



Rural Business & Cooperative Services  
Rural Housing Service  
Rural Utilities Service

United States  
Department of  
Agriculture

**Rural  
Development**

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September 9, 2003

SUBJECT: Real Estate Owned (REO) Processing Checklist

TO: All Single Family Housing Staff  
USDA, Rural Development, Washington

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to establish guidelines for the management and sale of Single Family Housing Real Estate Owned (REO) properties. The checklist is to ensure REO files contain all required documentation and that all required actions are completed timely.

**COMPARISON WITH PREVIOUS AN:**

This replaces previous AN 872 that expired January 1, 2003.

**IMPLEMENTATION RESPONSIBILITIES:**

Exhibit A, Checklist for Management and Sale of REO Properties, will be utilized as a guide for managing and selling REO properties. The checklist is to be completed with dates for each action that is taken throughout the process and is to be used as a tool for following up on action items needed to ensure timely processing of REO sales. The checklist will be filed in Position 1 of the REO file, and then transferred to Position 1 of the new borrower file if REO is financed by credit sale.

Handbook 1-3550, 15.3 B., indicates that an REO file will be established at the time of acquisition. This will be accomplished by converting the previous borrower's file to an REO file. If necessary, a 2 of 2 continuation file can be established in accordance with RD Instruction 2033-A, 2033.6 (c) (3) (iii) in order to accommodate the REO documents. If the REO property is financed with Rural Development (RD) funds, the information contained in positions 6 and 8, along with any other relevant information, will be transferred to the new borrower's file in accordance with 2033-A, 2033.8 (b) (8) (iii). The REO file (former borrower's case file) is then closed out and retained for destruction in accordance with RD Instruction 2033-A. The former borrower's case folder will not be considered "closed" until the redemption period, if any, has expired.

/s/

JACKIE J. GLEASON  
State Director

Attachment: Exhibit A, "REO Property Checklist"

EXPIRATION DATE  
9/31/04

FILING INSTRUCTIONS  
Appendix 7, HB-1-3550

**REO PROPERTY CHECKLIST**

Position 1

**Former Borrower** \_\_\_\_\_ **REO#** \_\_\_\_\_

Foreclosure Sale Date \_\_\_\_\_ Date of Trustee's Deed upon Sale \_\_\_\_\_

Program ( ) Non-Program ( ) Date of Suitability Determination \_\_\_\_\_

\_\_\_\_\_ State Office will notify Field Office of REO Acquisition and document in global notes

\_\_\_\_\_ Field Office will convert former borrower case file into REO file in accordance with this AN

\_\_\_\_\_ The State office will establish the REO template in FASTeller

\_\_\_\_\_ Field Office will complete TASK 1 "ACQUIRED" on the REO Template. NOTE: The completion date should be the same as acquired date.

**TAXES & UTILITIES HB-1-3550 paragraph 15.6**

\_\_\_\_\_ Notify the taxing authority of RD ownership and pay real estate taxes. **(The Field Office is responsible for vouchering & payment of taxes on REO properties)** within 5 days of notification of property being acquired  
**NOTE:** Insurance is not maintained on REO properties

\_\_\_\_\_ Notify utility companies (i.e.: power, water, gas, sewer, homeowner associations) of RD ownership within 5 days of notification of property being acquired.

**INSPECTION & CLASSIFYING PROPERTY – HB-1-3550 paragraph 15.4**

(within 30 days of acquisition)

\_\_\_\_\_ Document in case file running record suitability determination (program v non-program), HB-1- 3550 15.4 A

\_\_\_\_\_ Identify any repairs to be completed. HB-1-3550 16.3 A and prepare work order list.

\_\_\_\_\_ Equal Housing Opportunity Posters posted in conspicuous position inside house per FmHA Instruction 1901-E

- a. Fair Housing Poster HUD 928.1 (English version)
- b. Fair Housing Poster HUD 928.1a (Spanish version)
- c. "And Justice for All" Poster

\_\_\_\_\_ Post "For Sale" sign (must have Equal Housing Opportunity Logo or Statement) and ensure that local office phone number and/or broker information is located in a conspicuous place on the property.

