



**Massachusetts Housing Finance Agency  
One Beacon Street  
Boston, MA 02108**

**REQUEST FOR PROPOSALS**

**FOR**

**POST-PURCHASE LOAN QUALITY CONTROL &  
SERVICING QUALITY CONTROL**

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## **I. STATEMENT OF PURPOSE**

MassHousing is requesting proposals pursuant to this Request for Proposals (“RFP”) for a firm to enter into a two (2) year contract with the option of three (3) one-year extensions for a total of five (5) years. The services for which MassHousing is requesting proposals are mortgage loan post-purchase quality control review and mortgage loan servicing file quality control review. The intent is to identify qualified firms with a proven track record that will enable the Home Ownership Servicing & Operations division to implement its Quality Control Plan with respect to its mortgage loan portfolio.

## **II. BACKGROUND**

MassHousing is an independent, quasi-public agency created in 1966 and charged with providing financing for affordable housing in Massachusetts. The Agency raises capital by selling bonds and lending the proceeds to low- and moderate-income homebuyers and homeowners, and to developers who build or preserve affordable and/or mixed-income rental housing. MassHousing does not use taxpayer dollars to sustain its operations, although it administers some publicly funded programs on behalf of the Commonwealth. Since its inception, MassHousing has provided more than \$29 billion for affordable housing.

MassHousing (in its HomeOwnership Programs Division) has had a presence in the homeownership market since 1982. MassHousing is an approved Fannie Mae and Freddie Mac seller/servicer, FHA seller/servicer, Ginnie Mae issuer/servicer, and an approved mortgage insurance provider. MassHousing’s Home Ownership line of business oversees a nearly \$4.0 billion loan portfolio comprised of over 25,000 first and second residential mortgage loans on properties located throughout the Commonwealth of Massachusetts. These loans were originated by MassHousing-approved lenders consisting of banks and mortgage companies and loans MassHousing originated through its approved Brokers. In addition, MassHousing is preparing an in-house refinance program for first mortgages. MassHousing’s residential mortgage servicing portfolio is serviced in-house at MassHousing’s downtown Boston office. MassHousing’s servicing portfolio predominantly consists of first mortgage loans serviced for Fannie Mae, Freddie Mac, FHA, MassHousing, and private investors with approximately 30% of being subordinate mortgages.

MassHousing utilizes ICE’s Encompass platform for loan origination and Sagent LoanServ, including its Dara Suite applications for loan servicing.

MassHousing’s Mortgage Insurance Fund (“MIF”) was established to provide an additional source of primary mortgage insurance for certain borrowers. MIF is the primary insurer for single-family loans made by MassHousing and is also an insurer approved by the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae) and Massachusetts community banks and credit unions.

For additional information about MassHousing, please visit our web site at [www.MassHousing.com](http://www.MassHousing.com). For a detailed overview of MassHousing, including its financials,

please review the most recent MassHousing Information Statement, and Annual Report. Both of these documents as well as others can be found on MassHousing.com website at <https://www.masshousing.com/en/about/investors>.

### III. SCOPE OF WORK –

Respondents may elect to submit proposals for both or either of the below parts:

#### **Part A. Post-Purchase Quality Control [see Attachment A for details]**

**NOTE: All work and data must remain in the United States. No off-shoring of work or physical data storage is permitted. Data storage may be in a cloud-based storage system.**

- Perform a monthly file selection process based on random, discretionary, targeted, and early payment default loan samples for Fannie Mae, Freddie Mac, FHA, VA, USDA and private investor loans.
- Conduct post-purchase quality control reviews based on required MassHousing sampling of loan production.
- Re-verify underwriting documentation including assets, credit, appraisal, occupancy, social security numbers, loan application, and compliance documents.
- Review and confirm all loan data elements match the actual underwriting documentation submitted.
- Review AUS Finding Report and other reports as needed to address discrepancies.
- Review of legal and loan closing documentation to ensure accuracy in conformance with federal and state laws and regulations and investor program requirements.
- Provide detailed defect and summary reports with particular emphasis on fraud, negligence, and misrepresentation.
- Complete audits and provide findings to MassHousing within 60 days.

#### **Part B. Loan Servicing Quality Control [see Attachment B for details]**

**NOTE: All work and data must remain in the United States. No off-shoring of work or physical data storage is permitted. Data storage may be in a cloud-based storage system.**

- Provide periodic loan reviews of the following servicing activities: cash accounting, investor reporting, prompt application of payments, escrow account administration and notifications to borrowers, and a custodial account management process using a sample size that reflects a meaningful proportion of the representation of MassHousing's loans across all investor types: Fannie Mae, Freddie Mac, FHA, VA, USDA and private investors.
- Periodically review default administration including: default notices, acceleration notices, right to cure notices, loan modifications and denials, loss mitigation decisioning, retention waterfall options, conveyance claims, foreclosure avoidance efforts, the effectiveness of customer service, collections and foreclosure prevention calls, foreclosure processing and asset management, deficiency judgments, and REO property management.

