

# Single Family Loan Sales 2012-3

## Neighborhood Stabilization Outcomes Pool Qualifications

The Federal Housing Administration (“FHA”), an organizational unit of the U.S. Department of Housing and Urban Development (“HUD”), is planning to offer a portfolio of defaulted single-family mortgage loans (the “Mortgage Loans”) through a competitive auction. HUD intends to offer qualified bidders the opportunity to bid in sealed bid auction to be conducted on or about September 12, 2012 referred to as the Single Family Loan Sale 2012-3 Neighborhood Stabilization Outcomes Pool (the “Sale”), to acquire the Mortgage Loans via whole loan sale.

**NOTE: This qualification statement is applicable ONLY to the Neighborhood Stabilization Outcomes Pools; Bidders wishing to qualify for any other pool must respond separately to the applicable qualification statement for such pool.**

The undersigned (“Bidder”) understands and acknowledges that, before it can register for, or make an offer to bid in the Sale for any Neighborhood Stabilizing Outcomes Pool, the Bidder (whether an individual or an entity) must meet the requirements described below as evidenced by execution of this Qualification Statement **for the specific jurisdiction in which the Sales pool is located.**

**Bidder is seeking qualification in the following geographic area(s):** (Check all that apply)

Chicago  Newark  Phoenix  Tampa

The information requested herein is being requested for the purpose of providing HUD with information needed to determine whether the Bidder meets the qualification requirements to bid in the Sale. All or part of the information provided on this form may also be subject to disclosure under the Freedom of Information Act, 5 U.S.C. § 552(a). Pursuant to HUD’s FOIA regulations at 24 C.F.R. § 15.108, you may request confidential treatment of business information submitted in connection with this form and support such request with the facts and the legal justification for such request. Any request for confidential treatment must state that the information has not been made public and clearly designate the information that is considered confidential. Should HUD receive a FOIA request for such confidential information, HUD will provide you with notice of the request and an opportunity to object to the disclosure in accordance with HUD’s regulations, unless disclosure is required by federal law. Providing the requested information is voluntary; however, failure to furnish all of the requested information may result in the prospective purchaser not being permitted to bid at the Sale and/or not receiving notice of future HUD/FHA sales initiatives.

**NOTICE: Anyone who knowingly or willfully makes false or fraudulent statements or representations in connection with the disclosures or certifications herein will be referred to the Office of Inspector General and/or the appropriate law enforcement officials for investigation and legal enforcement and may be subject to fines, imprisonment or both. See 18 U.S.C. §§ 1001, 1010, 1012.**

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**NOTE:** The following information is being solicited with respect to the individual or entity that will submit a bid in the DASP Sales to acquire the NSO Mortgage Loans.

### Part 1: Bidder Organization

**(NOTE: Except as otherwise noted, in this Part, include all requested information for each individual or entity that comprises the Bidder, who will submit a bid in the DASP Sales, including any entities with whom you contemplate entering into a partnership or contractual arrangement for the management and servicing of the NSO Mortgage Loans or underlying secured assets).**

#### A. Ownership and Entity Structure

##### **1. Bidder components**

- A. Name of Entity
- B. Role in Transaction (e.g., Servicer, Asset Manager, Property Manager, Capital/Funding Partner, other Operations, Management entity)
- C. Corporate or Other Entity Type and State of Organization, Incorporation, Charter, or other state designation of authority (if applicable)
- D. Address of Bidder
- E. City, State, Zip Code
- F. Phone
- G. Fax
- H. Bidder Tax I.D.
- I. E-mail Address

##### **2. Bidder's business designation** (For each entity, please indicate the description that best describes the entity's business designation)

- |                          |                              |
|--------------------------|------------------------------|
| Commercial Bank          | Insurance Company            |
| Savings Association/Bank | Financial Services Company   |
| Mortgage Banker          | Pension Fund                 |
| Investment Bank          | Real Estate Company          |
| Hedge Fund               | Other, please describe _____ |

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#### **B. Legal and Compliance**

Bidder hereby certifies, represents and warrants to FHA/HUD that it meets the requirements to be a qualified bidder based upon Bidder's satisfaction of one or more of the following qualifying statements 1 through 4. Bidder must check one or more of the following qualifying statements 1 through 4 to register to bid in the Sales and to qualify as a qualified bidder for the Sales.

