

2021 MEET THE NAMFS BOARD

Accomplishments & Next Steps



MODERATOR:
MATT ZOLDOWSKI
PRESIDENT - NAMFS

AGENDA

- Welcome & Introduction
- NAMFS Accomplishments
- Next Steps
- NAMFS Member Survey
- Investor Pricing – Equitable Adjustment Discussion
- Q&A

NAMFS OFFICERS & BOARD OF DIRECTORS

Officers

Matt Zoldowski - President

Anthony D'Aurelio – Vice President

Secretary – Nicole McPherson

Treasurer – Caren Gates

Directors

National: Shelly Guild and Sue VanDamme

Super Regional: Joyce Milaszewski and Matt Connelly

Regional: Al Freedman and Jonathan Dietz

Local: Linas Kliarskis and Phil Gallo

Associate/Affiliate: Robert Whelan and Nickie Bigenho

NAMFS ACCOMPLISHMENTS 2020 & 2021

Education Committee

Spent 2020 updating content with significant increase in participation (averaging 30+ new purchases monthly since the start of the pandemic).

Further adoption by Nationals would enhance standing and participation.

Change in Federal & State Interpretation brings W2 vs. 1099 issue back to forefront.

Technology Committee

Invited outside providers to participate informally

Have engaged with several servicers to gauge their interest/participation

Outreach to MISMO about potential involvement/collaboration

Finalized 3 NAMFS Technology Standards (NAMFS Website)

Photos (Standard Definition)

Video (Standard Definition)

Standard PCR (data collection & transmission)

NAMFS ACCOMPLISHMENTS 2020 & 2021

Government Relations Committee

Re-engaged this committee after significant loss of leadership due to pandemic impact on the industry

Industry Solutions Committee

Have expanded participation to non-members

Have engaged with several servicers, Investor/Insurers about interest/participation

In conjunction with Technology Committee have reached out to MISMO about potential involvement/collaboration

Finalized NAMFS Standards (NAMFS Website)

Standard Inspection Definitions

Standard PCR (responses, photo required, min/max # of photos)

WHAT'S NEXT

Education Committee

- Complete updates to current courses
- Identify and create additional courses (FHA Conveyance, other standards created by other committees)

Government Relations Committee

- Expand participation inclusive of Non-members, possibly
- Engage on a more frequent basis with Industry Drivers
- Assist Membership with periodic updates

Technology Committee

- Continue outreach efforts for participation, including MISMO
- Additional Technology based standards (photo labels/photo tags)

Industry Solutions Committee

- Pricing Analysis & Allowable Discussion
- Additional Standard Forms (Inspection, Enhanced PCR, etc)
- Service Timeframes & Definitions?

NAMFS DISCLAIMER RELATED TO PRICING

Neither NAMFS nor our members are attempting to price fix or create collusion with our discussions today, or at any time. NAMFS members should arrive at their own pricing structure independently, without consultation or agreement with any other party for the purpose of restricting competition and should never attempt to induce any other Person or Company to cause restriction of fair and open competition.

NAMFS MEMBER SURVEY – MAY 2021

NAMFS Members were sent a survey in May 2021 and we are still receiving additional data. Here are the current findings from the survey

Multiple Categories of Companies for Volumes & Financials

1. Companies in business pre-Great Recession
2. Companies in business during Great Recession
3. Companies in business post Great Recession

Inspections

Volumes

Pre-GR Companies

Height of volumes are 2012-2013 with moderate annual declines (average 10-15%) through 2015. Starting in 2018 average declines become more severe (25-30%) with vast majority leaving the space or a major shift in operations/service offerings to stay in.

NAMFS MEMBER SURVEY – MAY 2021

During GR & Post GR Companies: Height of volumes is 2015-2016 with decline of 7% in 2018, 15% in 2019, and 40% in 2020

Post GR Companies: Height of volumes is 2017-2018 with decline of 25% in 2019, and 40% in 2020

Financials

Pre GR Companies: Height of revenue is 2012-2013 with moderate annual declines (average 15%) through 2015. Starting in 2018 average declines become more severe (30%) with vast majority leaving the space or a major shift in operations or service offerings to stay in space.

During GR Companies: Height of revenue is 2015-2016 with annual decline of 10% in 2018, 15% in 2019, and 40% in 2020

Post GR Companies: Height of revenue is 2017-2018 with annual declines of 10% in 2019 and 30% in 2020

NAMFS MEMBER SURVEY – MAY 2021

Business Adjustments (Blended all categories)

Employee Counts: Average 25% reduction in staff from reported height of their staff, While volumes have decreased at a greater level the requirements have increased which does not allow for a scaling of staff up or down.