- Ensure MassHousing meets all legal, regulatory and investor requirements for the following: servicing transfers and notification, fees, non-discrimination policies, complaint and case escalation, acquired loans, mortgage record changes, force-placed insurance, collection activities, credit reporting, insurance benefit claims, property preservation, loan assumptions, investor reporting, SCRA claims, inbound and outbound call handling, and responsiveness to all communications from borrowers.
- Evaluate whether MassHousing is maintaining accurate and complete servicing records as required by federal, state, and investor guidelines.
- Review policies and procedures to ensure that MassHousing investigates, responds to, and makes corrections in response to complaints or errors asserted by borrowers.
- Complete audits and provide findings to MassHousing within 60 days.

Please note MassHousing utilizes ICE Encompass as its loan origination system and Sagent LoanServ with its complementary Dara Suite applications for loan servicing. Respondents are expected to describe how they intend to facilitate review of and efficiently access systems as they pertain to the processing, closure, and servicing of loans.

#### **IV. CONTENT OF PROPOSALS**

This RFP is designed to elicit all information considered essential to evaluating each proposal. There is no intent to limit the content of the proposals. Respondents may include such additional information as may be appropriate, or offer alternate solutions, but should not exclude any information requested in this RFP.

In support of MassHousing’s longstanding commitment to confront the housing challenges facing the Commonwealth to improve the lives of its people, MassHousing will prioritize organizations who align with the Agency’s values and its commitment to diversity, equity, and inclusion.

All proposals should contain the following information:

##### **A. Transmittal Letter/Firm Description/Executive Summary**

Proposals must be accompanied with a transmittal letter on company stationery or letterhead and signed by an individual legally authorized to bind the company. The transmittal letter should identify the individual(s) involved in preparing the proposal, as well as a single point of contact for the company. The transmittal should contain or be accompanied by a detailed description of the firm (including background on the firm’s financial stability) as well as a summary of the contents of the proposal.

MassHousing is an equal opportunity employer and seeks to provide procurement, contracting and employment opportunities for minority, women, veterans, LGBT, and persons with disabilities. We encourage responses from entities which describe strategies to actively promote and recruit diverse vendors, workers, and contractors. Responses that describe the benefits of direct, specific, and measurable access to employment and contracting opportunities created by the proposed project will be favorably reviewed.

**B. Experience and Qualifications**

Proposals should describe the relevant experience of the firm and of the key personnel that will be providing the services. Relevant experience includes not only services similar to those being sought by MassHousing but also any past experience with entities similar to MassHousing.

**C. Diversity, Equity & Inclusion Plan**

Please provide the following information about your organization's commitment to the principles of diversity, equity and inclusion and related activities.

**Organizational and Workforce Diversity**

1. Describe your organization's activities that reflect your commitment to diversity, equity and inclusion and the impact, if any, it has on your organization's competitive position.
2. Describe the diversity makeup of your Board of Directors and executive leadership team. Please provide the breakdown by gender and ethnicity.
3. Please provide documentation if your company is certified as a diverse business (M/WBE, veteran-owned VBE, LGBT-owned, and/or disability-owned business).

**Vendor/Consultant/Supplier Diversity**

1. For all vendor/consultant/supplier goods and services purchased in the last three years, what is the dollar volume/percentage paid to M/WBE, veteran-owned VBE, LGBT-owned, and/or disability-owned businesses?
2. What are your proposed partnerships, spending goals and commitments regarding increasing purchases of goods and services from diverse businesses?

**D. References**

Please provide a list of at least three (3) companies that MassHousing can contact as references for which the respondent has provided similar services within the past three years, including:

1. Name, address, and phone number of each company.
2. General description of the engagement; and
3. Contact name and telephone number(s) of those who can talk knowledgeably about their experience with the respondent and any system issues that arose during the implementation of their project.

**E. Project Plan**

Provide a step-by-step project plan for performing and completing the solicited services as described in Attachment A. Your Project Plan should include:

1. Key personnel and their roles in providing the service.
2. Your general approach and methodology in providing the services. You may provide suggestions or alternatives to any approach described in Attachment A as long you also respond to the described approach.
3. Details about project phases, including a list of deliverables, sign-off points, timelines, milestones, software components (if any), use of subcontractors, and training.
4. Expectations of MassHousing's staff to assist with the process.

#### **G. Adverse Actions**

Please include a description of any insurance claim, criminal investigation, or material litigation against your firm or members of your firm in the last ten (10) years, any instances in which your firm has been debarred by state or federal government and the circumstances for the debarment, as well as a summary of any formal complaints filed against your firm or members of your firm containing allegations of discrimination in the last ten (10) years.

