

# MEMORANDUM

DATE: **5 March 2022**



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

*Laura Stuart  
President*

SUBJ: LABOR ATTRITION DUE TO FUEL PRICES

**IAFST Board**

**Geof Gutaszkas  
Vice President**

1. For 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.

**Stacy Galvin  
Treasurer**

2. During this time, the Prime Vendors on both pre and post conveyance have continued to make mandatory and embedded discounts from Labor to Management between 40 and 60 percent. There is no mistaking the fact that the current relationship between Labor and Management has become a Pay To Play scheme which operates at the peril of both Labor and the US taxpayer.

**Louis LaMacchia  
Secretary**

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3. Adding fuel to the fire has been the requirements that each and every work order be performed within 48 – 72 hours of receipt as opposed to the original drop of work orders on the 1<sup>st</sup> and 15<sup>th</sup> of the month which allowed for greater continuity of routes, thus requiring less monetary expenditures on fuel.

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4. Currently, the average journey of a work order from originator (HUD/FHA or financial institution) is 3 hops of middlemen. What this means is that three parties remove a portion of the original price before it ever is issued to Labor.

5. Without getting into the litany of issues currently being litigated in the judiciary such as the legality of chargebacks, misclassification of employees, and otherwise, the reality is that up until 24 February 2022, the lack of volumes in the Mortgage Field Services Industry had created a record rate of Labor attrition.

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. Most representative of this was the comical response from Spectrum Field Services whom advised Labor to simply go to Gas Guru and figure it out.

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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. And while the IAFST is not protected by NLRB status and we are not inferring our Membership would strike, we are stating in the most clearest of terms that it has become impossible to function under the current regime of diluted ML pricing. If the goal of SF Housing and the NSC is to bankrupt Labor, it is succeeding. The problem is circular: No Labor, No Work Order Completions.

10. The IAFST would make several suggestions, each with merit, for consideration of implementation:

a) A fuel surcharge, per order, commensurate with both the rate of inflation and hedged against an additional price index of the increase of fuel prices throughout the duration of the Russia – Ukraine conflict. This fuel surcharge must be a pass through expense direct to Labor actually performing the tasks on the ground and not retained by Management.

b) An increase of the ML pricing to reflect the rate of inflation which has transpired since the last price adjustment of the ML in 2016. A maximum of 20 percent may be retained by Management with a mandatory pass through expense direct to Labor actually performing the tasks on the ground of 80 percent. This number shall be reviewed on an annual basis and adjusted accordingly.

c) A maximum cap of 25 percent be placed upon the totality of Management's dilution of ML pricing and approved bids.

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.

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13. 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 an hour with sign on bonuses; and as Uber and Uber Eats both added a fuel surcharge this week as well as Xactimate, the bidding software used in the Industry, Labor is leaving in the droves.

14. 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