

Property Preservation *Review*

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CHAIR LETTER

Welcome,

It is my pleasure to welcome you to the first installment of PPEF Quarterly, the official newsletter of the Property Preservation Executive Forum (PPEF).

As Chair of the PPEF, I am proud to join fellow industry leaders as we work together to drive innovation and education in the property preservation sector of the housing market. Of course, as I write these words, the landscape of the market is facing great and unpredictable challenges due to the spread of COVID-19, and property preservation is certainly not immune to its effects. What does this mean and how can we come together to meet the needs of our customers? As a group, we must continue working to try and address these concerns and ensure that we all weather this storm together.

Unfortunately, COVID-19 has already forced us to cancel one of our planned events, the Spring PPEF member meeting that was originally to be held at the end of March. We will be rescheduling this event for the fall, so please stay tuned for more information, which we will share as soon as we can.

There are victories to report, as well. In March, the Department of Housing and Urban Development announced important changes to the Federal Housing Agency's Claims Without Conveyance of Title (CWCOT) program. Many industry groups had advocated for these changes, and they mark an important win for our industry. You can learn more about the changes by visiting DSNews.com and searching "CWCOT."

In the months ahead, we hope to make this publication very much representative of you, our PPEF membership. As such, we want to hear from you. We want you to share your ideas, programs, and initiatives that contribute to the progress of what PPEF stands for. We are also happy to highlight new hires, promotions, and company news. To include your company news and data in future newsletters, contact Sunny Dillinger at Saundra.Dillinger@thefivestar.com.

Thank you for your participation, and I hope you will enjoy this inaugural edition of the PPEF Quarterly.

Sincerely,



—Caroline Reaves, CEO Mortgage Contracting Services; Chair, PPEF

PPEF Proposes COVID 19 Inspection Policy

In a letter to David Brickman, CEO of Freddie Mac, Hugh Frater, CEO of Fannie Mae, and Dr. Mark Calabria, Director of the Federal Housing Finance Agency (FHFA), the Property Preservation Executive Forum called to update policies related to inspections. The letter is being sent by Ed Delgado, President and CEO of Five Star Global, and will be discussed at the membership meeting on May 13.

"On behalf of the Property Preservation Executive Forum, we respectfully request that policies be implemented for FHA and GSE loan servicing to require monthly inspections for all loans that enter a forbearance plan due to the impacts of COVID-19. Enclosed is a memorandum outlining the market risks and policy needs regarding the inspections of vacant properties," the letter stated.

Based on typical guidelines, the no-payment forbearance plans would mean that a servicer would have no requirement to contact the homeowner or require an inspection, as the borrower would remain "current."

There are a few concerns associated with this policy, such as:

- If the property was vacant before the forbearance, there is a high probability that the property will never become occupied.
- These properties are at the greatest risk for property damage and for contributing to neighborhood blight.

- Current properties may be at a lesser risk, but should the occupants have the same issues of maintaining the costs associated with the home, they may also move out. The letter urged the FHFA and the GSEs to update policies specific to requiring occupancy inspections, vacant property inspections for properties under these forbearance plans and proposed several solutions for consideration, including:
- In the interest of protecting homeowners and servicers, and to honor the intention of a forbearance, regular and ongoing monthly inspections should be continued.
- Ignoring the need for inspections during these COVID-19-related forbearances will impose great risk and exposure to all parties involved.
- By performing ongoing inspections on a monthly schedule as an essential service during COVID-19 forbearances, we can collectively prevent loss and protect the value of mortgage assets.



Top Markets for REO 'Fix-and-Flip' Buyers

Where are flippers finding the biggest returns on their real estate owned properties?

By Five Star Staff

In a study of properties bought and sold from October 2018 to October 2019, Hubzu identified the top 25 U.S. metropolitan statistical areas (MSAs) for fix-and-flip investors.

The Hubzu data uncovered that the top REO fix-and-flip markets are heavily focused on the East Coast, with half of the markets located in that area. Meanwhile, the West Coast offers fewer opportunities for fix-and-flip investors with only two markets making the list—Riverside, California and Tucson, Arizona.