#### **H. Conflicts of Interest**

Please describe any facts you are aware of that would result in a conflict of interest with MassHousing if a contract was awarded to your firm.

#### **I. Pricing**

Please provide a detailed pricing structure for delivering the services (use a matrix or chart if necessary).

### **V. METHOD OF SELECTION/AWARD**

#### **A. Contract Award**

Contract will be awarded to the respondent whose proposal is determined to be the most advantageous to MassHousing, in its sole discretion, taking into account price and other evaluation criteria as set forth in this RFP.

MassHousing reserves the right to negotiate the terms of the contract(s), including the contract amount(s), with the selected respondent prior to entering into a contract. The contents of the respondent's proposal and this RFP, and any amendments thereto, shall become contractual obligations if an engagement of services ensues. Contract selections should be distinguished from a contract award. Contracts will not be considered awarded until negotiation of terms is final.

Failure of a successful respondent to accept these obligations in contractual agreement may result in cancellation of a respondent's selection. If contract negotiations cannot be concluded successfully with any selected respondent(s), MassHousing may, in its sole discretion, negotiate a contract with the next ranked respondent. MassHousing may elect to engage more than one respondent if, after reviewing all submittals, it is determined to be in the best interest of MassHousing.

One or more contracts may be awarded as a result of proposals submitted in response to this RFP. MassHousing reserves the right to award contracts for individual deliverables if that is advantageous to MassHousing. By submitting a proposal pursuant to this RFP, the selected respondent agrees to enter into an agreement with MassHousing in substantially the same form as MassHousing's Standard Services Agreement attached hereto as Attachment B.

## **B. Evaluation of Proposals**

Proposals submitted in accordance with this RFP will be evaluated by a selection committee composed of MassHousing staff. All respondents will be notified of the outcome of the review of their proposal. Proposals will be evaluated pursuant to the following criteria:

- Responsiveness to requirements of RFP
- Financial and organizational stability of respondent
- Understanding of proposed scope of services and approach in addressing MassHousing's specific needs and objectives
- Quality and timeliness of proposed work plan
- Technical capabilities (in terms of personnel, equipment, and materials) and management plan (including staffing of key positions, method of assigning work, and procedures for maintaining level of service)
- Diversity, Equity & Inclusion planning
- Demonstrated experience and qualifications of respondent and respondent's staff assigned to perform the solicited services
- Ability to provide a cost-effective solution to meet the needs of MassHousing; and
- Demonstrated successful past performance based on references.

## **VI. SCHEDULE AND INSTRUCTIONS**

### **A. Number of Proposals and Due Dates**

Respondents should be submitted proposals electronically to [QC-RFP@masshousing.com](mailto:QC-RFP@masshousing.com) by 5:00 PM January 31, 2025.

Proposals received after the response deadline will, at MassHousing's discretion, be returned unopened to sender.

### **B. Summary Project Timetable**



Following initial review of the proposals, MassHousing will identify those respondents it elects to interview. Interviews will be scheduled within the two (2) weeks after the response deadline and MassHousing will attempt to provide respondent's with at least one week's notice before scheduling an interview.

The anticipated timetable for the evaluation process and subsequent project activities are summarized below:

<u>Date</u>	<u>Task</u>
January 6, 2025	Distribute RFP; Response Period Begins
January 31, 2025 – 5:00 PM	RFP Response Deadline
February 14, 2025	RFP Evaluation and Selection of Candidates for Further Review, Follow-up & Reference Calls, which may include virtual and/or onsite presentations
March 1, 2025	Final Selection

This anticipated timetable is for reference purposes only and is subject to change at MassHousing's sole discretion. A copy of this RFP, as well as any addenda thereto, will be posted on [www.masshousing.com/rfp](http://www.masshousing.com/rfp). Schedule changes and/or other RFP revisions, including date, time, and place changes, if any, will be posted on the website on a weekly basis. In addition, after the RFP Response Deadline, changes may be sent directly to Respondents at the contact information provided.

**C. Single Point of Contact**

All inquiries regarding this RFP should be directed to:

Paul Mulligan, Esq.  
MassHousing  
One Beacon Street  
Boston, MA 02108  
(617) 854-1380  
Email: [QC-RFP@masshousing.com](mailto:QC-RFP@masshousing.com)

In order to maintain a fair and impartial competitive process, MassHousing will only answer questions or comments regarding the RFP that are submitted in accordance with the terms of this section. MassHousing will determine, in its sole discretion, whether any inquiry requires a formal response which, if required, may take the form of an addendum to this RFP or a website FAQ for all potential bidders to see. Respondents who initiate private communications with other MassHousing personnel regarding material issues involving this RFP may be disqualified.

#### **D. Bidder's Conference**

No formal bidder's conference is scheduled.