Vendor Panel: Average 60% reduction in number of vendors completing services with majority happening in 2018. Results indicate a “churning” affect with new vendors entering and exiting on less than an annual basis.

NAMFS MEMBER SURVEY – MAY 2021

Preservation Volumes

Pre-GR Companies: Height of volumes are 2012-2013 with moderate annual declines (average 5%) through 2015. Starting in 2018 average declines become more severe (50+%) with vast majority leaving the space.

During GR & Post GR Companies: Height of volumes is 2015-2016 with decline of 10% in 2018, 20% in 2019, and 40% in 2020

Post GR Companies: Height of volumes is 2017-2018 with decline of 15% in 2019, and 30% in 2020

Financials

Pre-GR Companies: Height of revenue is 2015. Starting in 2018 average declines become more severe (50+%) with vast majority leaving the space.

During GR Companies: Height of revenue is 2015-2016 with annual decline of 15% in 2018, 15% in 2019, and 40% in 2020

NAMFS MEMBER SURVEY – MAY 2021

Post GR Companies: Height of revenue is 2017-2018 with annual declines of 10% in 2019 and 30% in 2020

Business Adjustments (Blended all categories)

Employee Counts: Average 10% reduction in staff from reported height of their staff, While volumes have decreased at a greater level the requirements and additional services requested have increased which does not allow for a scaling of staff up or down.

Vendor Panel: Average 40% reduction in number of vendors completing services with majority happening in 2018. Similar “churning” affect as inspections.

Other Concerns: Average revenue per work order down greater than 50% (less repairs?), More rural properties (just reported no ability to substantiate), Shorter turnaround times/more rush work without comp, Field personnel need to be data entry experts (not their strength), CWCOT has impacted length of time properties are serviced, Current market unsustainable – vendors leaving in greater numbers, Higher Risk/Chargebacks

NAMFS MEMBER SURVEY – MAY 2021

Other Inspection Concerns: More claims against inspectors, Definition as debt collectors, More rural properties, Shorter turnaround times, Increase in data collected/requested including photos

Other Preservation Concerns: Average revenue per work order down greater than 50% (less repairs?), More rural properties, Shorter turnaround times/more rush work without comp, Field personnel need to be data entry experts (not their strength), CWCOT has impacted length of time properties are serviced, Current market unsustainable – vendors leaving in greater numbers, Higher Risk/Chargebacks

