

# RFP-201702153

## Mortgage Insurance Loss Mitigation Process

### Addendum No. 4

#### (Question & Answer)

#### **1. Repeat question and answers from Addendum #2:**

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
<b>Total Average Sales</b>	<b>\$ 154,419</b>	<b>741</b>

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.

## **2. Final questions received by deadline (July 13, 2018):**

- Q24: Do the volumes stated in the 3 year forecast include or exclude the volume assigned through Gowlings under the current lender specific pilot?

**Answer:**

No, excludes volumes currently assigned.

- Q25: Are the volumes stated in the 3 year forecast a reflection of new volumes or total volumes under management? In other words, if a default happens toward the end of year 1 and if it is still under management in year 2 would it be counted in both years?

**Answer:**

The projections are based on the entry point into the process

- Q26: Section 4.12 suggests that pricing should be exclusive of taxes, however Appendix D suggests pricing should be inclusive of taxes. Can you clarify?

**Answer:**

All prices are to be quoted exclusive of GST/HST.

- Q27: Does CMHC allow mortgage redemptions after transfer of title from the original Approved Lender?

**Answer:**

No

- Q28: Should Appendix D include a sub-section "C"? If so, can you please provide it and any supporting documentation?

**Answer:**

There is no subsection "C".

Q29: [p.143] Blended Rate for Contested Mortgage Enforcement – Please confirm if CMHC requires one blended rate for all provinces and territories for lawyers and paralegals or if CMHC is seeking a blended rate by province and territory.

**Answer:**

The proponent is to provide blended rates for all provinces and territories.

Q30: [pgs, 36-37] Insurance – Please confirm if subcontractors are to be cover under the primary Proponent’s insurance policies or if they required to provide separate letters of intent. Further, what specifically is CMHC looking for in the Letter(s) of Intent? Is it specific coverage levels or agreement to negotiate and discuss coverage requirements prior to entering into an agreement?

**Answer:**

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 and independent contractors retained in connection with this agreement is insured/covered by the lead proponent.

The letter of intent must be provided by the lead proponents insurance broker and should provide CMHC with confirmation that the lead proponent is in a position to procure the necessary insurance as detailed in the RFP and that the coverage extends to all streams of services/operations i.e. legal, property management and real estate brokerage etc.

Q31: Section 3.3 – Terms of Reference page 14 – New Enhanced Insurance Claims Service Process Last paragraph – “ECS was piloted with a very limited approved Lender Group for Testing”

a) Who were the approved lenders that participated in the group testing?

b) How long did the testing last?

**Answer:**

a) Unfortunately these are confidential agreements between CMHC and the Approved Lenders. This information will be available to the successful proponents.

b) The initial phase was tested for approximately 24 months.

Q32: 3.3.6 – Accounting and Proceeds

Will the CSP be allowed to charge interest for the unbilled cost on a monthly basis to CMHC?

**Answer:**

No, however, the proponent does have the ability to submit invoices for payment to CMHC at any point in the process on an exception basis in order to not incur excessive costs on behalf of CMHC.

Q33: 3.3.1 – Legal Services

Due Diligence and Searches - Point 2 - “Under CMHC policy with approved lenders....”

a) What is the CMHC policy with the approved lenders.

b) Do policies differ from one Approved Lender to another?

**Answer:**

a) Mortgage loan insurance policy with approved lenders is pursuant to the National Housing Act and as outlined in CMHC’s Mortgage Loan Insurance Policy (“MLIP”), Accelerated Claim Payment Process and the Handbook for CMHC Approved Lenders including any Advices, Commitment and Special Conditions.

b) No.

Q34: Legal Fees – Schedule B page 117 - Standard Enforcement Steps

In the event that a mortgage in default is redeemed/cured by the mortgagor at any time prior to the sale of the property under power of sale (or foreclosure proceeding) is it the expectation of CMHC that all fees and disbursements incurred by the CSP up to the day of redemption, will be invoiced to CMHC and then added to the payout balance for discharge purposes and paid by the mortgagor?"