(CHECK ALL THAT ARE APPROPRIATE):

(\_\_\_\_\_) 1. Bidder is a corporation, partnership, limited liability company, or business trust with a net worth in excess of \$5,000,000 determined in accordance with Generally Accepted Accounting Principles, consistently applied ("GAAP"), and was not formed for the specific purpose of acquiring an interest in the Mortgage Loans.

(\_\_\_\_\_) 2. Bidder is a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act")), savings and loan association or other institution (as defined in Section 3(a)(5)(A) of the Act), insurance company (as defined in Section 2(a)(13) of the Act), investment company registered under or business development company as defined in the Investment Company Act of 1940, as amended, or a broker or dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended, in each case with a net worth in excess of \$5,000,000 determined in accordance with GAAP.

(\_\_\_\_\_) 3. Bidder is a trust, with a net worth in excess of \$5,000,000 determined in accordance with GAAP, not formed for the specific purpose of acquiring the Mortgage Loans.

(\_\_\_\_\_) 4. Bidder is a business entity whose equity owners are entities that in combination have a net worth in excess of \$5,000,000.

**By executing this Qualification Statement, Bidder certifies, represents and warrants to FHA/HUD that EACH of the initialed statements, A through and including D, is true and correct as to such Bidder. If Bidder or a Related Entity cannot certify to any section or subsection below, Bidder may submit a supplemental response that describes and explains, in an attached document not to exceed one page, the reason for such inability to so certify and any extenuating circumstances or other information that may render such condition immaterial for the purposes of qualifying for the NSO Pool Sale. Please provide a copy of any order or agreement relevant to such section or subsection.**

**NOTE: Related Entities is defined as (a) two entities that have (i) significant common purposes and substantial common membership or (ii) directly or indirectly substantial common direction or control; or (b) Either entity owns (directly or through one or more entities) a 50 percent or greater interest in the capital or profits of the other. For this purpose, entities treated as related entities under this definition shall be treated as one entity.**

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- \_\_\_\_\_ A. Bidder, or one of its component entities, is an entity that either (i) is in the business of buying, originating or selling mortgage loans of the same type as the Mortgage Loans or (ii) otherwise deals in assets identical or similar to the Mortgage Loans in the ordinary course of such Bidder's business. Bidder has such knowledge and experience in the origination, sale and/or purchase of performing and non-performing or distressed loans, including, without limitation, loans secured by real estate or other types of collateral, as well as knowledge and experience, by itself or with its advisers, in other financial and business matters, as to enable Bidder to utilize the information made available in connection with the Sales to evaluate the merits and risks of a prospective acquisition of the Mortgage Loans and to make an informed decision with respect thereto.
- \_\_\_\_\_ B. Bidder represents and warrants that it, or its significant (>10%) owners and persons with authority or control or any Related Entities or significant (>10%) owners and person with authority or control of such Related Entities, are not any of the following:
- \_\_\_\_\_ i. an employee of HUD, a member of such employee's household, or an entity owned or controlled by any such employee or member of such an employee's household with household to be inclusive of the employee's father, mother, stepfather, stepmother, brother, sister, stepbrother, stepsister, son, daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, first cousin, the spouse of any of the foregoing, and the employee's spouse;
  - \_\_\_\_\_ ii. an individual or entity that is currently debarred, suspended, or excluded from doing business with HUD or that has been removed from or prohibited from participating in the affairs of, or transactions with HUD and/or FHA, whether pursuant to the Governmentwide Suspension and Debarment regulations at Title 2 of the Code of Federal Regulations, Parts 180 and 2424, or other authority;
  - \_\_\_\_\_ iii. an individual or entity that is currently suspended, debarred or otherwise restricted by any Department or Agency of the Federal Government or of a State Government from doing business with such Department or Agency;
  - \_\_\_\_\_ iv. an individual or entity that is currently debarred, suspended, or excluded from doing mortgage related business, including having a business license suspended, terminated, canceled, surrendered or revoked, by any federal, state or local government agency, division or department;
  - \_\_\_\_\_ v. a contractor, subcontractor and/or consultant or advisor (including any agent, employee, partner, director, or principal of any of the foregoing)

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who performed services for or on behalf of HUD in connection with the Sales;

\_\_\_\_\_ vi. an individual or entity that knowingly uses the services, directly or indirectly, of any person or entity ineligible under subparagraphs i through iii above to assist in preparing any of its bids on the Mortgage Loans;