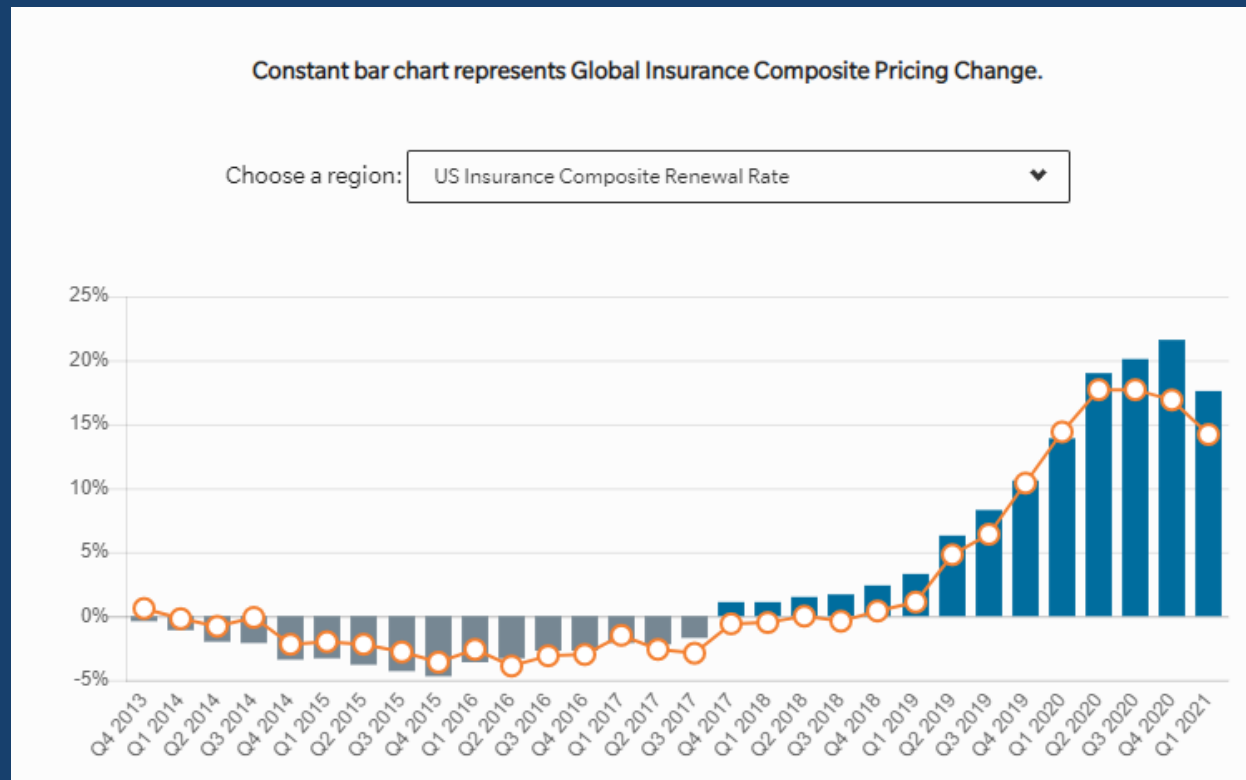
INVESTOR EQUITABLE ADJUSTMENT DISCUSSION

NAMFS Members are the eyes and ears of our clients and take our fiduciary responsibility seriously. Our job is to mitigate our client's legal, financial reputational and regulatory risk. Is \$15 or \$20 enough?

- Cost of Living Discussion: From 2002 to Present COL has gone up 41%; From 2010 to Present COL has gone up 20.6%.
 - Inspections Specific Example
 - HUD ML 2002-10 – Initial Inspections Allowable of \$30 & Recurring Inspections Allowable of \$20. With COLA these items would be \$42.30 and \$28.20 respectively.
- Other Considerations Exceeding COLA:
 - Materials (Gas, Lumber, etc)
 - Technology (Integrations, Equipment, Increased Complexity, No Standard)
 - Insurance: Commercial General Liability & E&O – Up 14% Per Year (Higher in financial sector)
[Global Insurance Market Index – 2021 Q1 \(marsh.com\)](#)
 - Insurance: Auto & Other

INVESTOR EQUITABLE ADJUSTMENT DISCUSSION

– INSURANCE ANNUAL INCREASES



INVESTOR EQUITABLE ADJUSTMENT DISCUSSION – INSURANCE ANNUAL INCREASES

Global Insurance Market Index – 2021 Q1

Global commercial insurance pricing up 18% in first quarter of 2021

Global commercial insurance prices increased 18% in the first quarter of 2021, according to the *Global Insurance Market Index*, a proprietary measure of global commercial insurance premium pricing change at renewal, representing the world's major insurance markets and comprising nearly 90% of Marsh's premium. The quarter is the first to show a fall in the average rate of increase since the index reported the first rise in global rates in Q4 2017. It follows year-on-year average increases of 22% in the fourth quarter and 20% in the third quarter of 2020.

According to the index, increases across geographies moderated due to generally slower rate rises in property insurance and financial and professional lines. The UK, with a composite pricing increase of 35% (down from 44% in Q4 2020) and the Pacific region, with a 29% increase (down from 35% in Q4 2020) drove the global composite rate. The rate of increase in the US was 14% (down from 17%), in Pacific 29% (down from 35%), in Asia 8% (down from 11%), and in Latin America and the Caribbean 5% (down from 9%).

Among other findings, the survey noted:

- Global property insurance pricing was up 15% on average, down from the 20% increase in the fourth quarter 2020; casualty pricing was up 6% on average, compared to a 7% increase in the prior quarter.
- Pricing in financial and professional lines had the highest rate of increase across the major insurance product categories, at 40%, compared to 45% in the previous quarter.
- Cyber insurance pricing diverged from the trend, with prices increasing in the first quarter by 35% in the US and 29% in the UK, driven by a rise in the frequency and severity of losses. In the previous quarter, cyber rates were 17% in the US and 26% in the UK.

INSPECTIONS LIABILITY INCREASES

- What has changed since 2010 inspection expectations?
 - Form 30 and Interior Inspections
 - How long does it take to complete?
 - What is the difference between inspections today vs. 2010
 - What additional costs have you incurred per inspection since 2010?
 - What is the difference in payment per inspection since 2010 to 2021?
 - Is the geographical distribution more rural since 2010?

PRESERVATION LIABILITY INCREASES

- What has changed since 2016 ML:
 - Demands
 - Re-Conveyances
 - Daily Holding Costs When Timelines Are Missed
 - Debenture Interest
 - Invoicing Reduction When SLAs Missed
 - Repairs & Renovations at the National Preservation's Expense
 - Cost Estimators
 - Allowable pricing validation (many existing services no change to allowable since 2002)

NON-REIMBURSABLE SERVICES

- “Value Added” Services (Often With No Additional Revenue)
 - What services do we provide?
 - How does that benefit the neighborhood?
 - What risk does the investor have with default portfolio?
 - How do we offset the risk?