

MEMORANDUM

DATE: 26 March 2022



TO: CRAIG KARNES, HUD
FROM: IAFST ML PRICING REVIEW COMMITTEE

SUBJ: ML ADJUSTMENT FROM PHOTOS TO TECHNOLOGY

*Laura Stuart
President*

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1. For decades, the Mortgage Letter (ML) has had a Line Item attributed to Photos which pays \$30.
2. To this point, the Photo pricing was paid due to the fact that Polaroids and cameras were used to actually take the photos which were then developed and eventually either mailed or faxed to the Mortgagee.
3. For at least the past 30 years, photos have been electronically obtained and transmitted utilizing a process known as the Multipurpose Internet Mail Extension.
4. And while the expenses for Photos have simply been pocketed by the Mortgagee, both Labor and Management have had to expend tens of millions of dollars in order to create an electronic infrastructure capable of processing and transmitting these new electronic photos.
5. As the IAFST has submitted as recently as 15 March 2022, that over the past 30+ years, the Mortgage Letter (ML) has seen no price increases. In fact, certain prices have actually been lowered. The last ML pricing update was in ML 2016-02 on 05 February 2016. Since then, inflation has risen nearly 276 percent as current inflation is roughly 7.9 percent and rising.
6. On 24 February 2022, Russia invaded Ukraine. Within hours, fuel pricing began to spike and as of today is at all time highs. Adding to the price of fuel is the nearly historic lows of actual diesel supply. Unleaded fuel ranges from \$4.08 a gallon to \$7.95 a gallon and diesel ranges from \$5.04 a gallon to \$8.54 a gallon. On average, fuel prices have soared over 29 percent over the past several weeks.
7. To date, the only responses from any Prime Vendor has been a deafening silence. Many firms are sending emails that they are not legally allowed to adjust pricing as only HUD may do such.

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8. The Mortgage Field Services Industry represents a critical component of the United States' National Security Policy. In this, the IAFST submits that if the real estate sector was incapable of having Labor to complete the enormity of tasks necessary to move a distressed asset through the pipeline, the larger financial marketplace would potentially be at risk.

9. Building on this both SF Housing and the NSC are aware of the crisis currently in the Industry and we believe are, in good faith, attempting to adjust the ML and bring it forward into the 21st Century. To that point, the ML, in its current state, never anticipated the unfunded mandates such as smartphones, laptops, desktop computers, or third party processing firms, let alone the sophisticated software required to submit information to the HUD P260.

10. The IAFST understands that part of the issue lies with attempting to obtain funds in an already thinly stretched budget and would suggest the following:

a) That the Line Item for Photos be realigned as Technology;

b) That a maximum of 60 percent of the \$30 may be retained by Management with a mandatory pass through expense direct to Labor actually performing the tasks on the ground of 40 percent. This number shall be reviewed on an annual basis and adjusted accordingly; and

c) That SF Housing and the NSC vis-à-vis the Mortgagee Compliance Manager (MCM) verify, on a quarterly basis, this pass through.

11. It should be noted that HUD already has a system in place to ensure pass through expenses. All that would be required is a periodic audit of these funds to ensure that they are properly reaching their destination.

12. The IAFST would request that a designated point of contact be made available to discuss issues with respect to the Industry. Specifically, the IAFST would respectfully request that points of contact be made available at both SF Housing as well as the NSC. HUD currently avails points of contact to its Prime Vendors as well as the National Association of Mortgage Field Services (NAMFS), a trade association representing Management.

13. The IAFST has discussed this matter with two of the three largest providers of technology in the Industry. Recently, one of the two raised their prices by ten percent to adjust for inflation as well as to retain key personnel.

14. Both firms aforementioned in paragraph thirteen agree that a technology fee is necessary in order to continue providing services required by HUD and other US government agencies in the distressed asset channels.

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15. The average price to Labor for an inspection is five dollars – that is not a typo. It should come as no surprise that with fast food establishments paying an average of \$20 an hour with sign on bonuses; that with Amazon paying an average of \$25 and hour with sign on bonuses; and as Uber and Uber Eats both added a fuel surcharge this week, Labor is leaving in the droves.

16. With the ten percent additional charge aforementioned in paragraph thirteen, the five dollars per work order discussed in paragraph fifteen is diluted to a point wherein it is impossible to even break even.

17. The Signatories to this document currently represent nearly 750,000 work orders per year. A large portion of these work orders are inspections which are at the core of distressed assets. To that point, they form the ML Pricing Review Committee. All told, IAFST Members perform over 1,000,000 work orders per year throughout the Industry.

Respectfully submitted,

/s/

Paul Williams
IAFST Press Secretary

By direction