**Answer:**

Termination of Mortgage Enforcement includes either postponing or discontinuing mortgage enforcement proceedings where the borrower has redeemed the mortgage and satisfactory arrangements have been 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 the end of the legal proceedings.

When mortgage default is redeemed, all costs associated by the default are the responsibility of the defaulting borrower.

Q35: Section: 1.2 Introduction and Scope

CMHC wishes to enter into an Agreement with **one or more vendors** (hereafter referred to as the "proponent(s)") to provide services, as a Claims Service Provider ("CSP")...

In the French version it states:

1.2 Introduction et portée

La SCHL souhaite conclure un contrat **avec plus que trois fournisseurs** (ci-après, le « proposant » ou les « proposants ») qui agiront à titre de fournisseur de services de traitement des demandes de règlements (FSTDR)....

The document differs from the English RFP to the French RFP. Could CMHC clarify this section and identify what is CMCH intention in awarding

**Answer:**

Refer to Q5 above.

Q36: In the pricing section you are asking for pricing Termination – can you clarify what this is? Is it in reference to an inflight file where the original firm is to transition the file to the Law Firm of CMHC's choice? Would this be the fees charged for the services completed on the file to point of transfer to the CMHC designated lawyer and not that of the full CMHC edit for that Province?

**Answer:**

Refer to Q34 above.

Q37: The insurance requirements set an insurance threshold of [details], which is significantly in excess of industry standards for work of this nature. What are the consequences if the proponent cannot reach the specified threshold, but is otherwise qualified?

**Answer:**

A proposal must meet all the mandatory requirements to proceed in the evaluation process. As a means of achieving the insurance requirements, CMHC may consider the joint venture business arrangement and organizational structure in the evaluation of proposals.

Q38: [pages 53, 122, 134 and 143] Our questions on the Statement of Work are twofold:

The Statement of Work on page 53 stipulates that “[w]here multiple options are available for mortgage enforcement legal process in a specific jurisdiction, the proponent should provide its recommended course of action with a goal of increasing efficiencies and decreasing costs for CMHC”.

However, at pages 122 and 134, the RFP states “depending on the jurisdiction, multiple avenues for mortgage enforcement may be available, for e.g. British Columbia –Order Absolute or Order for Conduct of Sale. The CSP’s bid is expected to reflect the multiple avenues for mortgage enforcement, by province and territory and should be inclusive of internal and external disbursements and taxes”.

- (a) These two requests appear to be inconsistent. Would CMHC prefer the bid (in terms of pricing and process description) provide only the recommended course of action in a “Standard Mortgage Enforcement” (see, for example, Appendix D – Section 1, which appears to contemplate a pricing model for a single process)? Or should the bid reflect other avenues that may be appropriate in some matters (even if they are not necessarily “standard”)?

For example, a “standard” mortgage enforcement scenario in Ontario is a power of sale for residential real estate. Foreclosures and/or judicial sales are also available remedies, which may be appropriate in some circumstances, but they are not standard for many reasons including cost and time.

- (b) Does CMHC want counsel for each jurisdiction to provide an overview of the mortgage enforcement remedies in each jurisdiction and advise as to why it would recommend one over the other (for e.g. power of sale vs foreclosure in Ontario)?

If that is the case, would CMHC be prepared to provide a general fact pattern that counsel can react to ensure a uniform response? Alternatively, are the proponents to assume the matter is straightforward and provide their recommendations based on a hypothetical straightforward single debtor situation?

**Answer:**

- a) For the purpose of pricing, the proponent’s bid should reflect a unified amount for all reasonable fees and disbursements associated the standard mortgage enforcement remedies (i.e. foreclosure, power of sale) available in a province or territory. In establishing the unified amount, the proponent should specify which mortgage enforcement remedies have been reflected in this figure.
- b) No. On a transactional basis, proponents shall, if selected in this RFP, provide to CMHC with a recommendation as to the preferred method of mortgage enforcement in a particular file. For the purposes of this RFP, while it is not required to outline or describe the standard mortgage enforcement remedies (i.e. foreclosure or power of sale) typically pursued, it is suggested that proponents outline any non-standard mortgage enforcement remedies that may be pursued in a province, as well as the relevant factors for pursuing such remedies.