According to Hubzu, Virginia Beach and Richmond, Virginia, as well as Cleveland are the top spots for investors pursuing REO fix-and-flip properties based on a number of factors including the number of REO properties in the market, profit after the repairs, and average number of days the listing is on the market after repairs are complete. Meanwhile, Washington, D.C., generated the highest average profit of \$51,806, whereas investors in Memphis generated the lowest average profit of \$24,892. Investors in the top 25 markets generated an average profit of \$34,490 after estimated repairs.

"Investing in fix-and-flip markets can offer interesting cash flow opportunities for investors, particularly in hot real estate markets like those on the East Coast," said Travis Britsch, VP, Auction at Hubzu. "Buying any kind of investment property has the potential to be a lucrative opportunity, but it's important that savvy investors leverage the right technology and resources to find the right fix-and-flip property at a fair price so they can make the most on their investment."

In 2019, Auction.com took a look at what investment strategy is the best for whatever your endgame would be. Advantages of real estate investment compared to other investment strategies include appreciating property values, easy access to credit with a property as collateral, equity buildup, and deferred profits. There are two main strategies to real estate investment Auction.com spotlights: buy-and-hold and fix-and-flip.

"Opting for a long-term or short-term strategy in building your investment portfolio is a personal decision," Auction.com noted. "You should consider your investment goals, capital availability, your risk tolerance level, and flexibility as it applies to your exit strategy."

Trends, Challenges Facing Property Preservation in 2020

Caroline Reaves, CEO, Mortgage Contracting Services told *DS News*, the industry is looking for ways to "leverage our technology" as property preservation faces more regulation.

By Five Star Staff

Caroline Reaves, CEO, Mortgage Contracting Services spoke with *DS News* about the upcoming challenges, trends, and the role technology plays in property preservation.

Reaves participated in the 2019 National Property Preservation Conference in Washington D.C. The event included collaborative discussions about topics including code violations, vendor management, hazard claims, and other challenges and hot topics facing the property preservation sector.

"I'm always energized by this conference and what it provides for our MCS team as well as the industry," Reaves said of the conference. "It's the one time each year when we all get together and focus solely on property preservation. The MCS team always looks forward to this conference, as it provides an opportunity for open, honest dialogue with our peers in the industry."

Below is more from her interview with *DS News*.

What are some of the trends changing the property preservation industry?

Caroline Reaves: Of course we are all dealing with the challenges of a world-wide health crisis right now. While none of us could have anticipated this, I do think our industry is incredibly flexible and resilient. We have managed our businesses through catastrophic natural disasters, where we quickly adapted to find new ways to get things done. And that is exactly what we are doing now in the midst of this pandemic. The world is changing on a daily basis. In fact, sometimes we are seeing changes by the hour. While client and vendor communication has always been important, it has never mattered as much as it does right now. We are in constant contact with our clients and vendors, ensuring that we have a good understanding of the challenges they are facing, so that we can provide the support they need.

What is the role technology plays in how property preservation is done today?

Reaves: Thankfully we have been leading with our technology for years. With the challenges associated with the COVID-19 pandemic, we have been able to immediately leverage that technology to assist with new demands on the business. Our AI initiatives, robotics, and advanced automation make life easier for our vendors and clients, who are also facing major changes in the way they do business. We will continue to look for ways to take technology that is available to us as individuals and use it to improve our business communications.

What are some challenges facing the industry today and how can they be overcome?

Reaves: As we navigate into this new normal, our biggest challenge is the unknown. We expect defaults will rise.

But no one knows exactly when we will start to see that spike or exactly what the next few months or years will look like for property preservation. At MCS, we have already started planning for what our industry may look like when we emerge from this global crisis. For us that means looking at new data every day and adjusting

our plans as necessary. Agility and tenacity will be critical competencies for any company that wants to succeed.

Caroline Reaves, CEO of Mortgage Contracting Services, has been in the industry for over 30 years. A 1985 graduate from Louisiana Tech, where she earned a B.A. in Business Economics and is a recent inductee into the Hall of Distinguished Alumni and Tower Medallion recipient. Reaves was with MidFirst Bank for 13 years as VP of Default Servicing and 3 years at First American as president of Default Outsourcing. Reaves became COO of MCS in 2007, and was promoted to CEO in 2009. During her time as CEO, Reaves has expanded the company from 40 employees located in one office to over 600 employees in offices across the country. Reaves has served as chairperson of the Mortgage Bankers Association's Property Preservation Work Group for over 15 years.