### **VII. ADDITIONAL PROVISIONS**

#### **A. Confidentiality**

By accepting to respond to this RFP, respondent expressly acknowledges that MassHousing's business procedures, ideas, inventions, plans, financial data, contents of this RFP, and other MassHousing information are the sole and exclusive property of MassHousing. The Respondent also agrees that it will safeguard such information to the same extent it safeguards its own confidential material or data relating to its own business information that is of a confidential or proprietary nature. Federal and state laws require that MassHousing maintain an information security program to protect certain personal information related to individuals who are customers, business partners, vendors, or employees of MassHousing. This information includes the following: (1) nonpublic personal information protected by the Safeguards Rule of the Gramm-Leach-Bliley Act (15 U.S.C. § 6801 et. seq.) and implementing regulations (16 C.F.R. Part 314); consumer reports protected under the federal Fair Credit Reporting Act, as amended by the 2004 FACT Act (15 U.S.C. § 1681 et. seq.); and any other information pertaining to individuals subject to data security, data security breach notification, and identity theft prevention laws. If MassHousing grants respondent access to its networks or otherwise allows respondent to view personal information related to individuals who are customers, business partners, vendors, or employees of MassHousing, respondent shall comply with all federal and state laws protecting such information while working at MassHousing's facility, while using MassHousing's protected information, and while connected to MassHousing's network. It is MassHousing's policy to employ the services of outside investigative agencies to conduct background checks on individuals with access to its networks. In submitting its proposal, respondent acknowledges that it will be required to submit to such background checks of its impacted employees at MassHousing's request. If awarded the contract, respondent shall comply with MassHousing's information security program by (1) implementing and maintaining measures designed to meet the information security objectives of federal and state laws; (2) using and disclosing customer information solely for the purposes of performing the contract; and (3) providing MassHousing with copies of the results of any internal and external audits or tests of the effectiveness of MassHousing's information security measures.

#### **B. Non-Discrimination**

In connection with the performance of work under this contract, the respondent agrees not to discriminate against any employee or applicant for employment because of age, race, religion, color, disability, sex, marital status, familial status, sexual orientation, gender identity or expression, pregnancy, genetic information, veteran status, alienage or citizenship status, ancestry, national origin, or any other characteristic protected by applicable federal, state, or local laws. This provision shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The respondent further

agrees to take affirmative action to ensure equal employment opportunities for those applicants of protected groups referred to above. The respondent agrees to post in conspicuous places, available for employees and applicants for employment, notices setting forth the provisions of the nondiscrimination clause.

**C. Rights of MassHousing**

MassHousing is soliciting competitive proposals pursuant to a determination that such a process best serves the interests of MassHousing and not because of any legal requirement to do so. MassHousing accordingly reserves the right to accept any proposal; to withdraw or cancel this RFP; to modify or amend, with the consent of the proponent, any proposal prior to acceptance; to reject any or all proposals or waive any informality and otherwise to affect any agreement that MassHousing in its sole judgment, deems to be in its best interest.

**D. Use of Respondent Proposal**

All material submitted becomes the property of MassHousing and will not be returned. If the respondent intends to submit confidential or proprietary information as part of the proposal, any limits on the use or distribution of that material should be clearly delineated in writing. Respondent should be aware that MassHousing is a quasi-public governmental agency subject to Massachusetts General Laws, Chapter 66, sections 1-18, therefore, any information submitted to MassHousing (even if marked as confidential or proprietary) may be subject to disclosure under the Massachusetts Public Records Law.

MassHousing reserves the unrestricted right to copy and disseminate the respondent materials for internal review.

**E. Respondent Proposal Costs**

All respondent proposal related costs, including but not limited to, proposal preparation and presentation, system demonstrations, documentation, site visits, in-depth briefing for MassHousing, and negotiation meetings are entirely the responsibility of the respondent and shall not be chargeable in any manner to MassHousing. MassHousing will bear the costs of sending its own staff to respondent headquarters and respondent client sites if such meetings are required.

## Attachment A

### Scope of Services: Post-Purchase Quality Control

#### Post-Purchase Quality Control Review Process:

##### a) Sampling Process

###### i. Random

A random sample of no less than 10% of all monthly purchases will be selected for audit. The sample selections will include loans originated by a cross-section of originating lenders and will be representative of MassHousing's entire book of business at the time of purchase.

###### ii. Discretionary Sampling

Discretionary sampling of at least 5% of all monthly purchases will include those loans which characteristics include a higher risk to the quality of the loan file including the following:

- A. CLTV higher than 97.0%
- B. FICO scores below 660
- C. Self-employed borrowers
- D. DTI greater than 42%
- E. New Lenders
- F. Condominium, multi-family properties
- G. Lenders who have a pattern of excessive quality control findings

###### iii. Targeted Loan Reviews

- A. Loans delinquent 30 or more days within the first 12 payments
- B. Loans in foreclosure which closed within the previous five years
- C. Loan in bankruptcy which closed within the previous five years
- D. Loans referred to QC by MassHousing Servicing and Operations Division (Default Management, HO Retention, Mortgage Accounting, etc.)