Q39: [page 118,122, 134] “Section 2: Non-Standard Mortgage Enforcement” – refers to quotes for the completion of stated items. Section 2 is comprised of a table at page 118 and lists items for each province and territory. It specifically requires a price per enumerated item for each jurisdiction.

However, pages 122 and 134 of the RFP states: “Non-Standard Mortgage Enforcement comprise legal steps that are common, but not necessarily required for every file. The CSP is expected to provide a bid on these items, nationally, and not by province or territory.”

Please clarify which statement is to be respected. For example, does CMHC want a price for substituted service by province or territory, or a price for substituted service nationally?

**Answer:**

Pricing for Standard File and Non-Standard Mortgage Enforcement activities are to be provided on a provincial basis.

Q40: Will the proponent be able to bill CMHC for carrying costs of each property such as utilities, heating, hydro, and taxes on a monthly basis or is the proponent expected to carry these charges as well until closing or 6 months, whichever is sooner?

**Answer:**

The CSP can invoice CMHC at closing or after 9 months of a property being listed but not sold for the outstanding expenses that have accrued on the file.

Q41: Is there a specific temperature to maintain the homes under during winter or colder seasons required to keep the pipes from freezing?

**Answer:**

The property should be properly winterized and heat maintained to protect the property from damage.

Q42: If the well is required to be shocked for water testing, is CMHC to cover the cost of the shocking?

**Answer:**

The Proponent is to provide an all-inclusive fixed monthly fee that includes all services described in Section 3.3.3 of the RFP.

Q43: Insurance

- a. Are the limits laid out in section 3.3.7 meant to be limits of the policy, or limits for the asset base of the insurer?
- b. If these are meant to be limits of the policy, would the CMHC be willing to reduce these limits as these will be nearly impossible for bidders to attain, and cost hundreds of thousands of dollars per year if they are attainable at all?
- c. If these are meant to be limits of the policy and CMHC is not willing to lower the limits, would the CMHC accept multiple policies that combine to reach the limit?

**Answer:**

- a. These are limits of the insurance policies.
- b. As above in Q9.
- c. Yes the policy limits set forth may be provided in any combination of primary and umbrella/follow-form excess insurance policies.

Q44: CMHC states that you will reimburse property related expenses such as utilities for the period that CMHC has title:

- a. Is the proponent responsible for payments made in error, such as utilities related to periods where CMHC did not have title and oil tank top ups that have not been authorized?

- b. Is the proponent responsible for payments made in error, such as utilities related to periods where CMHC did not have title and oil tank top ups that have not been authorized?
- c. Does CMHC reimburse for the postage used in the process of paying property related expenses?

**Answer:**

- a. If the proponent pays an invoice in error, it will be up to them to recover the funds from the company that was paid. Oil tank top ups do not require prior approval from CMHC as this is a requirement upon sale of the property.
- b. Refer to a.
- c. The Proponent is to provide an all-inclusive fixed monthly fee that includes all services described in Section 3.3.3 of the RFP.

Q45: We act regularly for a major chartered bank, an Approved Lender, in mortgage recovery, including for CMHC-insured loans, so we handle their insurance claims. Would such an activity be considered by CMHC to be a conflict of interest for the purposes of section 2.17 of the RFP?

**Answer:**

If the Approved Lender is not part of the ECS process, then they have the choice of hiring any company they choose.

Q46: In many Provinces counsel encounter requirements that are over the edit in regard to fees. Can CMHC confirm that these fees will continue to be paid over and above the edit? To name a few; i.e. in Nova Scotia if a mortgagor is deceased the court may appoint another lawyer to act this generally costs an additional \$1,650.00, In Provinces where newspaper ads are required it can cost up to \$3,000.00 and in New Brunswick the cost of obtaining a deficiency judgment can be an additional \$1,100.00

**Answer:**

Within the RFP there are no pre-determined edits, costs are proposed by the proponent. For any costs that fall outside of the statement of work for legal, CMHC reserves the right to consider and pay those costs subject to preapproval being obtained prior to expenses being incurred and CMHC is provided with docketed invoices.

