

RFP-201702153

Mortgage Insurance Loss Mitigation Process

Addendum No. 2

(Question & Answer)

Question & Answers

Q1: Is CMHC able to provide historical values and volumes of sales under the program on a province by province basis?

Answer:

CMHC has been operating this program since August 31, 2015 with only a small volume of lenders in order to assess the program and determined that we want a full roll out of the process which has brought us to this RFP.

From Aug 31, 2015 to-date CMHC has had approximately 1,007 properties available for sales under the program of which 741 have sold. Below is a chart by province of the number of properties sold and the average selling price.

Province	Average Sales Price	# of Properties
NFLD	\$ 141,933	6
PEI	\$ 44,500	3
NS	\$ 94,570	33
NB	\$ 68,060	59
QUE	\$ 148,802	224
ONT	\$ 144,119	154
MAN	\$ 138,962	13
SASK	\$ 133,583	18
ALTA	\$ 227,241	169
BC	\$ 133,156	61
YKN	\$ 40,000	1
Total Average Sales	\$ 154,419	741

Q2: In section 3.3.2, the CMHC states that the CSP will be responsible for paying the appraisal invoice. Is this cost reimbursed by the CMHC or is it expected to be absorbed by the CSP?

Answer:

The proponent is to provide an all-inclusive price to complete an appraisal as described in Section 3.3.2 of the RFP. CMHC will pay the amount provided to the Service Provider.

Q3: [p. 15]

- a) Who are the Approved Lenders who participated in the Enhanced Claims Service (“ECS”) pilot?
- b) What is the projected expansion of the project?
- c) How many additional Approved Lenders do you anticipate subscribing to the project in year 1, year 2 and year 3?

Answer:

- a) Unfortunately these are confidential agreements between CMHC and the Approved Lenders. This information will be available to the successful proponents.
- b) CMHC anticipates that 25% of all Approved Lenders will be using ECS in year 1 with an expansion of approx. 15% year over year
- c) CMHC’s goal would be to on-board 98% of all lenders over the next 3 to 4 years

Q4: [p. 17] Who would be a “CMHC-designated party” that would be providing instructions?

Answer:

The primary CMHC-designated party for providing account instructions and reporting would be Insurance Servicing Division.

Q5: How many national firms will CMHC retain through the RFP?

Answer:

CMHC intends to secure up to three service providers under this RFP.

Q6: How will CMHC allocate the estimated volume of files set out at page 16 amongst the various national firms (assuming there will be more than one firm chosen)?

Answer:

CMHC will initially allocate accounts evenly amongst the service providers retained and attempting to keep the regional distribution equal amongst all Service Providers. The performance of each service provider may also be a factor that determines the volume distribution, i.e. poor performance may result in a lesser volume being assigned

Q7: [p. 56 and p. 117] The RFP indicates at page 56 that all prices are to be quoted *exclusive* of GST/HST. However, Schedule B (at page 117) notes the “CSP’s bid on legal services shall be set out in the chart below and state an aggregate (inclusive of all disbursements) tax *inclusive* total.” [Emphasis added]. Please confirm that the amounts are to be either inclusive or exclusive of GST/HST.

Answer:

All prices are to be quoted exclusive of GST/HST

Q8: [p. 119 and p. 19] The RFP requires an amount by province for “termination” (p.119). We have two questions related to this element of the RFP:

- a) The RFP refers to “termination” at page 19 and notes that it is with respect to the redemption of the property by the borrower. Accordingly, is the “termination”, referred to on page 119, a price CMHC is seeking with respect to redemption of the

property and, if so, please provide a timeframe and/or steps contemplated or estimated as to when the redemption would occur so that we can model a uniform pricing. Do you want the Proponents to assume it is at the end of the redemption period or at a mid-point?

- b) Alternatively, is “termination”, referred to at page 119, a term CMHC is using to refer to for e.g. Ontario foreclosures and the Quebec process of taking in payment?

Answer:

- a) Termination of Mortgage Enforcement includes either postponing or discontinuing mortgage enforcement proceedings where the borrower has redeemed the mortgage and satisfactory arrangements haven made with the Approved Lender to pay costs and arrears to remedy the default. For the purpose of pricing, the proponent should reflect all reasonable fees and disbursements at the end of the redemption period, including any costs associated with the commencement of legal proceedings. Mortgage default can be redeemed at any time prior to end of the legal proceedings.
- b) Please refer to answer a) above.