\_\_\_\_\_ vii. an individual or entity which knowingly employs or uses the services of an employee of HUD (other than in such employee's official capacity) who is involved in the Sales; or

\_\_\_\_\_ viii. an entity that has had its right to act as a Government National Mortgage Association (Ginnie Mae) issuer and its interest in mortgages backing Ginnie Mae mortgage-backed securities extinguished and terminated by Ginnie Mae;

\_\_\_\_\_ ix. an individual or entity that has been sanctioned, required or agreed to pay any administrative, civil or criminal penalties or damages in connection with any suit or enforcement action involving single family loan origination, servicing or collection activities, or involving allegations of housing discrimination under any applicable local, state, or federal law or regulation;

\_\_\_\_\_ x. an individual or entity that has been subject to any Federal or State citations or enforcement actions;

\_\_\_\_\_ xi. an individual or entity that has been prohibited from doing asset or property management related business, or has bidder within the previous three years had any license relating to the management or acquisition of assets or REO suspended, terminated, canceled, or revoked by, or involuntarily surrendered to any federal, state or local government agency, division or department;

\_\_\_\_\_ xii. an individual or entity that has been removed from or prohibited from participating in the affairs of any insured depository institution pursuant to any final enforcement action taken by any federal and or state banking agency;

\_\_\_\_\_ xiii. an individual or entity that has been informed of, or been subject to any legal proceeding involving fraud, criminal activity or breach of fiduciary duty in any jurisdiction (internationally and nationally) in the past five years;

\_\_\_\_\_ xvi. an individual or entity that is currently undergoing a dispute or engaged in unresolved matters involving correspondence with the IRS or other U.S. Government Agency;

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\_\_\_\_\_ xvii. an individual or entity that is currently, or has been previously, subject to any investigations with respect to Anti-Money Laundering requirements, or Patriot Act violations;

\_\_\_\_\_ xviii. an individual or entity that is currently subject to a pending enforcement action or regulatory investigation due to any potential Real Estate Settlement Procedures Act, Fair Credit Reporting Act, or Gramm-Leach-Bliley Privacy Act violations;

\_\_\_\_\_ C. Within the past ten (10) years, neither Bidder, nor any person or entity controlling Bidder:

\_\_\_\_\_ i. has entered against it an order for relief under the United States Bankruptcy Code, as amended, or under any other law relating to bankruptcy, insolvency or reorganization or relief of creditors;

\_\_\_\_\_ ii. has failed to pay, or admitted in writing its inability to pay, its debts generally as they become due;

\_\_\_\_\_ iii. has made a general assignment for the benefit of its creditors;

\_\_\_\_\_ iv. has had appointed, or applied for, sought, consented to, or acquiesced in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its assets or properties;

\_\_\_\_\_ v. has instituted any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or failed to file an answer or other pleading (within the time frame by which such answer or other pleading is due) denying the material allegations of any such proceeding filed against it;

\_\_\_\_\_ vi. has taken any corporate, partnership or similar (as applicable) action to authorize any matter described in any of clauses (i) through (v) of this paragraph;

\_\_\_\_\_ vii. has been, or been a key employee with, a Failed Financial Institution within the past seven years, or been restricted/prohibited from participating in the affairs of a Failed Financial Institution;

\_\_\_\_\_ viii. an individual or entity that currently has a delinquent obligation to HUD, any US Government Department or a failed financial institution of \$50,000 or more;

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\_\_\_\_\_ix. an individual or entity that, if such entity is an FDIC insured depository institution, has a Memorandum of Understanding or other regulatory agreement that would prohibit or restrict participation in this type of transaction.

\_\_\_\_\_D. Bidder is not an entity or individual that:

i. serviced or held any Mortgage Loan included in the pool of Mortgage Loans for which Bidder is requesting qualification for the Sale at any time during the 2-year period prior to the bid, or

ii. is: (a) any principal of any entity or individual described in the preceding sentence (paragraph D.(i)); (b) any employee or subcontractor of such entity or individual during that 2-year period; or (c) any entity or individual that employs or uses the services of any other entity or individual described in this paragraph in preparing its bid on such Mortgage Loan.