Q47: Will the AL or CMHC agree to reimburse a CSP for payment of property taxes in the event there are substantial arrears that are discovered at the due diligence stage? There are times when payment is required to avoid a tax sale and these payments have historically been made by lawyers for ALs but when this is done, the AL reimburses the lawyer essentially immediately upon being invoiced. Will this be continued?

**Answer:**

CMHC will be invoiced for all costs incurred by the CSP.

Q48: In Ontario, “bogus” tenants are removed via s52 of the Mortgages Act. This requires an Application requiring service and court attendance often in a jurisdiction well away from the lawyer’s area of practice. While it has been said that tenant actions are included in “regular pricing” (so no extra charges are allowed) these applications are arguably NOT tenant actions as the occupants are not legitimate tenants. Is it fair to assume that these CAN be charged as evictions that are outside the standard file all in price?

**Answer:**

These costs are included in the legal services quoted for Non-Standard Mortgage Enforcement.

Q49: If it is anticipated that AL participation will increase over time, it stands to reason the ECS will not be mandatory. But for those lenders who chose to opt in, can they chose WHEN to opt in? This question is to clarify whether the legal work will be the whole process – which is the pricing being requested, or just the sale/transfer work. The revenue that can be generated from it will be very hard to predict if the program is completely flexible. Can you please provide some clarity on this? Thank you.

**Answer:**

Approved Lenders can enter the ECS process at any time. Transition files may include files at various stages in the process. Compensation can be reviewed based on the stage that the file is entering the process, on the pricing proposed by the proponent and at the discretion of CMHC.

Q50: Is the incumbent responsible for carrying Vacant Property Insurance on the homes?

**Answer:** No.

Q51: Is the change of lock on the vacant homes to be unique to each property with a specific set of keys for each home?

**Answer:**

Yes.

Q52: For section 3.3.9 – CMHC references that the CSP must comply with the CMHC’s quality assurance practices, can the CMHC provide the current quality assurance practices? This will be important to account for cost if items such as physical inspections by 3rd parties or file audits by 3rd parties

**Answer:**

It is the responsibility of each CSP to have their own process, product or service to ensure the quality, accuracy, and reliability of the services completed by their subcontractors and report on the outcome to CMHC on a quarterly basis.

Q53: Can we bid for only one province, Quebec in this case?

**Answer:**

The Claims Service Provider is required to provide the services under this RFP on a national basis.

Q54: We understand that if we create a consortium between a property management company and our legal services office, you wish that only one of them be named as contact for file management. Is this also the case for the invoicing of services and the electronic management platform?

**Answer:**

Yes, one point of contact is required.

Q55: Page 16 (EN) / 17 (FR): The volume table contains different figures in the English and French versions. Can you indicate which figures are to be taken in consideration?

**Answer:**

The estimated claim volumes are indicated on page 16 of the English version of the RFP.

Q56: We understand that currently, “The CSP will be required to provide the services under this RFP on a national basis.” We also understand that CMHC wishes to select one or more vendors for the project. Based on our experience, the Civil Code laws and business practices vary greatly from one province to the next. Notably, the province of Quebec has its own laws, which sets it apart from the other provinces. Also, based on our extensive knowledge of the market, volumes are and will be high to be absorbed by only one firm across Canada. Consequently, would CMHC agree to receive proposals for only certain provinces, notably Quebec?  
Also, could CMHC award contracts by province?

**Answer:**

Refer to Q53 above.

Q57: The first sentence of the English and French versions differ:  
English version: “CMHC wishes to enter into an Agreement with one or more vendors...”  
French version: « La SCHL souhaite conclure un contrat avec plus que trois fournisseurs »  
Can you please confirm if:  
- CMHC intends to enter into an agreement with only one vendor for Canada  
Or  
- CMHC intends to enter into an agreement with more than one vendor and award the contract to two, three or more than three vendors  
If yes, will the responsibilities of the vendors be based on the percentage of the contract awarded to each of them?

**Answer:**

Refer to Q5 above.