Q9: [p. 14] The Enhanced Insurance Claims Service Process (“ECP”), as described at page 14, outlines a new procedure whereby the Approved Lender “[is] encourag[ed] to submit qualifying CMHC-insured mortgage loans for 1-4 unit residential properties in default to CMHC at an earlier stage than is currently permitted under the standard insurance claims service process. As well, the Approved Lender transfers to CMHC its property management and disposal responsibilities as well as any interest in legal proceedings against the Borrower (including any judgment or proof of claim in relation to any bankruptcy or consumer proposal/proposal or CCAA filings)”. We assume the ECP is pursuant to section 10(2) of the *National Housing Act* (“NHA”). We have the following questions related to this process:

- a) Please advise as to what documentation, if any, other than the Master Loan Insurance Policy (“MLIP”), Handbook and the NHA are in place with the various Approved Lenders to govern the ECP subrogation and provide a copy of same for our review; and
- b) Please advise if the ECP litigation is undertaken in the name of the Approved Lender or CMHC.

Answer:

- a) CMHC has an agreement in place with all Lenders using the Enhanced Claims Service however these agreements are confidential between CMHC and the Approved Lenders.
- b) The ECS litigation is undertaken in the name of the Approved Lender or CMHC depending on the stage of the process ie mortgage enforcement, default

judgment, eviction, it would depend on who holds the mortgage or title to the property at that point and time

Q10: [p. 53] With respect to Section 4.6 Response to Statement of Work on page 53, are Proponents expected to provide recommended courses of action with a goal of increasing efficiencies and decreasing costs for **all** sections in Section 3, Statement of Work, on pages 13-36? Recognizing that this section is worth a significant portion of the overall evaluation, please confirm CMHC's expectations in this section. In addition to this, a conflict of interest statement and commitment of insurance, does CMHC have any other requirements for this section to make up the 45 points?

Answer:

The proponent must provide detailed information on how they will complete the work described in Section 3. Specific to the legal requirement, the Proponent should provide its recommended course of action with a goal of increasing efficiencies and decreasing costs for CMHC. The response must also include the identification of any conflict of interest situations and how the CSP will resolve the conflict of interest to CMHC's satisfaction as well as the signed letter of intent by the proponent's insurance broker.

Q11: [p. 54] Section 4.8 of the Proposal Requirements indicates that the Financial Information section is mandatory in the response to avoid disqualification. However, there are no specific questions posed in this section. Please confirm what information is required in this section to fulfill the mandatory criteria. Will a statement advising that, if selected as the successful proponent, *"we will comply with CMHC's financial review that will be conducted by providing the necessary documents"* suffice?

Answer:

Yes

Q12: [p. 128] With respect to Schedule "D" – Business Interruption Requirements, what is CMHC's expectation of the provision around pages 128-131? Are Proponents to address the Schedule in their response by providing a detailed write-up of our business continuity plans? Or, is this Schedule for information purposes only at this stage of the RFP process?

Answer:

Business Continuity information should be included with the proposal

Q13: [p. 38] The RFP states, *"Proponent agrees that it shall contractually obligate any subcontractor or independent contractor retained in connection with the Agreement to maintain insurance."* Does CMHC require subcontractors and independent contractors to maintain the same amounts and types of insurance as the Proponent?

Answer:

No, the intent of this clause is to ensure the lead proponent maintains responsibility to ensure that the amount and type of insurance as detailed in the insurance requirements

stated in the RFP is in place and that the work conducted by subcontractors or independent contractor retained in connection with this agreement is insured/covered. It is the lead proponent's responsibility to establish if the limits and types of insurance required by their subcontractors or independent contractors retained in connection with this agreement are adequate.

Q14: **[p. 117 and Appendix B p. 134]** Could you provide clarification for the purposes of Appendix D, Section 1 – Standard File (which is repeated at Schedule “B” at page 117):

- a) Does this amount include or exclude the appraisal amount you are seeking on pages 120 and 145?
- b) Please confirm if the third-party disbursements that are currently excluded from the Legal Edits pursuant to the Master Loan Insurance Policy are to also be excluded from the Schedule B at page 117 and Appendix B at page 134.
- c) Please confirm that third-party disbursements, which are currently excluded from the Legal Edits are to also be excluded from the Standard Mortgage Enforcement Schedule at Appendix B page 134 as well as the Termination Schedule at page 119. For the sake of clarity, could CMHC please provide a list of the third-party disbursement exclusions?

Answer:

- a) Legal disbursements should not include the appraisal amount
- b) No amounts for legal services is inclusive of all fees, disbursements and exclusive of taxes.
- c) Same as B.

Q15: **[p. 125 Schedule C, p. 137 Appendix B and Section 2]** The scope for the Standard Mortgage Enforcement File (which is repeated several times through the RFP) includes the following at pages 125 and 137, “Tenanted Properties”:

Where directed by CMHC, prepare all documents and complete all tasks necessary (including obtaining confirmation of existing lease agreement terms) to enable CMHC to collect rents (whether by attornment or otherwise as landlord) and to obtain the cooperation of the tenant with respect to the property inspection, appraisal, maintenance and showings of the property by real estate agents”.

