD. First legal was missed by the prior servicer which would result in claim curtailments. In addition, LoanCare was unable to submit and file the Part A claim due to a holder/servicer ID issues. 1) First legal was missed by the prior servicer which would result in claim curtailments. Loan would not qualify for an FHA extension. 2) Servicer/Holder number issue: 10/13/2011 – 08/11/2014. Impacting claims processing,GNMA and HUD aware. 3) Previous servicer filed the Part A claim, unknown to LoanCare. LoanCare began doing property preservation work, which included changing the locks on the door. LoanCare was unable to file the Part B claim due to the servicer/holder number was in the name of Saxon/Ironwood.	1) First legal document. 2) Correspondence regarding Holder\Servicer ID issues.	N/A	\$0.00
<b>Total Funds Owed to GNMA:</b>			<b>\$1.62</b>

## OIG Evaluation of Auditee Comments

- Comment 1 Our audit objective was to determine whether LoanCare conveyed foreclosed-upon properties held on behalf of Ginnie Mae, filed claims with FHA, and remitted the funds to Ginnie Mae on time. This involved verifying that LoanCare was in compliance with all of HUD's regulations as well as its contract. It is not sufficient to just notify Ginnie Mae and HUD about servicing issues but LoanCare also had to comply with the regulations involving timely conveyance and claim filing.
- Comment 2 The audit focused on the conveyance and claim timelines after the foreclosure sales were completed, any legal challenges in eviction were resolved, and LoanCare had possession and title to the properties. Therefore the "robo signing" issues and foreclosure delays were before the part of the process our audit was concerned with and were not relevant to LoanCare's ability to convey the properties after it had possession.
- Comment 3 LoanCare did not provide any documentation to show that HUD would not grant an extension for the delayed conveyance or to show any attempt to obtain an extension of the conveyance timelines for loan 1. We have amended the table in appendix B to show that HUD received the part B claim within 8 days of title approval and revised the report with the addition of HUD criteria allowing for the part B claim to be filed up to 15 days after HUD approves the title.
- Comment 4 For loan 2, LoanCare conveyed the property 144 days after it obtained possession, well beyond the 30-day limit. The title issue did not delay the conveyance as HUD was the one that discovered the issue after the conveyance.
- Comment 5 For loan 3, LoanCare obtained possession when the property was vacated in July 2012. LoanCare had contact with the former principal of Ironwood (Smaller) in January 2013, after which he deeded the property to another company. LoanCare was not aware of the title issues until May 2013, about two weeks after it conveyed the property in April 2013. LoanCare should have conveyed the property in August 2012, well before any title issues arose.
- Comment 6 Based on the information provided for loan 4, we recalculated the number of days that LoanCare took to file the claim from 116 to 51. We updated the table in Appendix B to show the corrected number of days. However, LoanCare was still late in filing the claim.
- Comment 7 For loan 5, LoanCare's property preservation records show that the property was vacant and the locks changed on 06/06/2013 and therefore they should have conveyed it by 07/06/2013. Its records show that the property was vandalized after the required conveyance date.

- Comment 8 Our report did not include any findings for missed timeframes for these loans (loans 6 and 9).
- Comment 9 For loan 7, LoanCare did not provide any evidence of a service release stop and flag before 07/27/2014, which was the required conveyance date. In addition, on 08/01/2014, LoanCare's system log notes stated that the property was ready to be conveyed and that it was awaiting recording instructions.
- Comment 10 While LoanCare did document its effort with HUD to resolve the situation, it did not file the part B within FHA's timeframes or submit an extension request to receive written approval to exceed these timeframes for these loans (loans 8 and 10).
- Comment 11 Ginnie Mae will not only consider interest but other costs when calculating the amount to be repaid, therefore \$1.62 would be understating its potential recovery.

## Appendix B

### File Review Summaries

#	Loan number	Disposition	Days between			Remittances (business days to remit claim funds to Ginnie Mae)
			Possession and conveyance	Possession and personal property removal	Deed filing or title approval and submission of part B claims	
1	0005182159	Conveyed	370	A	8	a) Same day b) Same day c) 3
2	0005338827	Conveyed	144	46	>45 <sup>B</sup>	3
3	0006562177	Conveyed	268	140	52	a) 3 b) 2 c) 5
4	0005192976	Conveyed	91	24 <sup>C</sup>	51	a) 2 b) 1
5	0005340344	Conveyed	370	A	B	3
6	0005341318	Transferred to Selene Finance	D	D	D	F
7	0005287669	Transferred to Selene Finance	>30 <sup>B</sup>	>30 <sup>B</sup>	B	F
8	0006566558	Transferred to Selene Finance	E	E	>45 <sup>B</sup>	F
9	0005219985	Transferred to Selene Finance	D	D	D	F
10	0006559827	Transferred to Selene Finance	E	E	>45 <sup>B</sup>	F
<b>Number of delays</b>			<b>6 of 6</b>		<b>5 of 6</b>	<b>4 of 5</b>

A – The file does not reveal the personal property removal date or has conflicting information.

B – Transferred to Selene Finance without taking the relevant action

C – Conflicting information in the file but personal property removed within 30 days

D – LoanCare never had possession of the property; it transferred the loan to Selene Finance.

E – The defaulted issuer conveyed the property before LoanCare serviced the loan.

F – LoanCare did not receive claim funds from FHA for the loan, so it had none to remit to Ginnie Mae.