

The following is a summary of sections of the new HUD M&M Contract that affect Safeguard and its clients as these sections relate specifically to property preservation and performance of work.

The full document is available for review in PDF format at the following link: [M&M Contract](#).

SECTION C – DESCRIPTION, SPECIFICATIONS, STATEMENT OF WORK (Contract pages 11 through 101, found at PDF pages 14 through 104)

GENERAL REQUIREMENTS

Contract Structure

Quantities - The M&M is guaranteed a minimum quantity of work (defined individually for each M&M) but not guaranteed a maximum quantity of work. They are given a funding limit and are not required to accept work in excess of this amount.

Payment - Each M&M will be paid a fixed fee per property in four equal monthly installments. This fee is paid each month for the first four months that the M&M is responsible for the property. The M&M is paid all four installments only if the M&M maintains the property through this entire time frame. There is no additional fee paid for second conveyance to HUD within 90 days of a property's being reconveyed to the mortgagee.

There are different fee types depending on property type and action required: a vacant land management fee, a marketing fee, a held-off-market property fee, and a custodial fee.

Incentives - Various performance-based incentives and disincentives are offered to M&Ms. Performance is measured by the Special Property Inspection Score (more details about this to follow), and M&Ms may earn anywhere from an increase of 5% of the total property fee to a decrease of 10% of the total property fee.

HUD's Purpose and Goals

HUD's three main goals are to ensure that:

- 1) Mortgagees are in compliance with conveyance requirements
- 2) HUD properties are maintained such as to preserve the property as well as the surrounding communities
- 3) HUD properties are managed and sold in order to maximize return, minimize holding time, and expand homeownership

These contracts govern the management and marketing of single-family properties, defined as properties having 1 to 4 units.

Contract Areas

There will be 24 M&Ms corresponding to 4 Homeownership Centers. Each HOC will have a HUD Contracting Officer (CO) and a Government Technical Representative (GTR), both of whom will be responsible for administering the contract. There will also be a Principal CO and a Principal GTR in Washington, DC to oversee the program.

Key Definitions

Broken vs. Cracked Windows - A broken window has a visible opening that allows entry (a single pane is divided into two or more pieces). A cracked window has an imperfection but does not constitute a hazard (no danger of falling glass or weather damage).

Days - This term always refers to calendar days, unless otherwise specified.

Government Technical Monitor (GTM) & Government Technical Representative (GTR) - The GTR is responsible for advising the M&Ms and judging their performance. The GTM assists the GTR and may perform some of the tasks associated with the GTR's areas of responsibility.

Minimum Property Requirements (MPR) & Minimum Property Standards (MPS) - The MPR is the minimum quality level acceptable to HUD for new home construction. The MPS is the minimum quality level acceptable to be insured under FHA programs.

Non-Surchageable Damage - Damage that is not the responsibility of the mortgagee (Safeguard generally refers to this as claimable damage).

Secured Property - A property where all windows, doors, and openings are locked, boarded (where authorized), or otherwise secured to prevent unauthorized entrance by person or animal into any portion of the dwelling, including exterior entrances to crawl spaces, and any other structures on the property (e.g. garages and sheds).

General Requirements

The M&Ms are subject to specific technology requirements, to ensure that they meet the following objectives:

- 1) HUD has real-time access to all property related information.
- 2) There is a high level of customer satisfaction with HUD's property disposition program

Customer Service

"Customer service includes, but is not limited to, answering questions; resolving complaints; providing property information and status; referring customers to appropriate service agencies; assisting Officer/Teacher Next Door participants, providing copies of property related documents in a prompt, professional and courteous manner and ensuring that purchasers and Selling Brokers are satisfied with the home buying experience as evidenced by their responses to voluntary Customer Satisfaction Surveys."

Availability

The M&Ms will be required to maintain standard business hours. Outside those hours, "the Contractor shall be available to respond to and resolve property-related emergencies (situations that pose an imminent threat to health or safety) after regular business hours. The Contractor shall maintain and monitor a phone number and an e-mail address that are available twenty-four (24) hours a day, seven (7) days per week, including recognized Federal holidays."

Response Time

"The Contractor shall provide prompt, courteous and accurate response to all inquiries regarding both individual properties and the disposition program in general. The Contractor shall respond to telephone inquiries no later than one (1) business day from the date the call was placed to the Contractor's office or the expiration of such shorter or longer period of time expressly authorized or required by this PWS. The Contractor shall respond to written and electronic inquiries no later than two (2) business days following receipt of the inquiry or the expiration of such shorter or longer period of time expressly authorized or required by this PWS."