If the respondent truthfully certifies to each of these statements, the Bidder will meet minimum eligibility under Part 1(a) and (b) for participation in this Program. Where Bidder cannot so certify and provides further information, the Bidder may provide a supplemental response, which may demonstrate minimum eligibility under these sections has been achieved. Any additional information so provided will be necessary to determine whether the Bidder's answers in Part 2 will be evaluated. Bidder's supplemental response must indicate that the infraction/action 1) can be demonstrated to be minor and isolated, 2) is reflective of extraordinary circumstances that will not be applicable to the activities proposed under this solicitation, and 3) does not represent a legal impediment to doing business with HUD/FHA.

### **C. Quantification of Assets under management**

**1. Please answer the following question on behalf of the entity identified in Section 1(A)(1) above as Bidder's Servicer.**

A. Has the Bidder's Servicer been engaged in the servicing of single family loans over the last two years as its principal business?

Yes \_\_\_\_\_ No \_\_\_\_\_

**2. Please answer the following questions on behalf of the entity or entities identified in Section 1(A)(1) above as Bidder's Asset Management and Property Manager.**

A. Does the Asset Manager / Property Manager possess all required licenses, registrations, insurance coverage, permits or qualifications to be considered in compliance with all applicable laws in all states in which business would be conducted for the assets in the proposed transaction?

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If no, please identify what additional licenses, registrations, insurance coverage, permits or qualifications must be obtained and provide the expected timeframe for receipt.

Yes \_\_\_\_\_ No \_\_\_\_\_

- B. Has the Asset Manager / Property Manager had building code violation within the last seven years that was not remediated within 90 days?

If yes, please provide a maximum 1 page narrative explanation.

Yes \_\_\_\_\_ No \_\_\_\_\_

- C. Is the Asset Manager / Property Manager involved in any litigation in which more than \$5,000 is at issue or which is not covered by insurance with a deductible of less than \$100,000?

If yes, please provide a maximum 1 page narrative explanation.

Yes \_\_\_\_\_ No \_\_\_\_\_

- D. In the past 5 years, has the Asset Manager / Property Manager lost control of any assets under its ownership or asset management to a lender through any means (e.g., foreclosure, deed-in-lieu-of foreclosure)?

If yes, please provide a maximum 1 page narrative explanation.

Yes \_\_\_\_\_ No \_\_\_\_\_

- E. In the past 5 years have any assets under the Asset Manager's / Property Manager's ownership or asset management (other than those purchased as part of troubled note/asset sale), which were insured under the FHA, resulted in a partial or full claim to FHA?

If yes, please provide a maximum 1 page narrative explanation.

Yes \_\_\_\_\_ No \_\_\_\_\_

- F. In past 5 years have any assets under the Asset Manager's / Property Manager's ownership or asset management had a negative cash flow over a one year period.

If yes, please provide a maximum 1 page narrative explanation and indicate to what extent and how positive cash flow was restored. (For example, did the Asset Manager / Property Manager invest enterprise-level funds to cover

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operating expenses, mandatory reserve payments, and/or debt service of the properties? If so, what were the source of such funds?)

Yes \_\_\_\_\_ No \_\_\_\_\_

- G. Is the Asset Manager's / Property Manager's annual vacancy rate for the portfolio for the previous twelve months greater than 10%?

If yes, please provide a maximum 1 page narrative explanation, including the intended strategy to remedy such vacancy.

Yes \_\_\_\_\_ No \_\_\_\_\_

- H. Does the Asset Manager / Property Manager and/or its holding companies have a net worth in excess of \$500,000?

Yes \_\_\_\_\_ No \_\_\_\_\_

Please provide the entities' audited financial statements for the most recent year.

Describe the assets currently under management by the Asset Manager / Property Manager using the sections below. Check the box next to the Metropolitan Statistical Areas (MSAs) or Metropolitan Divisions (MDs) you are interested in and fill in the information for those MSAs or MDs as well as at the national level. For further information on what constitutes a particular MSA or MD, please refer to the Office of Management and Budget Statistical Programs and Standards at [http://www.whitehouse.gov/omb/inforeg\\_statpolicy](http://www.whitehouse.gov/omb/inforeg_statpolicy).