**ENVIRONMENTAL REVIEW HB-1-3550 paragraph 15.7 (Complete during initial inspection)**

- \_\_\_\_\_ Complete environmental assessment
- \_\_\_\_\_ Complete TSQ ASTM Standard E-1528-00
- \_\_\_\_\_ If clean-up actions are required, notify State Environmental Coordinator  
HB-1- 3550 paragraph 15.7B3
- \_\_\_\_\_ Review for Lead Based Paint according to HB-1-3550 16.19

**ENTER RESULTS OF INSPECTION IN FASTELLER**

- \_\_\_\_\_ Complete "**Field Manual Screens**" in FASTeller, print out screens & put in file.
- \_\_\_\_\_ Complete "**REO MRKTG LIST**" Screen in FASTeller. Enter if property is PROGRAM or NON-PROGRAM, in the "pop-up" screen

**OCCUPIED PROPERTIES**

- \_\_\_\_\_ Date Three Day Notice to Quit delivered
- \_\_\_\_\_ Property inspected upon expiration of 3-Day Notice to Quit. Are occupants still in property? \_\_\_\_\_
- \_\_\_\_\_ If occupied by other than owner, then postal inquiry should be sent.
- \_\_\_\_\_ If the property is occupied, follow instructions of WA AN 918 for Eviction Processing.
- \_\_\_\_\_ Eviction, update **REO/info screen** Y for eviction pending and update tasks as appropriate.
- \_\_\_\_\_ State Office Notifies Field Office of eviction status

**NON-OCCUPIED PROPERTIES**

- \_\_\_\_\_ Secure & clean property, as applicable (locks, winterize, clean up, etc)
- \_\_\_\_\_ If property contains personal property, notify owner by Certified Mail and give them a reasonable timeframe to remove the personal property. Section 15.5 of HB-1-3550 gives further guidance on disposition of non-security property
- \_\_\_\_\_ Determine itemized estimate of costs for work order list (program eligible only)
- \_\_\_\_\_ Order "As-Is" and "As-Improved" appraisal for properties determined to be program eligible or order updated "As Is" appraisal for non-program properties. Provide itemized list of repairs to appraiser for program eligible properties.

\_\_\_\_\_ Update the ***“as is” appraised value in the “CUS PROP” This is at the bottom of the screen and the field is called ‘Curr Appraisal/BPO’.***

\_\_\_\_\_ Affirmative Fair Housing Marketing Plan, if applicable (more than 5 properties in the market area at one time (HB-1-3550 16.1 A and 16.4 A)

**LIST PROPERTY** (mark with an X for applicable listing) (HB-1-3550 paragraph 16.2)

\_\_\_\_\_ Property marketed by Agency personnel

\_\_\_\_\_ Property listed with Exclusive Broker

\_\_\_\_\_ Property listed through Open Listing

\_\_\_\_\_ Post Broker List in window of property if applicable

\_\_\_\_\_ **Update the “REO MRKTG LIST” and “pop-up”.** On page 1 of the REO MRKTG LIST, enter the date the property is listed (must be current date or after) and the amount the property is listed for. Enter on the “pop-up” screen who will be responsible for listing (i.e. exclusive broker, open listing or RD)

\_\_\_\_\_ Form RD 1955-43 “Notice of Real Property for Sale” completed. (HB-1-3550 16.7A ) and distributed to Brokers and/or posted as applicable. Attach list of repairs if applicable.

\_\_\_\_\_ Property not meeting decent, safe, and sanitary (DSS) standards will be sold with specific occupancy restrictions (HB-1-3550 16.6). This will be on the REO MRKTG LIST screen “pop up” Non-Program and Notice of Real Property for Sale.

\_\_\_\_\_ **Complete Task 231 “PROPERTY LISTED” on the REO Template**

**PROGRAM PROPERTY** (HB-1-3550 16.3 B Exhibit 16-1)

\_\_\_\_\_ date listed for sale (days 1-60 to program eligible buyers for 100% market value)

\_\_\_\_\_ days 61-90 available to anyone at 100% market value

\_\_\_\_\_ days 91-120 available exclusively to program eligible buyers for 90% of market value

\_\_\_\_\_ days 121-150 available to anyone for 90% of market value

\_\_\_\_\_ days 151-180 available exclusively to program eligible buyers for 80% of market value

\_\_\_\_\_ days 181-210 available to anyone for 80% of market value

\_\_\_\_\_ day 211-Submit REO file to Program Director with documentation on marketing efforts and recommendation for sealed bid or auction or further marketing incentives

\_\_\_\_\_ ***Update REO MRKTG LIST***

**NON-PROGRAM PROPERTY** (HB-1-3550 16.3 B Exhibit 16-2)

\_\_\_\_\_ date listed for sale (days 1-60 to anyone for 100% market value)

\_\_\_\_\_ days 61-90 available to anyone for 90% of market value

\_\_\_\_\_ days 91-120 available to anyone for 80% of market value

\_\_\_\_\_ day 121-Submit REO file to Program Director with documentation on marketing efforts and recommendation for sealed bid or auction or further marketing incentives

\_\_\_\_\_ ***Update REO MRKTG LIST***

**OFFERS (HB-1-3550 16.7 B and C)**

Offers must be submitted on Form RD 1955-45 "Standard Sales Contract, Sale of Real Property by the United States". Each offer must be date stamped when received. When a property is first offered, all offers received during the first 4 business days after the effective date will be considered as if they were received on the same day. Any offer on a program property from other than a program applicant during the 60 day reservation period will be held and considered received on the 61<sup>st</sup> day. See HB-1-3550 for additional guidance and for accepting offers on non-program properties.