Approval Methods

Oral communication and communication via electronic mail (e-mail) are not considered acceptable methods of transmitting authorization or receiving approval.

MORTGAGEE COMPLIANCE

The goals established by HUD with respect to mortgagee compliance aim to ensure that:

- 1) Servicing Mortgagees receive timely and accurate guidance on pre-conveyance issues
- 2) Good and marketable title is conveyed to the Department
- 3) HUD's interest is protected in review of claims for insurance benefits

Preservation and Protection (P&P) Guidance

If costs to perform required tasks exceed limits set forth in published Mortgagee Letters, the Mortgagee must request M&M permission to perform work. *HUD is considering a protocol for electronic receipt and approval of P&P overallowable requests and will notify the Contractor (M&M) when and if electronic receipt becomes acceptable.*

Review – M&Ms must review and approve or disapprove all requests from the Mortgagee for information or instruction within 5 business days of receipt. The M&M will review each line item and can disapprove an item or request additional bids if the original bid is deemed unreasonable based on the M&M's experience. M&Ms are reminded that Mortgagee costs will be nominally higher than the cost generally incurred by the M&M due to Mortgagees' usage of national servicing companies.

Appeals – The Mortgagee will have 10 calendar days from receipt of a denial of an overallowable request to appeal the M&M's decision. These appeals are to be directed to the M&M, who will either approve the appeal or forward it to the GTR within 24 hours of receipt.

Occupied Conveyance

A Notice of Pending Acquisition letter must be submitted to the occupants of any FHA-insured property in default. This must be done prior to foreclosure.

Compliance Monitoring – The Notice of Pending Acquisition must be sent to the occupants more than 60 but less than 90 days before acquisition of title and must be copied to the M&M on that day. Notices sent prematurely will be returned to the Mortgagee for resubmission. The M&M must also be notified of the estimated foreclosure sale date and the redemption expiration date, if applicable.

Processing Requests for Continued Occupancy – The M&M will deny requests for continued occupancy in cases where the regulatory requirements are not met. GTR approval will be obtained where occupied conveyance is in the best interest of HUD. Occupied conveyance will not be allowed for any property containing lead-based paint hazards where children under the age of 7 are in occupancy.

Appeals of Preliminary Denial – When occupied conveyance is denied, the mortgagee may request an informal meeting with the M&M or may appeal the denial. The meeting must be requested in writing within 10 days of the denial. Written appeals must be submitted within 20 days of the denial. The final decision will not be made by any M&M staff member who was involved in the initial denial.

Properties Conveyed Occupied Without Approval – If occupants are found at a conveyed property where occupied conveyance was not approved, the occupants will be identified by the M&M as adverse or not adverse.

It must be determined whether the occupants were provided with a Notice of Pending Acquisition. If notice was provided, the occupants will be treated as adverse occupants.

Adverse Occupants – The M&M will notify the GTR of the circumstances and obtain approval either to reconvey the property or to perform an eviction. If reconveyance occurs, the Mortgagee must notify the occupants to vacate the property before conveying to HUD again.

Non-Adverse Occupants – If Notice of Pending Acquisition was not provided, a request to reconvey will be submitted to the GTR. If reconveyance is approved, the Mortgagee must provide the occupants with a modified version of the Notice of Pending Acquisition. If reconveyance is not approved, the M&M must forward a modified version of the Notice of Pending Acquisition to the occupants. If occupancy continues, the M&M will request approval for continued occupancy; if this is denied, the M&M will initiate an eviction.

Requests to Convey Properties with Surchargeable Damage

HUD defines surchargeable damage as damage due to mortgagee neglect, fire, flood, earthquake, tornado, hurricane, or boiler explosions (for condominiums). Damages of these types must be repaired prior to conveyance, or the Mortgagee must submit a written request to convey the property as-is. M&Ms must respond to these requests within 10 calendar days of receipt and will consider HUD's best financial interest when responding.

Surchargeable Damage Less Than \$2,500 – If the estimate to repair surchargeable damage is less than or equal to \$2,500, the M&M will accept the property without requiring repairs to be made and without obtaining prior approval from HUD. The M&M will notify the Mortgagee of the amount to be deducted from the claim. This will be equal to the government estimate to repair or the insurance recovery, whichever is larger. After being notified of this dollar amount, the Mortgagee can decide to revoke its request to convey the property with damages.

