

**Prior Lien Holder Foreclosure
Processing Checklist**

Action Required By	Date Complete	Initial	Action
State or Area or Local			Upon receipt of Notice of Prior Lien Holder Foreclosure Sale: <ul style="list-style-type: none"> • If received by the Single Family Housing Program Division (SFHPD), fax a copy to the local/area office • If received by the local/area office, fax a copy to the SFHPD.
State Office			Within one week of receipt of Notice of Foreclosure Sale: <ul style="list-style-type: none"> • Determine status of RD loan, including amount owing. • Send Task 229 to establish foreclosure (FCL) template if the account does not have a warning code 5 (in RD foreclosure) • If the account has warning code 5, SFHPD will determine if the file has been referred to the foreclosure Trustee. • SFHPD Director will notify the local/area office in writing if RD will pay off prior lien holder, continue with RD foreclosure, and/or join the lender's foreclosure. • Send Task 983 to local office and indicate if RD will be bidding at sale or paying off the prior lien holder prior to their foreclosure sale date. Print copy of Task 983 screen and place in FCLSR file.

If Rural Development will pay off the prior lienholder, separate instructions will be sent by the SFH Program Division to the field office on how to proceed.

If it has been determined that Rural Development will bid at the foreclosure sale, then the following items should be completed upon receipt of task 983:

Local or Area Office			No later than 90 days prior to the sale date, <ul style="list-style-type: none"> • Complete property inspection and Transaction Screen Questionnaire (TSQ). • If Environmental/cleanup issues exist, identify an approximate cost. • Provide copy of the inspection report and TSQ to State office (no later than 60 days prior to sale date).
State Office			Upon receipt of Notice of Sale <ul style="list-style-type: none"> • Fax copy to Local/Area Office • Complete Task 604 "Sale Scheduled" on the Foreclosure Work (FCLR/WOR) screen
Local or Area Office			No later than 90 days prior to the sale date or when Notice of Sale is received (whichever happens first): <ul style="list-style-type: none"> • Order an As-Is appraisal of the property • Complete Task 607 "Appraisal Ordered" on the FCL/WOR screen
State Office			No later than 60 days prior to the sale date, contact the prior Lienholder's Trustee Company by fax/in writing to obtain Prior Lienholder's payoff – valid through the sale date.

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Local or Area Office			<p>Upon receipt of appraisal,</p> <ul style="list-style-type: none"> • Provide a complete copy to the SFHPD, attn: Foreclosure Processor • Complete Task 608 “Appraisal Received” on the FCL/WOR screen • Update Customer/Property (CUS/PRO) screen with appraisal data
State Office			<p>Upon receipt of appraisal from the local office,</p> <ul style="list-style-type: none"> • Calculate the Net Recovery Value (NRV) per Exhibit B of AN 973 • Prepare check ordering and bidding instructions – fax to field office
Local or Area Office			<p>Upon receipt of check ordering instructions from SFHPD:</p> <ul style="list-style-type: none"> • Prepare Form AD 838, for each check needed to bid at the sale, per instructions received. • Fax request to SFHPD to obtain funds authorization (tracking number). <p>(Complete at least 45 days prior to sale date)</p>
Local or Area Office			<p>No later than 30 days prior to the sale date, order checks through PC-PRCH per Bidding instructions</p>
Local or Area Office			<p>On the day of the sale:</p> <ul style="list-style-type: none"> • Contact Prior Lienholder Trustee and confirm status of the sale • Attend Sale and bid on behalf of the Agency, per bidding instructions
Local or Area Office			<p>Within 1 week after the sale,</p> <ul style="list-style-type: none"> • Update the Foreclosure/Info (FCL/INFO) screen with the results of the sale. If sold to a 3rd party, complete the pop-up screen for “outbid” with the 3rd party purchaser’s name and contact information. • Submit a memo to SFHPD with results of the sale (memo should include at a minimum: amount of Agency bid that acquired the property OR, if property was sold to a third party, state the party’s name, address, and bid amount) – a copy of the FCL/INFO screen print(s) with this information can be submitted in lieu of a memo.
Local or Area Office			<p>Within 10 days after the sale date:</p> <ul style="list-style-type: none"> • Prepare a separate 1940-10, Cancellation of U.S. Treasury Check and/or Obligation, to return unused RD bid checks to CSC • Submit a copy of the 1940-10 to the SFHPD (a separate 1940-10 for each unused check) • De-obligate Purchase Orders in PC-Purch when advised by the SFHPD

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Local or Area Office			Within 30 days after the sale date: <ul style="list-style-type: none"> • Contact Trustee if a refund check has not yet been received (if RD check given to Trustee was for more than amount of RD bid) • If refund check has been received, prepare 3550-17, Funds Transmittal, to return refund check to borrower account. • Submit copy of 3550-17 to SFHPD
State Office			Within 30 days after the sale date: <ul style="list-style-type: none"> • If 3rd party purchase amount exceeded RD and prior lienholder bid amounts, follow up with Office of General Counsel to make a claim against the excess funds.
State Office			Within 45 days after the sale date: <ul style="list-style-type: none"> • Complete FCL/WOR screen templates (tasks 605 & 606) • Mark servicing file closed and identify destruction dates.
Local or Area Office			Within 45 days after the sale date: <ul style="list-style-type: none"> • Convert FCL file to Real Estate Owned (REO) file if the property was purchased by Agency. • Mark file closed and identify destruction dates.

Actions have been completed per checklist and file is considered closed:

State/Area Representative Name

Date