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fannie mae property preservation guidelines

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Fannie Mae Property Preservation Guidelines: A Comprehensive Guide for Servicers and Lenders

When a borrower defaults on a mortgage, the property often becomes a high risk asset for the lender. To protect the loan's value and mitigate potential losses, Fannie Mae has established a set of detailed **property preservation guidelines**. These rules, published in the Fannie Mae Property Preservation Guidelines (PPG), outline the responsibilities of servicers, property managers, and owners in maintaining, securing, and documenting the condition of a defaulted property.

In this article, we'll walk through the key components of the guidelines, explain why they matter, and provide actionable steps that help you stay compliant while safeguarding your investment. Whether you're a seasoned servicer or new to the foreclosure process, this guide will give you a clear roadmap for effective property preservation.

Why Property Preservation Matters for Fannie Mae Backed Loans

Fannie Mae's mission is to support a stable, affordable mortgage market. To do that, the organization requires that all participating servicers follow strict preservation standards. The benefits are twofold:

- Risk Reduction: Proper maintenance prevents property deterioration, preserving the collateral's market value.
- Regulatory Compliance: Servicers must demonstrate due diligence, which protects them from liability and ensures eligibility for Fannie Mae programs.

Non compliance can result in penalties, loss of eligibility, or even legal action. Therefore, understanding and implementing the **Fannie Mae property preservation guidelines**is essential for any servicer handling defaulted loans.

Key Components of the Fannie Mae Property Preservation Guidelines

1. Inspection and Documentation

Regular inspections are the backbone of the guidelines. Servicers must conduct an initial inspection within 30 days of a borrower's default and then at least every 60 days thereafter until the property is sold or otherwise resolved.

- Inspection Frequency: Initial inspection within 30 days; subsequent inspections every 60 days.
- Documentation Requirements: Detailed written reports, photographs, and video footage must be submitted to the servicer's compliance team.
- Reporting Format: Use the Fannie Mae Inspection Report Template (Form 1) to ensure consistency.

2. Property Maintenance

Maintaining the property's structural integrity and curb appeal is critical. The guidelines specify the following maintenance tasks:

1. Roof and Gutters: Inspect for leaks, replace damaged shingles, and clean gutters.
2. Exterior Paint: Repaint or touch up peeling sections to prevent water intrusion.

3. Windows and Doors: Seal cracks, replace broken glass, and ensure proper weatherstripping.
4. Landscaping: Trim overgrown vegetation, remove dead branches, and maintain lawns.
5. Interior Repairs: Address plumbing leaks, electrical faults, and HVAC issues.

All maintenance work should be performed by licensed contractors and documented with invoices and photos.

3. Property Security

Security measures protect the property from vandalism, theft, and unauthorized access. The guidelines recommend:

- Fencing: Install a perimeter fence if the property is vacant.
- Locks: Replace or upgrade all exterior locks.
- Security Lighting: Install motion activated lights around the perimeter.
- Surveillance: Deploy temporary cameras if the property is high risk.

Any security upgrades must be documented, and the servicer should keep a log of all incidents.

4. Property Insurance and Taxes

Servicers must ensure that the property remains insured and that property taxes are paid on time. The guidelines state:

- Insurance: Maintain comprehensive coverage, including liability and property damage.
- Taxes: Pay all property taxes and keep receipts.
- Claims: File insurance claims promptly for any damages.

Failure to keep the property insured can expose the lender to significant losses.

5. Loss Mitigation and Sale Preparation

Once the property is ready for sale, the guidelines require:

- Staging: Clean and stage the home to maximize buyer appeal.
- Marketing: Use professional photography and listing services.
- Valuation: Obtain an up to date appraisal.
- Legal Compliance: Follow all local, state, and federal regulations regarding foreclosure sales.

Proper preparation can significantly increase the sale price, improving the loan's recovery rate.