Mortgagee to Repair – If repair estimates exceed \$2,500 and the M&M elects not to accept the damaged property conveyance request, the M&M will instruct the Mortgagee to repair the damages prior to conveyance and may grant an extension of time to convey. Once the damages are repaired, the Mortgagee may request an inspection of the property. The M&M will then inspect the property and, if repairs are complete, will note that the damage was corrected and the claim should not be reduced by the cost to repair.

Convey With Surchargeable Damage – If the M&M determines that it is in HUD's best interest to accept the conveyance of a property with damages in excess of \$2,500, the M&M can request GTR approval to accept the property without requiring repairs. If approved, the M&M will notify the Mortgagee to deduct either the estimated cost to repair or the insurance recovery, whichever is larger. Once the Mortgagee receives this information, the Mortgagee can rescind the request to convey with damages.

Claim Reviews

The Part A Application for Insurance Benefits claim is to be filed with the conveyance of a property. Parts B through E of the claim are to be filed once title evidence is approved. The M&M will review all the documentation for compliance and will notify the Mortgagee and GTR of any issues within 30 days of claim submission.

Part A Claim – A paper copy of this form along with all supporting documentation must be sent to HUD on the date the deed is filed or mailed. If this is not submitted but the property was conveyed properly, the M&M will request the Part A claim from the mortgagee. The M&M will compare the information on the Part A claim to the results from the initial property inspection.

Occupancy – Properties must be vacant at the time of conveyance, and this must be reflected on the claim.

Property Damage – The claim should indicate that the property is not being conveyed with damages unless the date of approval to convey with damages is provided or a description of non-surchargeable damage is provided.

Surchargeable Damage Conveyance Approved – If the property is being conveyed with approved surchargeable damage, the M&M will check the approval date and will compare the damage claimed with that found at the initial inspection.

Surchargeable Damage Conveyance Not Approved – Notification will be submitted to the GTR immediately if a damaged property is conveyed without approval. The M&M will recommend either reconveyance or claim reduction.

Limitation on Fire Damage – The Mortgagee is always responsible for fire damage, but the degree of responsibility can be limited to the insurance recovery received or amount to be received (if criteria set forth in Title 24, Part 203 of the Single Family Mortgage Insurance Manual are met). The M&M will review any claims to limit responsibility. If the claim is deemed acceptable and the actual amount of insurance recovery exceeds the estimate to repair, the difference will be deducted from funds due from the Mortgagee. If the actual amount was less than the estimate, the difference will be added to funds due.

Properties Conveyed with Non-Surchargeable Damage – Mortgagees do not need prior approval to convey properties that have sustained non-surchargeable damage, but a description of the damages and the preservation and protection completed at the property must be submitted. If this information is not provided, it will be requested by the M&M, and the Mortgagee will have 10 calendar days for submission. If the information is still not provided, the M&M will seek GTR approval to reconvey the property or to reduce the claim amount. The reduction amount will be the larger of any insurance recovery received or the government's estimate to repair.

Part B and C Claims – Copies of these forms must be sent to the M&M within 45 calendar days of the deed recordation or 15 calendar days of the title approval.

Claimed Expense Not Completed – *If claimed services were not performed or not performed properly, the [M&M] shall notify the GTR and initiate action to collect the overpayment as described in Housing Notice 2002-20.*

Required Work Not Completed – No Expense Claimed – *HUD does not request reimbursement from a Mortgagee for P&P items that should have been completed prior to conveyance but were not completed and are not included on the Mortgagee's claim for insurance benefits, unless the failure to complete the P&P actions resulted in damage to the property.*

Part D Claims – The M&M will notify the GTR to obtain approval to collect overpayment if it is determined that HUD was charged for tax penalties or for taxes that were not paid.

Mortgagee Failure to Perform – If required tasks are not performed by the Mortgagee, the M&M will send a letter of non-compliance to the Mortgagee, with a copy to the GTR, within 30 calendar days of claim receipt.

Contractor Responsibility for Mortgagees' Failure to Perform – The M&Ms must maintain all properties as described in the Property Management section of this document. They must complete P&P tasks that were not completed by the Mortgagee. If costs incurred by the M&M fall outside the scope of their responsibilities, the M&M may submit these as a pass-through expense.

Title Approval

Evidence of good and marketable title must be submitted by the Mortgagee within 45 calendar days of the date on which the deed was filed. This must include a legal description and is not to be held for receipt of the original recorded deed.

Review – Title evidence will be reviewed and approved or rejected within 5 business days of receipt.