Q58: On what basis will the contracts be allocated to the different vendors selected? The Request for Proposal does not give any information in this regard. Must we submit a proposal based on a geographical allocation between the various selected CSPs or a proposal based on an allocation according to the three service categories: legal, securing and property management, and marketing and sales of property; or a proposal based on various combinations of these possibilities? Must we submit a proposal that includes a service offering across the country, for all three service categories? Or can we limit our proposal to one or more regions or provinces, to one of the three activities or to a combination of all these possibilities?  
Considering that, as far as we know, no organization currently offers both legal and management and marketing services across Canada, the submission of a proposal requires the prior identification of partners and the creation of a form of partnership between businesses from different regions or provinces who are working in any of the three services required.

**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.

The proponent shall submit a proposal detailing how they will meet CMHC’s stated requirements.

Q59: Section 3.3.11.1.3 refers to CMHC Security Standards, can those be provided for our review?

**Answer:**

CMHC utilizes ISO 27001 security controls.

Q60: Section 2.19 - will all staff require security clearance to work on the CMHC portfolio, or only those that may require access to CMHC premises if/when required? Additionally, does this clearance extend to any potential sub-contractors working on the portfolio?

**Answer:**

Anyone who has access to confidential or protected information will be required to have the appropriate security clearance. This includes the CSP itself and its employees, also sub-contractors who have access to confidential/proprietary/personal information. (e.g. lender information, private borrower information etc.)

Q61: S. 3.3.17 states that a supplier is required to obtain a Reliability Status level for all Security Screened Supplier Personnel Handling any CMHC Data that contains “protected” information or accessing any CMHC Facilities or any Hardware, Software or Systems of CMHC to perform any Services...

a) Can you please confirm the scope of “Personnel” – i.e. – do we submit an application through the Contract Security Program (“Program”) for ONE company representative (e.g. – the President) OR does “Personnel” include ALL employees, business partners etc. who would be working on the portfolio?

**Answer:**

Refer to Q60 above.

Q62: Under milestone “completion of due diligence on lead proponent(s)”, could you please outline how CMHC completes the financial assessment process and share the criteria CMHC uses for financial assessments of an organization, specifically as it relates to the scope of this RFP?

**Answer:**

Financial Information is detailed in Section 4.8 and 4.8.1 of the RFP. A financial assessment will be completed on the lead proponent(s).

The approach used by CMHC to assess the financial risk associated with vendors under Outsourcing policy focuses on Character, Capacity, and Capital in view of the conditions of the contract. Specifically, Capacity of a vendor is assessed based on the following criteria:

- Revenues and Profitability trending: Source- Income statement
- Liquidity & Cash flows: Source- Cash Flow statement, Balance sheet
- Leverage and Net worth: Source- Balance sheet
- Various ratios are used to capture above metrics for risk assessment for Year over Year comparison, peer comparison etc. Gross margin, operating margin, Return on equity and assets, Interest expense coverage, Debt coverage, Receivable turnover etc are just some of the ratios taken into consideration.
- Other things assessed include but not limited to (1) ability to scale back operating expenses (level of fixed operating costs), (2) ability to decrease CAPEX, and other non-operating cash obligations, such as dividends (3) inter-company, related party loans moving in and out of the business etc.

A Risk assessment is done based on the financial analysis to generate a rating (High Risk, Medium Risk, Low Risk). No guidelines are in place in the current Outsourcing policy as to when a business should be rated High, Medium or Low. So rating is currently assigned based on CMHC’s professional judgement based on the financials provided.

Q 63: CMHC has indicated that it may contract with more than one service provider.  
Question: If CMHC determines that it will contract with more than one service provider, can you provide information as to how the files will be allocated?

**Answer:** Please refer to answer in Q6 above.

Q64: CMHC has provided the bidders with Appendix “D” schedules on pricing.  
Question: Can CMHC clarify where and what is the pricing component and where it come into the evaluation process as outlined in Appendix “C” 7.3 Evaluation Table?

**Answer:**

The proposal(s) that meet all the upset scores in the technical evaluation shall then be evaluated on price, where the lowest overall pricing will determine the lead proponent(s).