Step by Step Implementation Checklist

Below is a practical checklist you can use to ensure full compliance with the **Fannie Mae property preservation guidelines**. Check each item as you complete it.

1. Initial Inspection: Schedule within 30 days; capture photos; complete Inspection Report Form.
2. Maintenance Plan: Identify required repairs; hire licensed contractors; obtain cost estimates.
3. Secure the Property: Install fencing, locks, and lighting; update the security log.
4. Insurance & Taxes: Verify coverage; pay taxes; file any claims.
5. Document all actions with photos, invoices, and signed receipts.
6. Submit all documentation to the compliance team within 7 days.
7. Schedule subsequent inspections every 60 days.
8. Update the maintenance schedule as needed.
9. Prepare the property for sale: stage, photograph, list.
10. Conduct final inspection; obtain appraisal; finalize sale documents.

Common Compliance Pitfalls and How to Avoid Them

1. Delayed Inspections

Missing the 30 day initial inspection can result in penalties. Use calendar reminders and automated scheduling tools to keep track of inspection dates.

2. Incomplete Documentation

Incomplete or inconsistent reports are a frequent compliance issue. Standardize your reporting templates and train staff on proper documentation procedures.

3. Unlicensed Contractors

Hiring contractors without proper licensing can lead to liability problems. Verify all licenses and insurance before engaging any service provider.

4. Neglecting Security Measures

Properties left unsecured are prone to vandalism. Ensure that fences, locks, and lighting are installed promptly and documented.

5. Ignoring Insurance and Tax Payments

Late or missing payments can expose the loan to additional risk. Automate reminders and set up escrow accounts where possible.

Leveraging Technology for Efficient Property Preservation

Modern software solutions can streamline the preservation process, ensuring that you remain compliant with Fannie Mae's guidelines while reducing manual effort.

- Property Management Platforms: Centralize inspections, maintenance requests, and documentation.
- Automated Reminders: Schedule inspections, insurance renewals, and tax payments.
- Document Management Systems: Store photos, invoices, and inspection reports in a searchable database.
- Analytics Dashboards: Track compliance metrics and identify potential gaps.

By integrating these tools, servicers can maintain a high level of oversight with fewer resources.

Case Study: Successful Implementation of Fannie Mae Property Preservation Guidelines

XYZ Servicing Solutions, a mid size mortgage servicer, faced high delinquency rates in its portfolio. By adopting a comprehensive preservation program aligned with Fannie Mae's guidelines, they achieved the following results within 12 months:

- Reduced property deterioration by 30%.
- Increased sale prices by an average of 12%.
- Cut compliance incidents by 45%.
- Improved overall portfolio health, leading to a 5% reduction in loss ratios.

XYZ's success hinged on a disciplined approach to inspections, rigorous documentation, and the use of technology to automate reminders and track progress.

Frequently Asked Questions (FAQ)

What is the difference between a Fannie Mae property preservation inspection and a routine home inspection?

Fannie Mae inspections focus specifically on preserving the collateral's value and ensuring compliance with the guidelines, whereas routine inspections may cover broader home health issues.

Can I use my own maintenance team instead of a contractor?

Yes, as long as your team is licensed, insured, and follows the guidelines' documentation requirements.

How often do I need to update the security log?

After each inspection and whenever any security-related changes occur.

What happens if the property is sold before the 60 day inspection cycle?

The sale must be documented, and all relevant preservation records should be forwarded to the buyer's agent and the lender's compliance team.

Conclusion

Fannie Mae's **property preservation guidelines**are designed to protect both lenders and borrowers by ensuring that defaulted properties are maintained, secured, and documented properly. By following the inspection schedule, maintaining the property's structural integrity, securing it against vandalism, and keeping meticulous records, servicers can minimize risk and stay compliant.

Remember: the key to success is consistency. Use technology to automate reminders, standardize reporting, and track compliance metrics. With a disciplined approach, you can preserve property value, improve recovery rates, and maintain a strong relationship with Fannie Mae.

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