Approval – System-generated title approval letters will be submitted to the Mortgagee if title is approved.

Rejection – Rejections will be accompanied by an explanation of the reason for rejection. The Mortgagee has 10 calendar days from receipt of the rejection notice to make requested corrections or to accept a reduction in insurance benefits. If this timeframe is met, the Date Title Received will be documented as the date of resubmission. If this timeframe is not met, the M&M can recommend reconveyance to the GTR.

Minor Defects – If minor discrepancies are discovered (such as "Avenue" as opposed to "Street"), the title is not to be disapproved, but the M&M will contact the Mortgagee via phone or e-mail to clarify the discrepancy. If this is resolved within the 5-day review period, the original submission date will be used as the Date Title Received. If clarification is not received, the title evidence will be rejected.

Title Evidence Not Received – The M&M will request title evidence from the Mortgagee on the 45th calendar day if such evidence has not yet been received.

Requests for Extensions of Time – Mortgagees may submit requests for extensions of time to convey title, submit title evidence, submit fiscal data, or file supplemental claims.

Review – Extensions will be reviewed and either approved or rejected by the M&M within 5 business days of receipt. Requests must be accompanied by an explanation of why the extension is necessary. M&Ms will not allow extensions of time to submit the Part A claim unless there is an extension for pre-foreclosure sale. The M&M may grant 90-calendar-day extensions to convey title, 10-calendar-day extensions to submit title evidence, and 45-calendar-day extensions for all other requests. Extensions beyond these limits must be approved by the GTR.

Appeals – The Mortgagee has 10 calendar days from receipt of a rejection notice to appeal this decision to the M&M. In turn, the M&M will forward the appeal and all documentation to the GTR within 1 business day.

Administrative Remedies – These are to be pursued by the M&M at the GTR's request when Mortgagees fail to follow HUD servicing requirements.

Debt Collection and Administrative Offset Letters – The M&M will pursue debt collection from the Mortgagee when funds owed to HUD are not received.

Reconveyance – GTR approval is necessary to perform a reconveyance. A Notice of Intent to Reconvey must be sent to the Mortgagee via e-mail and U.S. mail. The Mortgagee will be instructed to withdraw the claim, to reimburse HUD for any claims paid, holding costs, and property expenses incurred, and to accept reconveyance. Once the notice period expires, the M&M will transfer title to the Mortgagee. If reimbursement funds are not received, the M&M will pursue administrative offset at the GTR's request.

Administrative Remedies Report (ARR) – All actions taken with regard to Mortgagee Compliance must be documented by the M&M in the Administrative Remedies Report. This report must be posted on EMS by the 10th day of the month following the activity reported.

Contractor Reimbursement of Expenses – If the M&M obtains reimbursement fees through administrative offset or reconveyance, the GTR will approve the actual costs incurred by the M&M as a pass-through expense.

PROPERTY MANAGEMENT

In reference to property management, HUD wants to ensure that:

- 1) Properties are secured and safe from hazardous conditions
- 2) Property values are preserved
- 3) Properties are maintained in a manner that reflects a high standard of care

In order to ensure that properties are kept clean, safe, secure, and sanitary and that property value is maintained, HUD requires all new M&Ms to submit a Property Management Plan to describe how the performance objectives will be met.

Acquisition

Verify Acquisition – Upon receiving a Notice of Acquisition, the M&M will confirm in SFIS that the property has an FHA-insured loan. If the M&M finds that the property does not have an FHA-insured loan, the M&M will notify the GTR within 1 business day.

Initial Inspection – A property inspection must be performed by the M&M within 24 hours of notification of acquisition. The HUD Property Inspection Report form must be completed at this time. If health or safety hazards are identified, these will be remedied by the M&M within 24 hours of discovery.

Initial Securing – At the time of the initial inspection, the M&M will ensure that the property has been secured in accordance with current Mortgagee Letters. The M&M is also required to perform the following within 48 hours of the

initial inspection:

- 1) All debris and refuse must be removed from the property. Personal property is not to be removed unless it presents an imminent health or safety hazard or removal is required as the result of an eviction or local regulation.
- 2) A sign must be posted listing a name and toll-free, 24-hour contact number for emergencies.
- 3) All broken doors must be repaired and broken windows replaced, unless the property lies in a pre-approved boarding area. If properties that are not located in pre-approved boarding areas are conveyed with boarded openings, the M&M will de-board and repair the door or replace the window.
- 4) All properties must be secured with locks that allow access to HUD employees and that allow access for viewing by brokers and potential buyers.
- 5) All active leaks must be stopped to prevent property deterioration.
- 6) A sign-in sheet must be maintained at the property, and all M&M representatives and subcontractors must sign in upon each visit.