#### **Total Portfolio Under Management**

|                              |                                   |   |
|------------------------------|-----------------------------------|---|
| <b><u>Single Family</u></b>  | <b><u>Number of Buildings</u></b> | <b><u>Aggregate Number of Units</u></b> |
| Single Family (1-4 units)    |                                   |   |
| <b><u>Multi-Family</u></b>   | <b><u>Number of Buildings</u></b> | <b><u>Aggregate Number of Units</u></b> |
| Multi Family (5-20 units)    |                                   |   |
| Multi Family (over 20 units) |                                   |   |

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#### CHICAGO-JOLIET-NAPERVILLE, IL METROPOLITAN DIVISION

| <u>Single Family</u>         | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
|------------------------------|----------------------------|----------------------------------|
| Single Family (1-4 units)    |                            |                                  |
| <u>Multi-Family</u>          | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
| Multi Family (5-20 units)    |                            |                                  |
| Multi Family (over 20 units) |                            |                                  |

#### TAMPA-ST. PETERSBURG-CLEARWATER, FL MSA

| <u>Single Family</u>         | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
|------------------------------|----------------------------|----------------------------------|
| Single Family (1-4 units)    |                            |                                  |
| <u>Multi-Family</u>          | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
| Multi Family (5-20 units)    |                            |                                  |
| Multi Family (over 20 units) |                            |                                  |

#### NEWARK-UNION, NJ-PA METROPOLITAN DIVISION

| <u>Single Family</u>         | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
|------------------------------|----------------------------|----------------------------------|
| Single Family (1-4 units)    |                            |                                  |
| <u>Multi-Family</u>          | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
| Multi Family (5-20 units)    |                            |                                  |
| Multi Family (over 20 units) |                            |                                  |

#### PHOENIX-MESA-GLENDALE, AZ MSA

| <u>Single Family</u>         | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
|------------------------------|----------------------------|----------------------------------|
| Single Family (1-4 units)    |                            |                                  |
| <u>Multi-Family</u>          | <u>Number of Buildings</u> | <u>Aggregate Number of Units</u> |
| Multi Family (5-20 units)    |                            |                                  |
| Multi Family (over 20 units) |                            |                                  |

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### **Part 2: Bidder Capabilities and Approach**

#### **A: Default Servicing**

##### **Default Servicing Experience (4 narrative pages maximum)**

For the entity that will service the mortgage loans, please describe the Servicer's current and past experience servicing loans that are or were at some point six or more months delinquent ("seriously delinquent"). Specifically, please provide:

1. The total count and dollar volume of seriously delinquent loans serviced over the past two years.
2. A description of the strategies employed to convert seriously delinquent loans into re-performing status through sustainable mortgage modifications.
3. A description of the strategies employed to successfully perform non-foreclosure mortgage disposition options.

The Servicer will be rated based on the extent to which it can demonstrate to FHA's satisfaction:

1. An established track record servicing seriously delinquent loans.
2. Evidence of proactive outreach to seriously delinquent borrowers with the intent to offer them loss mitigation options.
3. An established track record of successfully getting seriously delinquent loans to re-perform, and/or result in non-foreclosure outcomes.

#### **B: Asset Management**

##### **Asset Management Experience (4 narrative pages maximum)**

For the Asset Manager / Property Manager identified in Section 1(A)(1) above that will oversee the rental portfolio, please provide its current and past experience owning and/or providing asset management services for multiple rental properties scattered within a metropolitan area. Please include (as an attachment to narrative) the bios/resumes of the two to three key Asset Managers who will have principal responsibility for asset managing the proposed portfolio. The Asset Manager / Property Manager will be rated based on the extent to which it can demonstrate to FHA's satisfaction:

1. An established track record of providing quality asset management services relevant to work contemplated by this Sale over a minimum of two years;
2. Professional staff available to and capable of overseeing the work proposed;

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3. Significant corporate expertise owning and/or providing asset management services for rental properties, particularly scattered site single family or smaller multifamily properties; and
4. Evidence of proactive ownership and/or asset management strategies for portfolios held.

#### **Asset Management Approach (4 narrative pages maximum)**

Describe the ownership and asset management strategy for the proposed transaction/portfolio(s). The Asset Manager / Property Manager will be evaluated based on the extent to which it can demonstrate to FHA’s satisfaction:

1. A feasible business plan for owning, managing, and disposing of the acquired assets that has a high probability of achieving the desired Neighborhood Stabilization Outcomes while providing for decent, safe and sanitary housing opportunities;
2. A viable and achievable financing plan for rehabilitating the proposed portfolio. This should include a description of amounts and sources of capital (please specify whether debt, equity, or grant and whether sources are committed or not) as well as the assumptions that are used in creating your financing plan as to timing of investment and levels of rehab and amount of soft costs for each particular portfolio;
3. Any innovative strategies planned to lease back to current homeowners, lease-to-own strategies, housing counseling and credit reporting;
4. Evidence of quality control and oversight plans for ensuring that any associated risks will be addressed proactively;
5. Evidence of ongoing, established business processes for **critical asset management tasks**, including those identified in the chart below.
6. That all **critical asset management tasks** (including in particular those identified in the chart below) are either performed by internal staff or by other identified and experienced contracted parties.