Q 65: CMHC has provided a breakdown for pricing in Appendix D. On page 144 we note Sections A, B, and D. Question: Is there a Section C component?

**Answer:**

Please refer to answer in Q28 above.

Q66: Under Appendix C on page 141, Evaluation Criteria 4, Section 3.3.13 is referenced as Innovation and Value Added. Question: We are assuming that the referenced Section should be 3.3.14. Is our assumption correct?

**Answer:**

Yes.

Q67: Is the pricing proposal to be a part of the main proposal document or would CMHC prefer the pricing as a separate document for evaluation purposes?

**Answer:**

The proponent must provide a response outlining the pricing of its proposed fees to be charged for legal, takeover and property management, appraisal, marketing and sales by completing Appendix “D” and submitting with the proponent’s response.

Q68: Following question #23 in Addendum No. 2, is the security clearance (section 3.3.17) and appropriate sponsorship to be completed and included in the proposal submission or is this process carried after selection as one of CMHC’s CSP?

**Answer:**

The proponent must confirm within their submission that they are able to meet the security requirements and include a copy of its registration under the CSPG.

Q69: 3.3.9 – CMHC cites validation checks for each property/file, is there a minimum number or percentage that require physical checks for validation? If so, could CMHC provide that number/percentage and if there is any geographic distribution requirement (ie. Shadowing the overall distribution of the portfolio being serviced)

**Answer:**

Refer to Q52 above.

Q70: What language is in your Agreement of Purchase and Sale around the movement of closing funds?

**Answer:**

The forms are not specific to CMHC. The standard provincial Agreement of Purchase and Sales and processes are to be used.

Q71: By what method are purchasers lawyers sending closing sale proceeds today? Ex. Certified cheque etc.

**Answer:**

The transfer of funds will be an agreed upon process between the CSP and the purchaser's lawyer.

Q72: We are seeking further clarification on the responses provided to Questions 14 (b) and (c) in Addendum 2 as it relates to Appendix B, page 126, Section 1: Standard in New Brunswick.

We appreciate that the Standard Mortgage Enforcement File must include disbursements. However, the publication costs in New Brunswick are currently excluded by CMHC from the Legal Edits. In New Brunswick, the advertising disbursements are significant. They range between \$1,300 and \$2,100 exclusive of tax. The advertising is mandatory pursuant to the *New Brunswick Property Act* and mandated by the Courts. The law firm has no control over these costs. CMHC created a specific exception for New Brunswick as it relates to advertising disbursements. These publication fees are paid in addition to the Legal Edits. For your convenience, we attach an email from CMHC dated June 7, 2016 wherein it states, "advertising fees are paid above the normal edit only in the province of New Brunswick." Please note, the exception for New Brunswick has continued to apply to claims submitted in 2018.

Please confirm the exception for advertising disbursement continues to apply for New Brunswick. If so, please advise if we are to exclude them from our New Brunswick quote in Section 1: Standard File and instead provide a comment indicating the range for the cost of advertising.

**Answer:**

Refer to Q46 above.

Q73: Regarding security screening requirements (Section 3.3.17), please confirm, now that CMHC has confirmed it can be approached to act as sponsor, you do not require any documentation around security screening as part of the proposal submission and that CMHC will initiate screening requirements after firm(s) have been selected for the project.

**Answer:**

The proponent must confirm within their submission that they are able to meet the security requirements and include a copy of its registration under the CSPG. CMHC will give guidance with respect with security clearances however the company will need to initiate the process through PWGSC Industrial Security Sector. It's not up to CMHC to initiate the process.

Q74: Are pricing proposals outside the template provided by CMHC disqualifying in any way?

**Answer:**

The proponent must provide a response outlining the pricing of its proposed fees for each service in Appendix "D" and include with the proponent's response. Submission of additional pricing proposals will not disqualify the proponent.

Q75: What is the CMHC policy around pursuing deficiency balances? The RFP refers to judgments - is CMHC open to other recovery paths?

**Answer:**

Judgments are obtained on all defaulting borrowers where financially feasible to do so. The proponent is welcome to submit additional information proposing additional recovery remedies however, it is not a requirement of the RFP.