Notifications – Written notice of HUD's ownership, including contact information for delivery of invoices and notices, will be provided to local police, taxing authorities, and homeowner's associations within 15 calendar days of receipt of the notice of acquisition.

Health and Safety Hazards

All health and safety hazards will be corrected within 24 hours of discovery or notification. Within 2 business days of completion, a copy of the work order and supporting before and after photos will be posted to EMS.

Property Maintenance

The M&M will be responsible for damages that occur as a result of their failure to inspect or secure the property properly. The M&M will not be responsible for casualty damage as long as appropriate action is taken to further protect the property.

Ready-to-Show Condition – The property will be maintained in a condition that makes it as attractive as possible to potential buyers.

Inspections – Routine inspections must be performed by the M&M, but the document does not specify a maximum or minimum number of inspections. M&Ms are referred to the Mortgagee Letters for guidance.

Quality Assurance – After 15 calendar days from the M&M's receipt of a notice of acquisition, a property is eligible for a quality assurance inspection by HUD. This will be completed using the HUD Property Inspection Report, and selection will be performed based on random and risk-based targeting.

Property Condition Report

A property condition report will be submitted to the property appraiser, detailing any known information that may affect the habitability, functionality, or value of the property. To aid in report preparation, the M&M will check the operability of all systems and appliances, preferably by turning on the utilities. The property condition report will have a disclaimer noting that the contents of the report do not provide any type of guaranty of the property condition. The report will be available to potential buyers on the Internet Property Listing. If any M&M representative becomes aware that the information in the Property Condition Report is inaccurate, the report must be reposted with accurate information. If a sale is pending, the selling broker or prospective purchaser must be notified of the change.

Winterization

The M&M must perform a winterization of all operating systems in accordance with the current Mortgagee Letter.

Utilities

At the time of acquisition, the M&M will notify the utility company that HUD has taken ownership and will request a final utility bill to identify unpaid charges. If the municipality controls the utilities and will impose a lien on the property for any unpaid utilities, the M&M will pay all charges prior to HUD acquisition. Only lien payments are reimbursable by HUD. Except in areas where Mortgagee Letters require the maintenance of utilities, the M&M will determine if the utilities are to remain active and will incur any expenses to maintain utilities not required by HUD. Utility costs incurred at occupied properties where HUD agrees that activation is required will be accepted by HUD as a pass-through expense. Prospective purchasers will be given the opportunity to check system operability by activating and deactivating the utilities prior to purchase. Any costs incurred to perform this activation will be the responsible of the prospective purchaser and a deposit may be required to cover these costs.

Taxes, Rent Fees, Dues, and Assessments

All property taxes, ground rents, condominium/HOA fees, dues, or assessments will be paid by the M&M. These will be

reimbursable by HUD as a pass-through expense, provided that supporting documentation (such as receipts or invoices) is submitted. All real estate taxes and special tax assessments will be paid by the M&M, and evidence showing that payment was required will be submitted to the HOC at least 15 business days prior to the due date. Any penalties assessed for late payment will be the responsibility of the M&M.

The Mortgagee is responsible for payment of taxes prior to conveyance as described in Mortgagee Letter 2002-19. Any penalties incurred as a result of failure to follow these instructions will be the responsibility of the Mortgagee. If the M&M determines that it would be in HUD's best interest to have taxes paid from settlement funds, these will be included as a seller expense.

Environmental Compliance

Lead Based Paint – Visual assessment for identification, stabilization, and clearance of deteriorated paint is required for homes built prior to 1978. Approved costs for these tasks are reimbursable by HUD as a pass-through expense. These conditions must also be disclosed to prospective purchasers of these properties. All sale agreements will include a 15-calendar-day contingency period during which the purchaser may review reports or have a risk assessment completed at the property. Lead-based paint hazards must be removed from properties built prior to 1978 located in the City of Philadelphia. HUD has an agreement with the City of Philadelphia, and such properties must receive clearance by a contractor from HUD's approved list prior to closing. Abatement costs are to be submitted as a pass-through expense.

Environmental Compliance Record – Property factors such as location in a flood hazard area, clear zone for a military airport, airport runway clear zone, or historic preservation home will be noted in the Environmental Compliance Record.