##### b) Frequency of Selection - Loans for audit will be selected monthly.

##### c) Timing

The Post-Purchase QC process (selection, review, rebuttal, and reporting) must be completed within 120 days from the month of the loan closing. The required timelines for each component are:

- i. 30 days for loan file selection
- ii. 60 days for QC review and rebuttal, and
- iii. 30 days for reporting

Example:

- Loans closed from May 1 - May 31
  - Loans from May closings are selected for review by June 30. Loan reviews must be completed by August 31.
  - Final reporting, including rebuttals by Senior Management, must be completed no later than September 30.
- iv. Delinquent and foreclosure files will be batched monthly and sent to Post- Purchase QC for review.

**d) Process**

MassHousing will re-verify the accuracy and completeness of the information used to support the lending decision for any mortgage loans selected for audit. The review will include but not be limited to:

i. Re-verification of underwriting documentation:

A. Employment and Income

- 1) Re-verify data directly from the source of the original documentation via written verification. In addition, a verbal verification will be made, noting the title, or position, and contact information of the interviewee. If the employer does not provide verification of a borrower's income, the loan file will be documented to state the date the information was requested, but that it was not obtained.
- 2) Tax returns: MassHousing requires its lenders to process the 4506-T prior to closing the loans. Therefore, the tax transcripts will be in the loan file for the previous three years. These tax transcripts must be used in the post-closing audit to reconcile income documents in the file without ordering new transcripts.

B. Assets

Attempt to re-verify the asset information directly from the borrower's financial institution, however if the re-verification cannot be obtained from the financial institution, the loan file must be documented to show an attempt was made to verify:

- Verification of deposit
- Bank account statements
- Gift funds

C. Credit

- 1) 100% of loans selected for QC will have a tri-bureau merged credit report ordered from a source other than the original credit reporting agency.
- 2) Re-verify mortgage payment, rental payment and other large liabilities not shown on the credit report
- 3) The borrower must not be charged for any fees incurred

D. Appraisal

- 1) A desk review of the original appraisal must be completed on all loans selected for review. The review must include value conclusion, appraisal data, validity of

comparables, changes made by the underwriter, and general quality of the appraisal and flood zone information.

2) In addition, a field review appraisal must be ordered for 10% of mortgage loans selected for review, and prepared by an appraiser who is not affiliated with the original appraiser or appraisal firm.

E. Occupancy

Undertake the following steps to re-verify occupancy:

- send a certified letter
- utilize directory assistance
- review insurance records
- if occupancy is questioned during the review process, then an occupancy inspection will be ordered

F. Social Security Number

Confirm that the Borrower(s) social security number(s) has been validated directly with the Social Security Administration.

G. Original Loan Application

The original loan application must be reviewed for completeness, accuracy, omissions, face-to-face interview information, signatures and dates. The information on the original application must be compared against the final application and all credit reports to determine that all required information was provided and utilized in the underwriting of the loan including all assets, liabilities and judgments.

H. Review of Red Flag and Alert Messages

Review all red flag messages appearing in the AUS Findings Reports or alerts created by sources other than the AUS, such as those associated with credit reports and social security verification systems to ensure all messages have been addressed and documented and the mortgage loan is eligible for delivery to investor.

I. Compliance Documents

The following disclosures must be reviewed for completeness, compliance, accuracy, errors or omissions, signatures and dates: Truth-in-Lending Integrated Disclosures, other notices required under Regulations X and Z, state-specific documents, and the ComplianceEase report.

J. Review of Data Integrity of AUS

1) Review loans underwritten using an AUS and must also include a comparison of the following data elements to the information that appears in the actual underwriting file documents:

- Borrower's name
- Borrower's Social Security Number
- Borrower's employment and employment type
- Borrower's income and assets

- Property address, including unit number, and legal condominium association name where applicable
- Property type
- Mortgage loan term, type, and purpose
- LTV Ratio

2) Review the AUS Finding Report/Analyst Report to ensure that all data is correctly reported and findings are satisfied.

3) Ensure that the report represents the final submission to the AUS.

4) All material discrepancies between the data in the AUS and the source documents, which are not within the tolerance levels as stated in investor guidelines, must be resubmitted to the AUS using the correct data. MassHousing will contact the lender to resubmit the correct information to the AUS. The revised AUS findings will be returned to MassHousing for review by the Quality Assurance Specialist. If the AUS findings are different from the original submission to the investor, MassHousing will determine whether the mortgage loan is eligible for delivery to the investor. If MassHousing determines the mortgage loan was not eligible for delivery to the investor, then this must be self-reported to the investor.

ii. Underwriting Decision

The underwriting decision must be reviewed to determine whether the Mortgage was properly underwritten according to program guidelines.

iii. Closing Documentation

Review the legal and closing documents to ensure their accuracy and completeness. The review must include, but is not limited to the following documents:

- A. Mortgage loan note
- B. Recorded security instrument and any applicable riders and addenda
- C. Title Policies
- D. Plats or Surveys
- E. TRID Disclosures – including LE and CD
- F. Evidence of hazard and if applicable, flood insurance policies
- G. Mortgage Insurance Certificate
- H. Condominium documentation
- J. Compliance checks to ensure all closing documents meet federal, state, and MassHousing requirements.

