



The National Association of Mortgage Field Services

Leadership Summit – Meeting Summary

Here is a summary of topics discussed at the 2016 NAMFS Leadership Summit held April 9th in Dallas, Texas.

Mortgagee Letter 02-2016

There were immediate concerns regarding the release of the latest Mortgagee Letter because of its retroactive effective date. The Letter was released on February 5 and the effective date was February 1, 2016. There were multiple meetings at the February MBA conference in Orlando that focused on the requirements in the letter.

Immediate concerns centered on the following:

- Clarification on pricing
- What is the procedure for follow up to questions from the industry?
 - It was decided that the industry would submit questions to the MBA and from the MBA to HUD
 - Any responses, with the permission of HUD, would then be distributed to the industry
- There are roughly 50 clarification questions (along with description of interpretations) and the top 10 will be submitted to HUD

Nationals Review

National providers met to narrow down a group of standard interpretations of the Mortgagee Letter and provide a collective voice for vendors. However, it is recommended that contractors should carefully review work order instructions.

The following questions and issues were raised at a meeting in Oklahoma City with HUD in response to the letter.

In regard to max cap increase from \$2500 to \$5000 – all spending including over-allowable approvals are currently counted in the max cap. There are some concerns listed below related to this decision:

- With grass cut season about to start, is there leeway in volume of requests that have to be sent?
- ISN is behind on over-allowable approvals – ISN is already flooded with thousands of requests
- If you have reached max cap and need recurring services, can you submit a request for a 12-month period of time to decrease the number of over-allowable requests?

Frequency of inspections – every 25-35 days

Clarification on what is present at property at FTV – language on appliances unclear. Are we being asked to provide information based on the origination documents as it relates to appliances?



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- Proposed clarification – We prefer to not have to take the extra step of going back to origination appraisals – what is present at FTV will be sufficient

Additional Clarifications and Proposed Solutions:

- Allowable for cleaning appliances and toilets – we need confirmation that it is per unit or per property
- BATF work on emergent issues – seeking authorization to protect property, submit BATF, and have that approved – keep process the same
- Property registration – we want to have that cost and/or fees excluded from max cap
- Do not need prior approval to convey if reach big 7
- If a vendor reaches max cap, but meets all other requirements, is there still a need for approval to convey? This could affect nationals or servicers depending on interpretation

Mold Remediation

Changes include a request that two bids be submitted to remediate mold; right now only one bid is required.

- We propose that only if mold continues to grow or recurs that there is need to provide 2 bids for mold remediation
- First time HUD has mentioned mold in writing
- Remediation is not the same as treatment
- Mold remediation is something we need to define
- We must be careful with terminology – someone was recently imprisoned for treating mold without certification

Eviction

Eviction man hours – proposing eviction process hasn't changed; man hours is excluded from \$5000 cap and \$20/man hour is still standard pricing

FTV and Initial Secure

Timing of initial secure – meaning of immediate

- Intent of mortgagee letter was that it was the initial secure, not the initial inspection
 - Have to go through posting requirements, etc.
 - Inspectors are not qualified to secure the property
 - Defer to servicer requirements for postings and securing time frames on when we can secure property
 - Immediate means based on servicer's directive to secure based on requirements

How does that cascade down to the 25-35 day window?

- Go by FTV inspection for window, even if secure occurs 7 days after the inspection



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- Wells Fargo - Continue with business as usual; will not be changing posting requirements right now
- What happens if vandalized during 7-day period between inspection and securing?

Painting

There is a requirement that paint should be matched

- Matching paint may not be available or unreasonably expensive
- Accent wall would add to expense
- Covering graffiti requires more paint
- Not clear on whether the matching applies only to painting over graffiti or if it applies to all repairs
- Depending on the situation (violation vs. non violation, difficulty of matching, etc.), may need to either paint over just the graffiti or bid to paint entire wall if needed – just need to justify with photos, reasoning, and CE

Exterior work – chances of matching siding are slim – do we bid to resemble the whole house so it matches?

- Probably will be case-by-case – submit CE and justification for unique situations
- For non-violation situations, similar is the key word in terms of matching
- Match within reason

To find a solution proposals should reside in a central repository – a collective solution that creates a standard answer will benefit everyone in the industry.