Flood Insurance Requirement – Buyers of HUD properties located in flood hazard areas and areas where flood insurance can be obtained through the National Flood Hazard Insurance Program will be required to purchase flood insurance. Coverage must be at least equal to the appraised value of the property. If flood insurance cannot be obtained, the property will not be eligible for FHA insurance.

Mold – All sales contracts will include a GTR approved mold disclaimer. All obvious mold issues will be presented to the GTR, who may require testing and abatement of the issue.

Historic Preservation – Properties or districts within the National Register of Historic Places are subject to historic preservation requirements. These properties must also have restrictive language included in any sale contracts.

Other Environmental Hazards – All resources, including Mortgagee documentation, title documentation, or HUD inspections, will be reviewed to determine if hazardous conditions exist at the property. The GTR will be notified of any hazardous findings and may require testing or remediation by a HUD Environmental Contractor. These properties will be held from sale or lease until the GTR approves such action.

CERCLA Compliance – *HUD may not transfer title to a property on which any hazardous substance was stored for one year or more or known to have been released or disposed of on the property until the contamination has been remediated.* Such conditions must be formally disclosed in the contract, deed, or lease agreement.

Termites and Wood Destroying Organisms – All properties located in Termite Probability Zones must have a Termite and Wood-Destroying Organism inspection completed prior to listing. If requested by the purchaser, the M&M must provide a clearance letter prior to closing. If active infestation is identified, the M&M will obtain GTR approval to proceed to treat the problem.

Vandalism Prior to Contract Acceptance – M&Ms are required to remediate vandalism damage by removing graffiti, even if said graffiti is present at acquisition; repairing doors, locks, and windows to prior working condition; and immediately remedying all health and safety hazards. Estimates to repair all other vandalism damage must be obtained and submitted for GTR approval. If approved, these costs will be reimbursable as pass-through expenses. Replacement of missing appliances is not required. The GTR must be notified within 2 business days of discovery of new vandalism.

Rental Property Management – For tenant-occupied HUD properties, the M&M will prepare and execute lease agreements, collect rent, complete necessary repairs and maintenance, and possibly perform evictions. This may include properties with occupied conveyances or properties in disaster relief areas.

Custodial Properties – HUD does not own title to these properties, therefore, they are not eligible for sale. An initial property inspection and securing must be completed, but the M&M is not required to provide ownership notification to local authorities, maintain the property in showing condition, prepare a property condition report, pay taxes, check for

environmental or termite compliance, or manage rental properties.

Held Off Market (HOM) Codes – Properties can be held off market due to special conditions (pending eviction or reconveyance) that interfere with listing the property for competitive sale. Additional compensation will only be provided to the M&M if the delay is approved by the GTR. Examples of circumstances warranting such a delay include a project in Philadelphia, PA where contractors must abate and clear lead paint, or projects where HUD agrees to sell properties in bulk to local government or non-profit agencies. A report of all HOM properties must be provided to the GTR each month.

Evictions – Evictions will be performed when approved by the GTR, and expenses incurred by the M&M will be reimbursed as pass-through expenses.

Demolitions – Demolitions must be approved by the GTR, and expenses incurred by the M&M will be reimbursed as pass-through expenses. The M&M must comply with the Historic Preservation Act if a property is eligible for inclusion. If, during marketing, the city in which a property is located gives orders for demolition of the property, the M&M will continue to market the property while HUD's legal representative contests demolition. The legal representative must be notified weekly of properties pending demolition so that they may notify the prospective purchaser of the situation and provide copies of the notices.

Repairs – Actual costs of any repairs completed to correct damages or to make improvements approved by HUD will be reimbursed.

MARKETING

The goals set by HUD for achievement during the marketing process are to ensure that:

- 1) Properties are accurately valued
- 2) Sales achieve the highest net return
- 3) Holding time is minimized
- 4) Sales create homeownership opportunities and preserve neighborhoods
- 5) Closing proceeds are properly accounted for and delivered to HUD in a timely manner

The M&Ms must prepare a plan for marketing their properties, which must include a plan to meet or exceed performance objectives.

TRANSITION

The transition period begins at the date of contract award.

“During the Transition Period the Contractor shall establish or adapt its physical infrastructure; retain qualified staff and subcontract support; develop or obtain necessary hardware, software, Internet applications and information technology; attend HUD-provided training; provide training to its workforce to enable them to provide required services under this PWS; obtain all required licenses, permits, bonds, and legal permissions required to transact business within the contract area; develop and implement quality assurance programs, gradually assume contract responsibilities, and assume full contract responsibility by expiration date of the final option year of the contract with the Former Contractors, or by such later date as determined by the CO.”