"I think we have all learned that in our industry we have to prepare for the unexpected and plan for the worst-case scenarios so that we are able to respond quickly and appropriately."



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Poised for Growth: Advantages of Property Preservation Outsourcing

Establishing a property preservation company brings with it a multitude of tasks to consider. Here are the 6 major benefits of outsourcing those tasks for your business.



By Mit Somaiya

Establishing a property preservation company brings with it a multitude of tasks to consider. Understandably the core business requirements, such as property inspections, are addressed first as without a strong base your company won't be able to flourish as it should.

As your business begins to grow and you attract new clients, the contributing work such as data entry and auditing increases too. Of course, this work is essential and requires a lot of attention to ensure complete accuracy and quality, but often other jobs take priority over it.

At this stage, it's an excellent idea to consider outsourcing these responsibilities to an outsourcing firm.

Here we explore the six main advantages to outsourcing data entry and auditing for property preservation.

Cost

All businesses regularly review their cost-efficiency to ensure profit margins consistently grow in line with your business growth. Outsourcing can aid in your firm's cost-efficiency considerably by setting up a team in a location that already has the infrastructure and relevant software to produce the best quality work.

Outsourcing teams remove the requirement of commissioning your dedicated team in your company, outlay for software, office space, and equipment that would have cut into your firm's budget, leaving less cashflow available for company growth areas. India, for example, is famed for their access to the latest technology and their implementation of it to current processes, enabling them to continually increase their speed and capability in performing all manner of tasks.

The utilization of outsourcing firms reduces the amount of money your business spends on permanent or temporary employees and the benefits you are required to provide. Pensions, annual

holidays, sick pay, etc. can build up and impact your budget, in turn, any reduction on outlay will increase the amount of capital you have available to reinvest in your business model.

2. Improved Work Efficiency & Quality Services

It isn't just the cost-efficiency that benefits from outsourcing; your whole workforce can find themselves operating much more efficiently with the help of an overseas team. Data entry and auditing tasks can be a long and draining process for your employees, especially when they have lots of other core-business responsibilities that require their attention. A big issue with utilizing your primary workforce in data entry and auditing tasks is the diversion of their attention away from the vital core tasks of your business.

As discussed earlier, the core part of your business model in property preservation is integral in the growth of your business. Allocating too much time to non-core business responsibilities will ultimately be detrimental to your overall workflow efficiency.

The accuracy and quality of the work will improve substantially too. A team dedicated solely to data entry and auditing, won't be distracted by any other responsibilities and requirements, thus improving the quality and accuracy of the work completed. The reputation of your business in terms of accuracy and quality of output can aid you in the acquisition of new clients, primarily when you can provide useful and informative reports to illustrate the quality of your workflow.

3. Excellent Data Management:

The proper and complete organization of your company's property preservation data is crucial for a variety of reasons. An organized system enables you to generate quick customized reports, fast analysis of information and the ability to rapidly export any necessary data instantly. A well-managed database also ensures your firm is doing

everything possible to protect the security, and you can provide absolute data protection to your clients while adhering to data protection laws.

The organization and continual updating work for a well-maintained data management system is a fantastic benefit for your business and it helps all areas of your business. Outsourcing your firm's data management ensures a dedicated team working continuously on the optimization of your data, providing a logical, indexed system, allowing your data to be quickly accessible and enables a seamless method to audit your data.

4. Time Zone Factor & Holiday Schedule

A significant benefit of is the extension of your regular working hours. Due to the considerable time difference between India and the U.S., your business will be growing around the clock.

Offering your clients availability 365 days a year is something that your competitors may not be able to offer, this extended support allows you to offer a backup for your workforce. The whole idea around the growth and optimization of business processes is to be better than your competitors, to stand out from the crowd and be noticed for the work you are putting in. Extending your availability can go a long way to show that you are a professional business with contingencies in place all over the world.

5. Flexibility to manage varied workloads:

Clients and the workload they generate will fluctuate over time, depending on current campaigns, time of the year and current economic state.