Cost Estimators

There is a need to review and validate the accuracy of cost estimators as a few do not line up with some of the new standard pricing

- Will probably cause delays

Pressure Testing

- Pressurization test of home – clearly not a \$20 line item
 - Anyone who will go on record that a house is holding pressure would charge \$300
 - Is this something that we want to send as an over-allowable every time?
 - No one in the field will be willing to pass a house – won't want to go on record and take on liability

Leadership asked ISN what they want on the pressure test

- ISN will question us if pressure test passes at FTVI and fails later
- No recommendation on PSI, how long it will be tested, etc. – industry standard
- Bigger deal during off cycle when no winterization is being completed simultaneously



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Questions and Observations for Review:

- What are shops doing as best practice on pressure test requirement if property is not being winterized?
- Why would HUD place this responsibility on the industry?
- Is HUD not getting the results they want from initial inspection?
 - wanting a plumbing test; know if plumbing is intact
 - trying to drive behavior that tells whether plumbing is in working order or not
- It seems on the back end there are more requests to reconvey or pass down charge backs.
- NAMFS Recommendation that year round winterization be performed in order to facilitate pressure testing. That said, the \$20 allowable in addition to the winterization allowable is still insufficient based on plumbing industry standards

Mortgagee Letter Follow-up

Leadership will establish a working group to formulate a consistent understanding of the changes and requirements included in the Mortgagee Letter.

The working group will also focus on any changes that will have a positive effect on the industry.

New Inspection Forms

Standardization, risk and liability are the three main concerns regarding the new GSE inspection forms. All default inspectors are not likely, able or qualified to collect the quantity and quality of information the forms are asking them to collect.

Pricing is another issue of concern. There are 24-75 additional fields on the form and the requested work does not match the compensation of a default property inspection. Inspecting roofs, assessing insurance liability and other requests are beyond the scope and certification of most default inspectors. Some of the new fields (including inspectors commenting on a property's structural foundation) can only be completed by electrical, plumbing and HVAC professionals and could expose default inspectors to risk and liability.

With requests for faster turnaround times on inspections, the added fields would also add time to complete the inspections.

The new inspection forms have been discussed with technology partners due to the need to update inspection fields on third party software. However, the industry does not have a standard interpretation of the new GSE fields further complicating the ability to meet new requirements.



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How Will Servicers Use the Additional Data?

There are concerns regarding what actions servicers will take in reaction to some of the data entered. This data may help determine whether further work is needed at the property or prompt no action at all from the servicer. Questions surround where liability resides in regard to the inspectors answers to the additional question and the corresponding action taken by the client.

Inspector Training

It is taking two months or so to properly train default property inspectors on the changes to inspection requirements. Again, there is concern about the differing interpretation of how inspections should be conducted and then relaying correct instructions to vendors in the field. With volume dropping there is already an increase in the cost of business operations, adding specialized training will increase these costs.

Pricing

- Price conundrum
 - o Servicers in general have problem with inspection fees
 - If property doesn't go to foreclosure, difficult to claim any of those expenses
 - Look like questions on a BPO, which investors pay significantly more for
 - Want higher allowable so the investor will pay for it
- Disclaimer: we are not home inspectors or contractors; cannot use this data for buyer information
- Now getting asked – if you did the inspection and found a problem, what did you do?

Introducing Third Party Technology

The industry is looking to technology to provide operational efficiency and help meet compliance and regulatory requirements. There have been difficulties with translating business requirements to IT programmers. Additionally, third party programs need an industry standard that can be integrated into the proprietary systems at national companies. (There have been concerns about allowing a third party company access to secure data when integrating systems.) Generally, leaders understand that improved and affordable technology should be accessible to all field services providers regardless of company size.

Highlights from the Technology Discussion:

- The organization and goals of the technology committee continue to take shape.
- Integration improves the speed and accuracy of business operations
- There is a need for standardization around access to data as it passes from client to national to vendor, etc.
- There are concerns about quality control and human error when reentering information
- There should be a standardization of door posting, photo labeling, industry terms, etc.



