

When a loan becomes delinquent, or you receive information indicating that the property is distressed or damaged, it is important that you monitor the condition of the property to protect both our interests and yours.

This quick reference outlines our requirements for obtaining and reviewing property inspections. Refer to *Single-Family Seller/Service Guide* (Guide) Sections 9202.10 through 9202.15 and 8403.1 through 8403.2 for additional information about property inspections. If you have any questions about property inspections, please contact 800-FREDDIE.

## What Is a Property Inspection?

Except when an interior inspection is required, a property inspection is an exterior inspection of the property to determine:

- The condition of the property
- If there is any waste, deterioration, or vandalism
- The occupancy status
- If the property has been abandoned
- If the property is listed for sale
- If there are obvious environmental hazards
- If there is deferred maintenance
- If there are health and safety problems
- If visible asset preservation is needed

If the property inspection indicates that the property type is a manufactured home, the inspection report must also indicate the following:

- Whether or not the property is permanently attached to the foundation
- Whether the manufactured home is a single wide or double wide

Document the property inspection on Form 1013, *Property Inspection Report*. You may also use a substitute report since some inspectors use automated or computer-generated reports. The substitute report must contain all of the information requested on Form 1013. Refer to the Forms section in the Guide for an example of Form 1013.

*Note: Generally, we do not consider a curbside or “drive-by” inspection to be a sufficient exterior property inspection. However, there may be circumstances (such as personal danger to the inspector) or legal constraints (such as bankruptcy) under which a curbside or “drive by” inspection would be appropriate.*

If the property has been confirmed as abandoned, you must obtain monthly interior inspections, in accordance with the terms of the mortgage documents and applicable law.

For additional information, refer to Guide Sections 9202.12, 8403.1, and 8403.2.

## When to Order and Obtain a Property Inspection

You must order a property inspection no later than the 45<sup>th</sup> day of delinquency and obtain the complete inspection report by the 60<sup>th</sup> day of delinquency if:

- You have not received a payment in the last 30 days, or
- You have not achieved quality right party contact in accordance with Guide Section 9102.3 and the property is not vacant or tenant occupied.

You must continue to obtain a newly-completed property inspection report every calendar month. No two reports may be completed within a 20-day period while the mortgage remains 45 days or more delinquent. Weekly and bi-weekly ordinance-required property inspections (reimbursable under expense codes 404016 and 404017) are exempt from the

20-day limitation. You must continue to obtain a newly-completed property inspection every calendar month if the mortgage remains 45 days or more delinquent until one of the following occurs:

- You achieve quality right party contact and you and the borrower agree to a prospective resolution to the delinquency and the borrower continues to comply with the agreement. A prospective resolution to the delinquency can be a verbal commitment from the borrower to resolve the delinquency via a reinstatement, relief option, or workout option.
- You receive the Property Condition Certificate (PCC) from us once the property reverts to REO after the foreclosure sale.

If the property is vacant or tenant-occupied, you must continue to conduct property inspections as long as the mortgage remains 45 or more days delinquent – even if you have achieved quality right party contact or a prospective resolution to the delinquency.

If you have approved a borrower for a Freddie Mac Standard Deed-in-lieu of Foreclosure, you must schedule an interior property inspection of the mortgaged premises in accordance with the requirements described in Guide Section 9209.5. The inspection must take place no more than two business days following the receipt of the executed deed and related deed-in-lieu of foreclosure documents.

You must order a property inspection:

- Immediately, if you:
  - Suspect that the borrower may have abandoned the property, or
  - Learn that the property may be distressed, or
  - Learn that the property has been affected by a natural or man-made disaster

*Note: If you determine that the property is distressed or abandoned, inspect the property monthly until the condition is resolved, even if the mortgage is less than 45 days delinquent. In addition, if the property has been confirmed as abandoned, you must obtain monthly interior inspections, in accordance with the terms of the mortgage documents and applicable law.*

- Within three business days, when you receive an unsolicited disclosure of, or a request for pre-seizure information (illegal activities) or government notice of a property seizure

You may also need to order a property inspection periodically to monitor the repair or reconstruction of a property when an insurance loss settlement is pending. Refer to Guide Section 8202.11 for additional information.

A property inspection is not required for mortgages in bankruptcy performing in accordance with a bankruptcy plan.

## Reviewing the Property Inspection

After you receive a property inspection, it is important that you review it thoroughly. Research any changes that have occurred since the previous property inspection, especially changes in occupancy status and property condition. If the property inspection report displays codes or symbols to report information, make certain that the inspector provides instructions on how to interpret the data.

Retain property inspection reports in the mortgage file or via electronic data storage for as long as you have the mortgage file.

The following table outlines the steps you should take to report the property condition to us if you determine that the property is listed for sale, abandoned, distressed, affected by a natural or man-made disaster, or poses a risk of property ownership.

If the property inspection indicates	Then
The property is listed for sale	<ul style="list-style-type: none"> <li>▪ Obtain the name and telephone number of the listing broker and retain them for future reference.</li> <li>▪ Report default action code AY (Property Listed for Sale) within the first three days of the month following the month you learned the property was listed for sale.</li> </ul>
The property is abandoned	<p>Report the abandonment to us, if the mortgage is 30 days or more delinquent. Report via Electronic Default Reporting (EDR) within the first three business days of the month following the month you determined the property was abandoned. Use default reason code 008 (Abandonment of Property).</p> <p>Refer to Guide Section 8403.2 for additional information about servicing mortgages on abandoned properties.</p>
The property is affected by a natural or man-made disaster	<ul style="list-style-type: none"> <li>▪ Report the condition to us, if the mortgage is 30 days or more delinquent, via EDR within the first three business days of the month following the month you learned of the disaster. Use default reason code 019 (Casualty Loss).</li> <li>▪ Monitor the progress of repairs and inspect the property to ensure repairs are completed in accordance with Guide Section 8202.11.</li> </ul> <p>Refer to Guide Sections 8202.11 and 8404.6 for additional information.</p>
There is risk of property ownership	<p>Notify us of the condition, even if the mortgage is not delinquent, by sending an e-mail to <a href="mailto:Distressed_Property@FreddieMac.com">Distressed_Property@FreddieMac.com</a> within three business days of identifying the risk. You must attach a copy Form 1013 and any other information pertaining to the risk of property ownership.</p> <p>If the mortgage is 30 days or more delinquent, you must also report the condition to us via EDR within the first three business days of the month following the month you identified the risk. Use default reason code 011 (Property Problem).</p> <p>Refer to Guide Section 8403.1 for additional information.</p>
The property is distressed, but there is no risk of property ownership	<p>Report the condition to us, if the mortgage is 30 days or more delinquent, via EDR within the first three business days of the month following the month you identified the condition. Use default reason code 011 (Property Problem).</p> <p>Refer to Guide Section 8403.1 for additional information.</p>

*Note: When reporting via EDR, you must also report the occupancy status code, default action code(s), and property condition code. Refer to the EDR Quick Reference Guide for additional information and detailed instructions.*

This document is not a replacement or substitute for the information found in the Freddie Mac *Single-Family Seller/Servicer Guide* and/or terms of your Master Agreement and/or other Pricing Identifier Terms.

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