\_\_\_\_\_ **Complete REO MRKTG OFFER screen and "pop-up" screen.** Enter **CR** for credit sale or **CA** for cash sale. This field **must** be completed or money for cash sales will not be applied or credit sales activated. See FCL/REO screen index for additional information.

\_\_\_\_\_ Complete **TASK 650 "OFFER ACCEPTED" on the REO Template.**

\_\_\_\_\_ If Credit Sale, determine eligibility of applicant and process application

\_\_\_\_\_ Obtain bids for repair work, if applicable.

\_\_\_\_\_ If property is being financed with RD funds, request funds from the SFH Program Division as appropriate.

\_\_\_\_\_ Request Quitclaim Deed from the State Office.

\_\_\_\_\_ Close Sale at Title Company

\_\_\_\_\_ **Complete TASK 601 "LISTING EXPIRED"**. If property sold, enter date sale closed.

\_\_\_\_\_ **Complete TASK 630 "Property Sold" on REO template**

\_\_\_\_\_ If the property is sold as a non program sale, with a down payment **DO NOT** activate the credit sale. Submit the down payment to CSC at USDA/RHS, PO Box 790301, St. Louis, MO 63179. When completing form #3550-17, Funds Transmittal Report, use the **REO** account number beginning with "9", transmittal code "**00**" and document "**down payment on REO credit sale**". New Loans will **activate** the credit sale **after** the down payment funds are posted. When submitting credit sale loan package to CSC, New Loans, indicate on the upper right corner of form #3550-19 Transmittal Closing Documents in bold "**Credit Sale**". Submit copy of form #3550-17 Funds Transmittal Report for REO down payment along with the new loan package of the Credit Sale.

\_\_\_\_\_ Submit sale proceeds on Form 3550-17 "Funds Transmittal Report", including a complete breakdown of; date of credit, 2) Amount property sold for, 3) Down Payment amount 4) Expenses paid at sale, 5) net proceeds and name & phone number of contact for questions. (make sure this is the REO Account Number, not the Foreclosure Account Number). Submit to CSC at USDA/RHS, PO Box 790301, St. Louis, MO 63179

\_\_\_\_\_ **Complete TASK 1101 "PROPERTY PROCEEDS RECEIVED" on REO template**

\_\_\_\_\_ **Complete TASK 1102 on the REO templates** once all cost items have been paid/charged to the REO account.

\_\_\_\_\_ **Complete TASK 1104 "FILE CLOSED"**. **NOTE: DO NOT CLOSE UNTIL SALE PROCEEDS HAVE BEEN POSTED BY CSC. VERIFY ALL COST ITEMS CHARGED ON REO/INFO SCREEN & PRINCIPAL BALANCE ON THE CUS/LOA SCREEN IS ZERO**

\_\_\_\_\_ Transfer documents from positions 6 and 8, and any other relevant information of former borrower/REO file to new borrower file, in accordance with 2033-A, 2033.8(b)(8) and label former borrower/REO file as closed. (File not to be closed until redemption period expires, if applicable)

#### **DISPOSITION BY SEALED BID OR AUCTION HB-1-3550 16.8 A**

\_\_\_\_\_ If the REO property has not sold through regular sale efforts and within the established timeframes, sale of property may be considered through sealed bid or auction. Field Staff must develop and document the recommendation for the minimum acceptable bid using the NRV calculation.

\_\_\_\_\_ Submit REO file, with request to state office.

\_\_\_\_\_ *Complete TASK 601 "LISTING EXPIRED" on the REO template.*

\_\_\_\_\_ *Authorization received for sealed bid or auction from State Office. Document notes on REO MRKTG LIST "Add Info"*

\_\_\_\_\_ Bid opening held in a public place & time established with at least 2 Agency employees. Bids must be submitted on Form 1955-46 "Invitation Bid and Acceptance – Sale of Real Property by the United States" and accompanied by a deposit, as applicable. Each bid received will be recorded showing the name and address of bidder, the amount of bid and form of deposit. The record of bids will be signed by the staff person conducting the bid opening and retained in the REO file. The highest bid will generally be selected. Cash bids will be given preference over bids that are contingent on the offeror financing if the cash offer is at least equal to a specified percentage of the highest offer.

\_\_\_\_\_ Execute Form RD 1955-46 for successful bid and send Handbook Letter 10 (3550)

\_\_\_\_\_ Field Office to notify unsuccessful bidders that their bids were not accepted with Handbook Letter 10 (3550)

\_\_\_\_\_ If no acceptable bids are received, submit a request to the Program Director for a negotiated sale price in accordance with HB-1-3550 paragraph 16.9

\_\_\_\_\_ Authorization received for negotiated sale price from state office. *Add info on REO MRKTG LIST*