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Justifying Bids

Bids need supporting evidence to justify the numbers. Photos are better than text when explaining situations where more work is required. The industry is looking to technology to help document the necessary repairs to justify bids. Utilizing video has been discussed but costs, quality and standards are concerns.

Creating General Industry Standards

Any standardization should consider input from all affected parties. An understanding of what we, as an industry, are trying to accomplish and why needs to be communicated. However, standardization has its challenges. Providing accurate and consistent reporting is difficult when there are multiple inspection requirements to meet. The industry needs to look for consistency, cooperation and coordination amongst, servicer, technology providers and field services professionals.

Contractors in the field as well as nationals must drive the requirements for industry technology. Training personnel and maintaining human contact must also be factored into the use of technology.

Third Party Validation

There are concerns around data security, performance and support when it comes to decisions about implementing third party technology. Additionally, is there a difference or challenge when the company is based off-shore? Is there a way for NAMFS technology committee to validate or vet technology providers? Leadership addressed whether having a rating system and/or validating technology providers is an added value to NAMFS membership benefits.

Other questions include:

- Are the technology companies using subcontractors and, if so, what is their vetting process?
- Can we verify that anyone with access to the information of regional field service providers are compliant with all requirements?
- Is there a risk to vendors regarding the security of data and are their necessary certifications?

NAMFS is looking to create a sub-committee or to review changes to how legislators and clients define default property inspector tasks and expectations.

Background Check Solution

- NAMFS is looking for an opportunity for the contractor and employer to receive a full report of their background check.
- Individual assessments are graded, but more information for employers would increase the accuracy of those scores. There is a high-level guide available that outlines the differences between scores.
- There is a need for better verification around submitted information including social security numbers.
- NAMFS is looking at having the fees associated with background checks reduced.



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- There needs to be an easier process for onboarding.

Observation during this discussion include:

- 32,000 individuals have background checks, 93% of which have come in at ICO1; ICO4 5%
 - Percentages have stayed consisted from first 2,000 submitted
- 300,000 total physical check-ins per month activated by apps (largely inspections to this point)
 - Both inspection and preservation numbers are about to take a jump – spreading wider than Wells Fargo (guess will jump to 500,000-600,000 over next few months based on what is in the pipeline)
- Started with 1st advantage – added Sterling – goal to have 3 active companies at a time
 - 3 active opportunities pursuing at the moment

Industry Solutions and Initiatives

NAMFS has made data from CQ Roll Call accessible to members. CQ Roll Call provides federal and state legislative data. NAMFS members can track passed and pending legislation that impacts the default servicing industry.

NAMFS will continue to seek legal opinions when necessary on new regulations, as well as, gathering feedback from association members on how new laws are affecting their business.

NAMFS is working to centralize the reporting and response to issues facing the industry. The Association will continue to seek more input from its members to ensure a unified position on industry issues and concerns.

NAMFS is looking to create standards for tasks including inspections and conveyance condition. A systematic approach could help contractors convey property more efficiently and effectively.

NAMFS will continue to improve NAMFS Academy courses in response to changes in conveyance condition expectations and other issues affecting the industry.

NAMFS is considering utilizing a grading system - Bronze to Platinum – to differentiate skills sets and determine security levels. This system may help those hiring contractors make decisions on which vendors meet their requirements or task needs.

Grading would provide useful information including:

- Meet certain size requirements, certification within states, licenses, classes taken within academy etc.
- Help define the person as an independent contractor that meets certain requirements and training thresholds

They system would also determine:



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- How many people that work for a contractor have completed academy courses
- How many people working for a contractor have ICO1 scores
- How many years of experience are within the business
- Does the contractor have licensed plumbers and roofers
- Additional information about the contractors insurance, licenses, etc.

Different grades for different states and qualification for certification would be regional and require their own grading system.

Other considerations include:

- Obtaining feedback from regionals
- Review diversity of certified and graded contractors
- Possibly create a webpage on the NAMFS site listing member certifications and scores.
- Is there a liability for NAMFS if a contractor has a NAMFS certification and something goes wrong
 - NAMFS would only supply information and is not involved in hiring decisions of association members
 - For years NAMFS has informed nationals when contractors meet particular certifications or requirements.

The NAMFS Leadership Summit took place March 9th following the 2016 Open Forum in Dallas, Texas.