Start Up Phase – Runs from date of contract award for 60 calendar days.

M&M Responsibilities

- * Detailed contingency, quality control, property management, and marketing plans must be submitted prior to the post-award conference.
- * Office space must be secured within 10 days of the award.
- * All applications for secure systems access must be submitted within 30 days of the award.
- * Performance and payment bonds must be delivered to the CO within 10 business days of the award.
- * Phone service must be operational within 15 business days of the award.
- * HUD-provided training must be attended by the 45th day.
- * Websites must be functional by the 45th day.
- * Electronic Monitoring System must be installed and tested by the 45th day.
- * The M&M shall notify the GTR no later than the 45th day that they have adequate facilities, staff, subcontract support, equipment, and supplies to complete all tasks.
- * A final list of key staff, office locations, address, phone numbers, and emergency contact information must also be submitted to the GTR by the 45th day.

HUD Responsibilities

* The GTR must review the plans mentioned above within 20 business days of receipt and provide comments. Revised plans must be received by HUD within 10 business days.

* A Notice to Proceed will be issued within 10 business days of receiving the bonds.

* HUD will schedule training sessions on

(1) Policy and Process – To include an overview of HUD and the policies and procedures related to property management and disposition, including but not limited to:

responding to over allowable P&P requests from Mortgagees;

evaluating extension requests;

review of title evidence;

the occupied conveyance process;

review of claim forms;

financial offset and reconveyance requirements;

processing tax and homeowners association dues payment;

lead based paint requirements;

direct and discounted sale policies;

determining property location within revitalization areas;

processing broker applications and other vendor forms;

interaction with other HUD Contractors;

quality assurance and compliance monitoring activities;

and Contractor invoicing procedures.

(2) Systems

* Mortgagee Letter – “Immediately following the notification from the Contractor required in 5.5.1.1.9, HUD will issue a Mortgagee Letter advising Mortgagees of the Contractor’s address, telephone number(s), point of contact information, and the effective date(s) when the Contractor shall assume certain contract responsibilities. The Mortgagee Letter will advise servicing Mortgagees to begin conveying new properties [to the new Contractor] on the effective date and will provide detailed instructions for transition of cases already conveyed and being managed by the Former Contractor(s).”

Ramp Up Phase – To begin on the 61st calendar day from the contract award date

Transition Schedule

61st Day – New M&M shall perform the following duties:

Conveyances – Receive assignment of conveyance

Custodial Properties – Former M&M will transfer these to new M&M and will include all available documents (inspections, work orders, etc.). These are to be overnighted and must contain a file inventory. A property inspection shall be performed on each property within 5 business days of receipt.

Pre-Conveyance Approvals – New M&Ms shall handle all requests for approval of overallowable expenses and time extensions.

Pending Mortgagee Requests – All pending requests will be sent to the new M&M in chronological order and an index will also be provided.

91st Day – New M&M shall perform the following duties:

Held Off Market Properties - Former M&M will transfer these to new M&M and include all available documents

(inspections, work orders, etc.). These are to be overnighted and must contain a file inventory. A property inspection shall be performed on each property no less than 5 business days from receipt.

Unsold Inventory – All unsold properties in inventory will be transferred to the new M&M. These are to be overnighted and contain a file inventory. A property inspection shall be performed on each property within 5 business days of receipt.

136th Day – Properties under sale contract as of the 91st day shall be retained by the former M&M until the sale closes or the 135th comes. Any sales still pending will be transferred to the new M&M with all accompanying documentation.

Sale Closings – Priority shall be given to pending sales.

Property Management – All provisions apply except the inspection requirement, which does not apply to properties with scheduled closing dates within 15 calendar days of transfer.

Compensation – The new M&M receives the full marketing fee but no Property or Vacant Lot Management Fees.

Terminated Sales – If a sale is terminated, the new M&M will manage the property as Unsold Inventory and complete a property inspection within 5 business days of the sale termination.

EMS Data Entry Requirements

Within 10 business days of receiving files from the former M&M contractor, the new M&M will create a case file in EMS for each property.

Transition Out

When the current contract expires, the M&M will perform all duties associated with the “former” contractor, who will provide assistance to the new M&M for a period up to 6 months.