Place an “x” next to each task that the Asset Manager / Property Manager routinely performs. Please provide an explanation for any critical tasks not performed regularly.

| <b>Critical Asset Management Tasks</b>  | <b>Routinely Performed</b> | <b>Frequency of performance</b> |
|---|----------------------------|---------------------------------|
| Hire, manage, and evaluate property management staff.   |                            |                                 |
| Review, approve and implement standardized policies and procedures for employee breach of contract. |                            |                                 |

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|  |  |  |
|--|--|--|
|  |  |  |
| Approve major contracts for services and monitor vendor performance.   |  |  |
| Review regular property and portfolio reports generated through a record keeping system.   |  |  |
| Review, approve and implement standardized policies and procedures for tenant breach of contract.  |  |  |
| Maintain and regularly review a watch list or other risk-based assessment tool for identifying problem properties.   |  |  |
| Analyze market and property conditions to determine appropriate portfolio management strategy (including refinancing, selling, and managing physical building upgrades). |  |  |
| Ensure compliance with government and environmental regulations and, or act as liaison with government and regulatory agencies.  |  |  |
| Review annual property budgets and financial statements.   |  |  |

#### **C: Property Management**

##### **Property Management Capacity (4 narrative pages maximum)**

*Infrastructure and Capabilities Description:* For the Property Manager identified in Section 1(A)(1) above that will provide the property management services for the proposed portfolio, please describe the existing capacity to manage rental properties, particularly scattered site single family or smaller multifamily properties

Describe the current internal property management staff or third party property management companies, servicers, realtor networks, community groups, as well as existing subcontracting arrangements. The Property Manager will be evaluated based on the extent to which you can demonstrate:

1. Experience providing quality property management services for portfolios that are comparable in scope and scale to the ones proposed under this transaction for an extended period of time;

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2. The presence of specific skills, expertise and resources necessary to successfully provide property management services for the proposed portfolio for an extended period of time, particularly in the geographic areas specific to this transaction and the property types prevalent in such areas.
3. Access to and experience using a property management information technology system sufficiently sophisticated to manage the proposed portfolio.
  - a. Please identify the software vendor, if applicable.
  - b. Please provide as an attachment to the response, samples of the following types of forms for the portfolio: annual financial statements (or detailed operating budget), work order (or similar tool for identifying/responding to physical plant conditions), and watch list (or other risk-based assessment tool for identifying problem properties). Proprietary information may be redacted.

#### **Property Management Approach (6 narrative pages maximum)**

Describe the Property Manager's overall plan to provide property management for a portfolio of single family scattered site properties with both occupied and vacant units in the geographic areas identified for this transaction. In particular, the Property Manager will be evaluated on the extent to which it can demonstrate, to FHA's satisfaction, an approach to the following aspects of property management reasonably likely to yield successful property management of the proposed portfolio:

1. Local engagement. In particular, FHA will consider:
  - a. The extent to which the Property Manager anticipates or has identified particular local needs of each MSA. To what extent will the Property Manager utilize local property management expertise for delivering and receiving services at the MSA or jurisdictional level.
  - b. Any pre-existing agreements, strategic alliances, or other arrangement of the Property Manager with a particular customer, market, technology, or product that could enhance or adversely impact performance.
  - c. Any licensing, cross licensing or other contractual agreements that set forth limitations (e.g., exclusivity) on performing any of the services required.
  - d. Any plan for community engagement and neighborhood outreach.
2. Property preparation / maintenance / repair /rehabilitation. In particular, FHA will consider:

