Federal Deposit Insurance Corporation
Division of Resolutions and Receiverships
550 17th Street, NW, Washington, DC 20429-9990

Risk Sharing Asset Management
Guidance RSAM-2011-010

To: **Acquiring Institutions with a Single Family Shared-Loss Agreement**

Through: **Jennifer Stockett**
RSAM Policy Management

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Subject: **Treatment of "Cash-for-Keys" Payments**

Summary: Subject to certain limitations "Cash-for-Keys" payments to borrowers can be included in the foreclosure loss calculation under the single family shared-loss agreement.

Guidance:
"Cash-for-keys" is financial assistance provided to a homeowner occupying foreclosed property in exchange for the agreement of the homeowner to vacate the foreclosed home and leave property cleaned and in good condition. This is an alternative to a formal eviction following foreclosure or as part of a deed-in-lieu arrangement. This alternative saves the lender most of the legal expenses associated with an eviction and avoids other property expenses related to delayed possession of the property. The payment to the homeowner provides a financial incentive to leave the property in reasonable condition at an agreed upon time and covers some or all of the costs of moving to new housing.

Acquiring institutions may offer the mortgagor of foreclosed property or who is tendering a deed-in-lieu of foreclosure up to $3,000 for conforming mortgage loans and for non-conforming mortgage loans up to $5,000 subject to the condition that the mortgagor vacates the foreclosed property. The cash-for-keys cost may be included as a Property Protection expense up to a maximum of $3,000 for conforming and $5,000 for non-conforming mortgage loans under the Single Family Shared-Loss Agreement.

The cash-for-keys consideration should only be offered to single-family residential mortgagors as an incentive to prevent the eviction alternative. The eligibility of the expense for inclusion in the foreclosure loss calculation is subject to the following conditions:

- Borrower must be 60 days delinquent or in imminent danger of default.
- Borrower does not qualify for loan modification.
- Second mortgage liens must have been released in a deed-in-lieu situation.

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- The cash consideration is released and becomes a claimable expense only when all occupants have vacated the property by the date agreed to with the acquiring institution.
- Occupants must leave the property in broom-clean condition.
- The cash consideration cannot be released until the Acquiring Institution has inspected the vacant properties and determined that the occupants left the property in broom-clean condition.
- Acquiring institutions must maintain documentation of the date and amount of the "cash-for-keys" offer and the agreed upon date of vacancy.

Contact: Acquiring Institutions should contact their Loss Share Specialist with any questions regarding this guidance.