QUALITY ASSURANCE SURVEILLANCE PLAN

The M&M contractors' performance will be evaluated based on many factors, including the quantity, quality, and accuracy of work; timeliness and customer satisfaction with work; and overall sales performance. Each M&M is responsible for defining and implementing a quality control process to help them achieve the goals set forth by HUD. If HUD determines, based on surveillance samples, that the M&M's quality control plan is not achieving the desired results, HUD may perform surveillance more frequently.

Quality Assurance Methods

Required Reports – The first means of M&M performance analysis will be review of reports submitted by the M&M per the requirements of the PWS contract. Additional information may be requested of the M&M by the GTR for clarification purposes. The required reports include the following:

- 1) Electronic Case Files – Daily file updates
- 2) Administrative Remedies Report (ARR) – Monthly report of Mortgagee non-compliance and any action taken by the M&M
- 3) Closing Agent Deficiencies Report – Monthly report on Closing Agent Contractors' performance issues
- 4) Aged Inventory Report – Monthly listing of all properties in inventory for more than 12 months
- 5) Held Off Market Report – Monthly listing of all properties being held off market and corresponding reason code
- 6) Litigation Status Report – Monthly listing of all properties involved in any type of litigation
- 7) Quality Control Review Report – Monthly summary of M&M's QC efforts and findings from the previous month
- 8) ACA Status Report – Weekly listing of all eligible properties in each Asset Control Area (ACA)
- 9) Annual Portfolio Overview – Yearly summary of the M&M portfolio, highlighting successes and challenges
- 10) Property Expense Reporting – Yearly report of costs spent per property in categories defined by the GTR
- 11) Audited Financial Statement – Yearly copy to be provided to the CO
- 12) Ad Hoc Reports – Specific case by case requests from the GTR or CO

File Reviews – These may be performed by HUD staff on paper or electronic files, but there is no requirement specifying the frequency or quantity of these reviews.

Property Inspections - Approximately 10% of M&M properties will be inspected by a Special Property Inspection (SPI) Contractor each month. The contractor will fill out the Property Inspection Report and assess the property on a 100-point scale. The M&M will receive a listing of all properties inspected and a separate list of those properties that scored below 75. Health or safety hazards will be immediately reported to the M&M, who will repair the situation within 24 hours. The GTR may order a reinspection of the property if documentation supporting the repair is not posted to the EMS system. HUD staff will also conduct inspections on properties identified through risk targeting.

Appraisal Reviews – Desk and field reviews will be conducted on random or risk-based samples of appraisals.

Site Visits – HUD staff may visit M&Ms' worksites to observe completion of tasks relative to the PWS. They will be permitted to view all documentation and to interview M&M staff and subcontractors.

Financial Controls Review – HUD may review invoices, transmittals, and disbursements for M&M fees, property taxes, and pass-through reimbursements. Results will be reported to the M&M on a quarterly basis.

Quarterly Performance Evaluation – Written performance evaluations of M&M performance during the prior quarter will be delivered to the M&M each fiscal quarter. These will address all requirements of the M&M as described in the PWS.

Customer Satisfaction Surveys – These will be distributed to those involved in HUD home sales. Results will be received and compiled by the HOC and reported to the M&M on a quarterly basis.

Critical Performance Requirements Summary – The attached document details the 18 performance requirements that are *most critical to minimizing risks and maximizing returns; therefore, these requirements are the focus of quality assurance activities described in this plan.*

SECTION J – LIST OF ATTACHMENTS (Contract page 146, found at PDF page 149)

ATTACHMENT 1 – PERFORMANCE STANDARDS BY CONTRACT AREA (Contract pages 147 through 159, found at

PDF pages 150 through 162)

There are some performance requirements with ratings specific to each contract area. These are listed for each area and define minimum standards, measuring:

- * Average net return as a percentage of claims paid
- * Percentage of properties in inventory more than 12 months
- * Average holding time
- * Percentage of sales to owner occupants

ATTACHMENT 12 – DEMOGRAPHIC INFORMATION BY CONTRACT AREA *(Contract page 213, found at PDF page 200)*

In conjunction with the performance work statement, HUD also refers the M&Ms to spreadsheets of historical data based on the four HOC areas. These spreadsheets provide information such as the total number of properties, sale turnaround times, average HUD costs, net losses, number of reconveyances, etc.

SECTION M – EVALUATION FACTORS FOR AWARD *(Contract pages 275 through 283, found at PDF pages 262 through 270)*

M5 - Factors For Award – The following criteria were considered when awarding the M&M contracts:

- * Management capability and quality of proposed management plan
- * Past performance
- * Prior experience
- * Proposed key personnel
- * Subcontract management
- * Small business subcontracting participation