The RFP also provides that “*Evictions*” are considered non-standard mortgage enforcement and are to be afforded separate pricing (see for e.g. page 143). Tenanted properties are not generally considered a standard mortgage enforcement file as is evidenced by the non-standard enforcement aspect of eviction, which as you are aware are currently covered under Code 160 pursuant to the 2017 Handbook. In light of this, can you:

- a) Please provide an estimate as to how many Standard Mortgage Enforcement Matters include the scope of work outlined at page 137 (Tenanted Properties); and

b) Please confirm if the pricing for the Non-Standard Mortgage Enforcement (page 143) is to also include the scope of work outlined for Tenanted Properties under the Standard Mortgage Enforcement File (page 137) as there will be duplication. The scope that is set out under the Standard Mortgage Enforcement File is a necessary component of evictions.

Answer:

- a) Unfortunately, all files are unique and there is no way to determine if the property will be tenanted. Tenanted properties do occur from time to time but we are unable to estimate the potential volume.
- b) The services provided under Tenanted Properties is part of Standard Mortgage Enforcement and not part of the Eviction work. Services for tenanted properties includes confirming existing lease agreements, collecting rent, and obtaining the cooperation of the tenant in respect of property inspection, appraisal, maintenance and showings of the property. The services provided under Tenanted Properties and Eviction are separate and not duplicative.

Q16: [p. 47] **3.3.11.4 B. Performance – Problem calls/emails** – Is the requested reporting limited to calls and emails received in relation to the system/interface used to provide the services? Is CMHC requesting reports regarding problem calls/ emails limited to those received on account of the technology platform used (e.g. calls about lost passwords, issues logging on, etc.), or is CMHC requesting more extensive calls/emails that relate to the actual servicing performed by the law firms and the calls/emails received by their personnel (e.g. clerks)?

Answer:

CMHC is requesting reports regarding problem calls/emails received on account of the technology platform used.

Q17: [p. 144-145] Please confirm that CMHC requires full appraisals (not desktop or drive-by appraisals) in all instances.

Answer:

Yes, full appraisals are required in all instances.

Q18: [p. 144-145] Please confirm whether CMHC will require a market rent opinion with respect to tenanted properties only.

Answer:

Yes.

Q19: [p. 145] Pricing for appraisals can fluctuate depending on the location of the property within each province (i.e. rural, remote, urban) and the unique physical characteristics of the property. In order to ensure that CHMC receives the best possible appraisal pricing in each circumstance, it would be beneficial if the pricing table on p. 145 was expanded to account for certain variables. Will CMHC accept an RFP response including an amended pricing table which takes into account the following variables:

- a) Location of property within each province (remote, rural, urban)
- b) Multi-unit/additional units within the subject property
- c) Two values requested (“as is” and “as improved”)
- d) Waterfront property
- e) Executive home
- f) Acreage to be appraised
- g) Cancellations/missed appointments
- h) Same-day service

Answer:

No. The fee provided for the appraisal is an all-inclusive price to complete an appraisal as described in Section 3.3.2 of the RFP. In instances that the property is has unique requirements, remote or not easily accessible, CMHC may consider a higher cost for these properties and prior approval must be obtained before incurring additional costs.

Q20: [p. 120 and p. 145] Does the appraisal amount include or exclude disbursements and HST/GST?

Answer:

The fee provided for the appraisal is an all-inclusive price to complete an appraisal as described in Section 3.3.2 of the RFP.

Q21: Does the real estate commission rate table that CMHC has provided for proponents to populate as part of their bid include cooperating commission, or will CMHC mandate a certain level of cooperating commission?

Answer:

The real estate commission is an all-inclusive rate.

Q22: If the table is intended to include cooperating commission, there is no minimum stated in the real estate section of this RFP, which could lead to a proponent winning the contract by discounting that portion of the commission which, while compliant with the

requirements, could significantly hinder the real estate marketing portion of the recovery process. Would CMHC consider including a minimum level of cooperating commission?

Answer: Proponents are to provide their pricing for the services being requested and all costs proposals will be reviewed at the evaluation stage.

Q23: The Program requires a sponsorship as part of our screening application.

<https://www.tpsgc-pwgsc.gc.ca/esc-src/organisation-organization/enquete-screening-eng.html>

To be registered and screened through the program, your organization must first be sponsored by a source approved by the Government of Canada.

An approved source may include:

- a federal government procurement officer
- a federal government security officer
- a federal government project officer

Your organization may reach out to an approved source directly. Consult the request for proposal to find the contact information for an approved source.

a) Can you please confirm if we are permitted to approach a CMHC federal government officer to act as our sponsor? Or do we have to select a NON-CMHC federal government officer as a sponsor?

Answer:

Yes, CMHC can be approached to act as a sponsor.