Outsourcing allows you the flexibility to increase or decrease your workforce as you need it. Linking back to the cost-efficiency point earlier in the article, only paying the required amount for work will help you remove any unnecessary salaries on your books.

In contrast, firms that keep all their departments together with full-time employees can often struggle with their capability when you have acquired a big client, generating lots of revenue but also more work requirements. If you have an overseas team on hand to step up their workload at the drop of a hat, you can safely accept all new clients and not worry about your capabilities. Your team will also be experts in estimating the time-specific tasks will take, enabling you to provide clients with accurate delivery times.

6. Ongoing Training

Most outsourcing firms will have an in-house training centre, enabling them to keep their employees up to speed with all relevant training and certifications to best succeed in their role. Your firm will have access to skilled workers that they wouldn't have been able to utilize in any other way previously.

This is a tremendous benefit to have; your team is always the most knowledgeable in the field at no extra cost to you. A team that is consistently reviewing their knowledge of the sector and the best processes to follow will be an efficient and crucial asset to your whole organization. The value of these overseas teams will continue to grow and provide your business with more worth, as they mature in their roles with ongoing training. You will benefit from new ideas, the latest research and an outsourcing team that is used to providing the best quality product for you and your clients.

Data entry and auditing tasks for your property preservation business are integral. By utilizing an outsourcing team, you can put yourself in the best possible position to succeed in your goals and your company's cost-efficiency will improve in tandem.

In addition to ensuring quality service, you also gain a competitive edge over your competitors

It is vital that in an industry that is filled with uncertainty and volatility, you have an offshore team that works as your extended team and supports you with processing of the challenging and complex inspection and auditing work.

who aren't entirely utilizing the options available to them and ultimately reducing their capability to serve their current clients and their attractiveness to new clients.

It is vital that in an industry that is filled with uncertainty and volatility, you have an offshore team that works as your extended team and supports you with processing of the challenging and complex inspection and auditing work.

Mit Somaiya is a graduate from the EBS Business School, Germany. He has a rich experience in consulting for Social Business in Europe and Asia on the topics of Operational Excellence and Minimum Quality Standards. Somaiya's core specializations include strategic planning, operational benchmarking, optimizing workforce efficiency and foraying into newer business markets. For the Offshore Property Preservation division at IMS People, Somaiya is responsible for foraying into the U.S. REO market, making allied partnerships and overseeing operations to ensure quality services to clients.

Coronavirus Hinders Rebuilding Efforts

More than 40,000 structures were affected by the recent string of tornadoes across the Southeast U.S., causing damage that will cost in the hundreds of millions of dollars to repair. In a new report, CoreLogic identified the unique challenges added by COVID-19 to the recovery efforts.

In Tennessee, Mississippi, Georgia, South Carolina and Alabama, approximately 23,448 structures were potentially damaged with a total reconstruction value of nearly \$2.95 billion.

As CoreLogic notes, experts are concerned that nonessential business shutdowns will drastically hinder the ability of these towns to recover through reconstruction.

Fortunately, CoreLogic states, though much construction has been halted due to the pandemic, aggregate materials should still be available for builders. With softening demand for construction materials, manufacturers have ample supplies available for distribution, though there may be regional disparities regarding access to these resources.

If reconstruction is deemed an "essential business," the construction labor supply should be adequate, though social distancing measures will likely slow down reconstruction efforts while adding to costs. Construction monitoring in the form of permits, approvals and inspections will

also be necessarily delayed.

"Displaced residents of damaged towns will experience significant ramifications of quarantine," says CoreLogic.

After a home is damaged by a tornado, homeowners are confronted with reconstruction costs followed by additional living expenses. As a result of hotel, restaurant and retail closures, these residents will have limited last-minute housing and sustenance options. With fewer hotel accommodations, homeowners will likely experience higher housing and commuting costs. Restaurant closures will add to the struggle by limiting access to prepared food."

"With humidity, warm air and strong winds in the Southeast, many communities in the region worry that the coming storm season will bring more tornadoes and other severe weather," CoreLogic adds. "This will continue to be a challenge for the region as it simultaneously works to prevent the spread of COVID-19."