## Attachment B

### Scope of Services: Servicing Quality Control

#### Servicing Quality Control Process:

##### Required Elements:

##### **a. Mortgage Loan Records**

Respondent shall determine whether

- loan servicing records are promptly established after loan closing.
- loan servicing records contain all necessary documentation either electronically or in hard copy; and
- documents required to be retained as originals and the remaining paper documents, or acceptable imaged versions are retained for the required timeframe as dictated by Fannie Mae, Freddie Mac, FHA, MassHousing, and private investors.

##### **b. Notification of Servicing Transfer**

Respondent shall determine whether

- mortgagors are promptly notified when MassHousing acquires servicing from another mortgagee and whether loan servicing records are established prior to or immediately upon transfer of a loan to its servicing portfolio.
- all loans purchased contain all necessary and required documents for transfer, receive the TILA Notice of Change of Loan Ownership (which includes the new owner's Partial Payment disclosure effective October 3, 2015 as required under §1026.39(e) of the Integrated Mortgage Disclosure (RESPA-TILA) rule;
- for loans sold to another servicer, the mortgage record change is reported to the FHA within 15 days of the transfer; and
- for loans acquired from another servicer, MassHousing has executed all documentation and received all requisite approvals as required by investor guidelines.

##### **c. Payment Processing**

MassHousing's QC audit shall ensure the following requirements are met:

- Proper handling of payment items.
- Payments are posted on the date received for active accounts, or effective with date of receipt if no adverse effect to the consumer is caused by the delay in posting.
- Payments are posted using the amortization type reflected in the note (fully amortizing, simple interest, interest only, principal only, etc.).



- Payments are posted to the correct account whenever a mortgagor maintains multiple loans and are posted in accordance with the mortgagor's instructions, if applicable.
- Posting instructions are requested on seriously delinquent/defaulted accounts on the date the payment item is received.
- Payments are posted on the date instructions are received from loan administration, default administration and/or asset management.
- Payment items held overnight are secured in a fireproof cabinet.
- All pending payments for accounts that are not set-up on the servicing system are properly identified.
- All payments that can be identified in the transit account are researched and posted to the appropriate mortgagor's account on a daily basis.
- Any excess funds received from the mortgagor are posted in the required order.
- Returned items are reversed and processed correctly and the mortgagor is promptly notified.
- Wires are properly posted when notification is received from accounting.

**d. Mortgage Insurance Premiums**

Respondent shall

- determine whether all mortgage insurance premiums (MIP or PMI) are paid timely and in the correct amounts;
- ensure that the quality control review includes an analysis to determine whether a monthly or risk-based premium is due and shall include a sampling of recently purchased loans;
- for acquired loans, require that MassHousing confirm that mortgage insurance premiums have been paid, the insurance is in force, security instruments have been recorded, and files and records are complete;
- ensure that the mortgagee addresses any pattern of late MIP/PMI submissions and promptly takes corrective measures; and
- verify that mortgages are submitted to agency for insurance within 60 days of closing, or if submitted beyond the 60 days, that the mortgage was current when submitted and met agency's payment requirements.

**e. Borrower Inquiries**

Respondent shall determine whether

- requests from mortgagors concerning their accounts are acknowledged and responded to promptly and in accordance to the time frames prescribed under RESPA;
- complaints from mortgagors are promptly and effectively handled;

- mortgagors have access to a toll-free telephone number and/or a collect-calling service to an office that is sufficiently staffed to provide information and assistance in a timely manner;
- there are sufficient telephone lines installed to accommodate borrower inquiries;
- calls and written communication received from mortgagors are properly routed based upon the status of the account, including any automatic transferring handled by an Interactive Voice Response (IVR) system; and
- Call Center and Collection Center monitoring is in place.