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- a. The process for determining the condition and assessing the needs of a property, for securing, maintaining, repairing and inspecting properties, and for ensuring all repairs and maintenance are performed in compliance with all local, state, and federal codes and laws.
  - b. The process for implementing and completing any necessary rehabilitation, the Property Manager's plan to secure zoning, licenses, permits and other approvals, the Property Manager's plan to engage and oversee architects, engineers, contractors and other vendors, and the Property Manager's plan to staff rehabilitation projects.
  - c. The resources dedicated and the process for responding to emergency and routine maintenance requests, particularly given the scattered site nature of the portfolio.
3. Leasing management and tenant relations. In particular, FHA will consider:
- a. Your process for determining lease eligibility and tenant eligibility, evaluation and selection;
  - b. The process for screening, evaluation and selection of potential tenants.
  - c. The strategy for marketing and securing tenants for scattered site residential single family vacant properties.
  - d. The methods to address non-paying tenants, including collections and handling evictions.
  - e. The process for receiving and responding to tenant complaints, other property issues and related tenant communications.
  - f. The strategy for retaining tenants.

4. Reporting and Controls

Describe reports the Asset Manager plans to produce and use, and its ability to submit required reporting to the Asset Management entity and/or other entities which would have applicable oversight. In particular, FHA will consider the availability, clarity and effectiveness of:

- a. Work order processing reports;
- b. Annual operating budgets;

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- c. Portfolio and property level reports (monthly, quarterly, and annual), including income and expense statements and rent roll;
- d. Property condition assessments and reports;
- e. Occupancy reports by unit type and income eligibility restrictions (as applicable);
- f. Internal Controls, including protecting tenant confidential and personal information and to what extent will information on assets in the proposed portfolio share systems or be included on reports with other assets not part of the proposed transaction and how such information will be protected;
- g. Tenant payment history reports: (reporting tenant rent payments and histories to credit agencies, or other actions that could improve the credit standing of tenants).

The **Property Management Approach** section will be evaluated on the extent to which such responses, to FHA's satisfaction, demonstrate that your property management approach is likely to:

- 1. Accomplish the goals of the program; in particular achieving the desired Neighborhood Stabilization Outcomes while ensuring that the housing is decent, safe and sanitary;
- 2. Complement the asset management strategy identified above;
- 3. Avoid or mitigate likely business, market, and regulatory risks; and
- 4. Remain compliant with all applicable local, state, and federal regulation and law, including the requirements of this program.

### Part 3 - General Information and Instructions

**Bidder's primary notification source** (Please circle the primary notification source to indicate how you learned about HUD's Single Family Loan Sale)

- a) Federal Register Notice
- b) HUD Website
- c) HUD Personnel: (please specify) \_\_\_\_\_
- d) Social Media: (please specify) \_\_\_\_\_

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## Neighborhood Stabilization Outcomes Pool Qualifications

- e) DebtX Website
- f) DebtX Email
- g) Advertisement: (please specify) \_\_\_\_\_
- h) Other: (please specify) \_\_\_\_\_

### Instructions for Responses to Qualification Statement:

- (1) Double-space all narrative pages;
- (2) Use 8½ x 11-inch paper;
- (3) Use approximately 1 inch margins;
- (4) Use 12-point, Times New Roman font;
- (6) If a section is not applicable, indicate “N/A”;
- (7) Indicate the question number in your response.

### Part 4 -Acknowledgements and Agreements

Please initial each statement below indicating acceptance and acknowledgement as described therein.

\_\_\_\_\_ In submitting this form and accompanying information, the Bidder understands that, if it is determined to be a qualified bidder for the Sales, its status as such does not necessarily mean that it will be a qualified bidder for any other mortgage loans or assets offered in any other FHA/HUD sale. The Bidder also understands that its status as a qualified bidder for any other FHA/HUD sale does not necessarily mean that it will be a qualified bidder for the Sales.

\_\_\_\_\_ **ONLY THE NAMED BIDDER IN THIS QUALIFICATION STATEMENT, IF QUALIFIED, WILL BE ALLOWED TO BID IN THE SALES.** Upon award as a successful bidder in any of the Sales, Bidder may form a special purpose entity to take ownership of the Mortgage Loans at settlement (the “SPE Acquisition Vehicle”). However, the Bidder must submit documentation prior to the First Settlement Date demonstrating that the SPE Acquisition Vehicle is organized and structured in strict compliance with the structure proposed, and relied upon by HUD, in qualifying for this Sale. Additionally, both Bidder and the SPE will be designated as counterparties with HUD on sale.

\_\_\_\_\_ Bidder acknowledges and agrees that after purchase the Mortgage Loans must be serviced by the Servicer identified above who is (i) an FHA-approved mortgagee, or a Fannie Mae or Freddie Mac approved servicer; and, (ii) in good standing with and rated average or above average by the applicable Agencies, or with the consent of HUD, a successor servicer that meets these same criteria.