**f. Escrow Accounts**

Respondent shall determine whether

- escrow funds are maintained in an account separate from MassHousing’s general operating account.
- opening escrow balances are accurately posted within 48 hours of loans being activated on the servicing system.
- mortgagors are billed the proper amounts for escrow as determined by the most recent escrow analysis.
- escrow disbursements are made promptly when they become due and payable.
- prompt requests to mortgagors for bills are made when they are not automatically received by MassHousing.
- overages/excessive balances are promptly refunded to the mortgagor after completion of an escrow analysis.
- escrow analysis is performed promptly upon determining a potential deficiency.
- escrow shortages are promptly reported to the mortgagor and the mortgagor is informed of all options to correct the shortage.
- effective October 3, 2015, the Escrow Account Cancellation Notice was provided to borrowers of closed-end mortgage loans prior to escrow account cancellation, as applicable, according to the following time frames:
  - If at borrower’s request, then MassHousing shall ensure the borrower receives notice no later than three specific business days before the escrow account is closed.
  - If closure is for any other reason when the debt is terminated by repayment, refinancing, rescission, or foreclosure, then MassHousing shall ensure borrower receives the notice no later than 30 specific business days before the escrow account is closed.
- impounded accounts are properly identified and vendor records established.
- change notices are requested from tax and insurance vendors on acquired loans as needed.

- insurance information is requested from the prior servicer or mortgagor when current coverage is not provided.
- flood and/or hazard insurance is force-placed within 90 days of set-up if insurance information is not provided and includes the required notices to the borrower prior to force-placing.
- tax service contracts are requested within 30 days of set-up.
- taxes are paid within the discount period, if applicable.
- tax penalties are not passed along to the borrower and are billed to prior servicers as needed.
- proper controls are maintained over disbursement checks.
- general ledger accounts are properly reconciled monthly.
- an interim analysis is conducted on accounts with negative escrow balances at transfer.
- mortgagors are promptly notified of force-placed coverage.
- interest is paid on impounds wherever required.
- insurance coverage is maintained at all times and cancellation notices are handled promptly.
- the accuracy of open items reports listing pending payments.
- escrowed accounts are analyzed at least once annually.
- proper arrangements are made to process insurance claim checks, monitor repair/renovation work and pay contractors and/or sub-contractors who performed the work; and
- escrow balances are promptly refunded on payoff.

**g. Fees and Charges**

Respondent shall determine whether fees and charges

- imposed on the mortgagor are permitted (e.g., late charges, inspection fees, assumption fees, and attorney’s fee for bankruptcy or the initiation of foreclosure proceedings); and
- do not exceed the amount allowed by the investor guidelines, the provisions of the mortgage, the mortgage note, or federal and/or state laws and regulations.

**h. Assumptions**

Respondent shall determine whether

- qualifying assumptions were properly underwritten;
- a mortgage record change (identifying Assumptor name and Social Security number) is promptly reported to the investor, where required, when the mortgage is assumed;
- a review is performed to determine creditworthiness of the Assumptor, where appropriate

- Investors are properly notified within the required timeline of any change of a mortgagor.

**i. Force-Placed (“Lender-Placed”) Insurance**

Respondent shall determine whether MassHousing

- only purchases lender-placed insurance when the borrower’s insurance is cancelled for nonpayment or otherwise cancelled.
- doesn’t assess a premium charge or fee related to lender-placed insurance unless there is a reasonable basis to believe that the borrower has failed to comply with the mortgage loan contract’s requirement to maintain current and adequate hazard insurance coverage.
- meets the following three requirements before the borrower is charged for lender-placed coverage:
  - Sends a 45-day notice letter to the borrower
  - Sends a 15-day reminder notice letter to the borrower, 30 days after the first notice letter
  - Fails to receive proof of continuous hazard insurance coverage that complies with the loan agreement, before the end of the second notice letter period
- does not charge a borrower for a renewal of lender-placed coverage before MassHousing
  - sends a 45-day renewal notice letter to the borrower.
  - fails to receive proof of continuous hazard insurance coverage that complies with the loan agreement, before the end of the notice letter period.
  - the renewal notice is sent to the borrower before the anniversary of the force-placed coverage purchase date; or
- that MassHousing, within 15 days of receiving proof of a borrower’s hazard insurance that complies with the loan contract, cancels the lender-placed insurance and refunds and credits to the borrower all lender-placed insurance charges for any period of overlapping coverage.

**j. Collections and Default Servicing**

Respondent shall determine whether MassHousing

- monitored all newly originated mortgage loans for Early Payment Default (EPD) loans.
- pursued collection activities in a timely fashion and in accordance with investor requirements.
- made contact with all new borrowers or high risk borrowers between the 5th and 15th day of delinquency to determine the cause of the delinquency and to

emphasize to the borrowers the importance of making payments on or before the due date, as appropriate and permissible by law;

- ensured discussions with the borrower covered the cause of delinquency and addressed the time frame in which the delinquency was to be cured.
- used responsible collection techniques consistent with applicable standards, including notices, letters, telephone calls, and face-to-face contact while adhering to these collection procedures and time frames:
  - By the 18th day of delinquency, mailed a late notice to the borrower.
  - By the 20th day of delinquency, used best efforts to make telephone contact with the borrower.
  - By the 31st day of delinquency, mailed a Notification of Default to the borrower.
  - Between the 45th and 60th day of delinquency, used best efforts to conduct a face-to-face borrower interview if satisfactory arrangements to cure the delinquency have not been made.
- adhered to the collection calendar established for a particular class of accounts.
- adhered to investor collection/default/contact with borrower requirements.
- conducted follow-up on promises to pay, loss mitigation plans and other items outstanding on the account.
- complied with the requirements imposed under the FDCPA and the Fair Credit Reporting Act (FCRA).
- provided notices in a timely manner.
- made accurate demands for payment.
- properly maintained flags on accounts; and
- properly documented collection comments within the servicing system of record.

**k. Credit Bureau Reporting**

Respondent shall determine whether accurate mortgagor information is reported to credit reporting bureaus and prompt response is provided for credit reporting disputes.

**l. Investor Reporting**

Respondent shall determine whether accurate and timely submission of required reports and funds due investor are being made using the applicable investor system or submission method.

**m. Property Inspections**

Respondent shall determine whether property inspections to determine occupancy (when occupancy cannot be determined and there has been no contact with the borrower) or to protect and preserve the property are performed in accordance with FHA and/or MassHousing's requirements.

#### **n. Loss Mitigation**

Respondent shall determine whether

- all appropriate loss mitigation tools (e.g., special forbearance, loan modification, partial claim, pre-foreclosure sale, and deed-in-lieu) are considered and documented.
- consideration of loss mitigation options is followed utilizing the investor hierarchy/waterfall.
- mortgagors are provided every reasonable opportunity to remedy a delinquency or default prior to the decision to foreclose.
- additional assistance to remedy the delinquency (e.g., oral and written forbearance agreements and refinances) is reasonable given the financial data submitted by the mortgagor.
- reasonable partial payments are accepted in accordance with requirements.
- reasonable policies and procedures with respect to providing delinquent borrowers with access to personnel to assist them with loss mitigation options where applicable are maintained.
- acknowledgment of workout package receipt and timely review of complete workout packages is performed in accordance with investor, CFPB, and RESPA requirements.
- adequate steps are taken to follow-up on pending agreements.
- workout agreements are properly completed and executed.
- proper authorization is obtained approving the workout scenario before the workout package is sent to the mortgagor for execution.
- updated financial information is obtained from the mortgagor and evaluated to determine the mortgagor's ability to perform under the workout offered.
- title is checked for additional liens prior to offering a pre-foreclosure sale or deed-in-lieu of foreclosure.
- investor/insurer approvals of workouts are obtained as required.
- MassHousing fully complies with state and federal regulatory requirements, including mandated mediation where applicable.
- posting instructions on partial reinstatements, short sales, etc. are issued to cashiering in a timely manner.
- flags are properly maintained and the system updated with pertinent comments; and
- the policies and procedures are reasonably designed to ensure that MassHousing assigns personnel to a delinquent borrower by the time the borrower is provided with the written notice required by the early intervention requirements, but in any event, by the 45th day of a borrower's delinquency.

**o. Foreclosure**

Respondent shall determine whether

- foreclosure proceedings are initiated and completed in a timely manner, and in compliance with investor requirements (e.g., decision to foreclose had written concurrence of management).
- proper monitoring and follow-up on foreclosure events occur.
- custody of collateral documents is properly tracked.
- proper authorization for foreclosure bids and advances is obtained.
- all individuals on title and all borrowers as well as lien holders are properly notified.
- if property is leased, proper steps are taken to identify renters and proper notification of pending foreclosure is provided.
- measures are taken to protect and secure the property.
- flags and comments are properly maintained within the system.
- attorney's fees comply with investor limitations.
- foreclosure cases are promptly cancelled at reinstatement.
- additional steps are taken to identify potential servicemembers which may delay foreclosure proceedings.
- disaster moratorium requirements are met, and
- deficiency judgments are initiated when applicable and allowed.

**p. Insurance Benefits Claim Processing**

Respondent shall determine whether controls are in place to ensure that claims for insurance benefits are accurately prepared, properly calculated, fully supported, and submitted in a timely manner to the FHA.

The review, at a minimum, includes the following items in claims for insurance benefits:

- Preservation and protection
- Appraisal costs
- Foreclosure costs of acquiring the property
- Costs associated with pursuing a deficiency judgment
- Taxes
- Special assessments
- Association fees
- Hazard insurance premiums
- Periodic MIP
- Uncollected mortgage interest
- Debenture interest

**q. Prepayments**

Respondent shall determine whether

- the termination of mortgage insurance is properly reported to the investor on paid-in-full mortgages;
- escrow balances are promptly refunded; and
- security instruments are promptly released and paid-in-full documents are provided to mortgagors when required.

**r. Document Retention**

Respondent shall determine whether

- the documents required to be retained as originals and the remaining paper documents or acceptable imaged or microfilmed versions are retained in accordance with MassHousing, investor, federal, and state guidelines.