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- \_\_\_\_\_ Bidder acknowledges and agrees that FHA/HUD has the right to request additional or updated information at any time, including, without limitation, financial statements and/or confirmation of the representations, warranties and certifications made herein. Bidder authorizes, and has the authority to authorize, FHA/HUD and its agents to conduct credit and other investigations of Bidder through appropriate third-party reporting agencies. Bidder further acknowledges and agrees that FHA/HUD may, in its sole discretion, refuse to qualify any prospective bidder who, in FHA/HUD's sole judgment, does not have the requisite knowledge and experience to evaluate the merits and risks of purchasing and to make an informed decision with respect to the purchase of the Mortgage Loans.
- \_\_\_\_\_ Bidder acknowledges, understands and is able to bear the economic risks associated with the acquisition and ownership of the Mortgage Loans, including, without limitation, the risk of a total loss of Bidder's investment in the Mortgage Loans.
- \_\_\_\_\_ Bidder acknowledges and agrees that information, including summary data, will be made available to assist Bidder in evaluating the risks involved in acquiring the Mortgage Loans and whether or not it chooses to review any information that is made available to it, Bidder has the ability and shall be responsible for making its own independent investigation and evaluation of the Mortgage Loans and the economic, credit or other risks involved in an acquisition of the Mortgage Loans, including, without limitation, the restrictions on resale or other liquidation upon any of the Mortgage Loans.
- \_\_\_\_\_ Bidder acknowledges and agrees that (i) the proposed sale of the Mortgage Loans is not intended to constitute the sale of a "security" within the meaning of the Act or any applicable federal or state securities laws, (ii) no inference that the Mortgage Loans is a "security" under such federal or state securities laws shall be drawn from any of the certifications, representations or warranties made by Bidder in this Qualification Statement for purposes of qualifying Bidder as a qualified bidder at the Sales, (iii) it is not contemplated that any filing will be made with the Securities and Exchange Commission or pursuant to the Blue Sky or securities laws of any jurisdiction.
- \_\_\_\_\_ Bidder acknowledges and agrees that it will not release or disclose to any FHA approved mortgagees who have agreed to participate in the Sales by assigning loans to HUD ("Participating Servicers"), Bidder's information reflecting or evidencing the submission of its bid or other information used in preparing its bid.
- \_\_\_\_\_ Bidder represents and warrants that it has full authority to deliver this Qualification Statement and that the individual executing this Qualification Statement has full authority to do so on behalf of Bidder, Related Entities, and all principals thereof.
- \_\_\_\_\_ Bidder understands that the certifications, representations, and warranties contained in this qualification statement are made for the purpose of qualifying Bidder as a qualified

# Single Family Loan Sales 2012-3

## Neighborhood Stabilization Outcomes Pool Qualifications

bidder at the Sales. Bidder hereby represents that the above certifications and all information provided herein are true and correct in all material respects as of the date hereof and will be true and correct in all material respects as of the time of Sale, and understands that FHA/HUD is relying upon the truthfulness and correctness of such statements.

**Bidder hereby certifies that to the best of Bidder's knowledge all the information stated herein, as well as any information provided in the accompanying documents (if applicable), is true, accurate, and complete. Submission of false information in connection with this application is grounds for rejecting your bid or invalidating the Conveyance, Assignment and Assumption Agreement. Bidder further certifies that Bidder has read the Warnings set forth below.**

**WARNING: Any person who knowingly presents materially false, fictitious, or fraudulent statements in a matter within the jurisdiction of HUD is subject to penalties, sanctions, or other regulatory actions, including but not limited to:**

- (i) Fines and imprisonment under 18 USC 287, 1001, 1010, 1012, which provides for fines of a maximum of \$25,000 for individual and \$500,000 for organizations or imprisonment for up to 5 years or both; or**
- (ii) Civil penalties and damages under 31 USC 3729, of not less than \$5,000 and not more than \$10,000 plus 3 times the amount of damages which the government sustains; and**
- (iii) Administrative sanctions, claims, and penalties by HUD pursuant to 24 CFR Part 24, 28, and 30.**

Dated: \_\_\_\_\_, 20\_\_

BIDDER: \_\_\_\_\_  
(Print or Type Name of Bidder)

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Print Title: \_\_\_\_\_