

Single Family Loan Sale 2016-2 ("SFLS 2016-2") Post Sale Report



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1 Introduction

1.1 Single Family Loan Sale 2016 - 2

The Single Family Loan Sale, (“SFLS”), 2016-2, (SFLS 2016-2), is the 14th in a series of sales under the Distressed Asset Sale Program (“DASP”). DASP has provided an on-going sales series of defaulted, formerly FHA-insured single-family loans to institutional investors and non-profit organizations.

The SFLS 2016-2 transaction (National, NSO, Non-Profit and Non-Profit Set Aside) included 10,056 loans offered with an approximate aggregate unpaid principal balance (UPB) of \$1.64 billion. The National pools consisted of 5,602 loans, the NSO pools consisted of 3,902 loans and the NSO Non-Profit pools consisted of 552 loans. SFLS 2016-2 contains the first ever National Non-Profit Set-aside bidding option, reserved for non-profits and units of local governments (“ULG). Non-profits and ULGs were allowed to bid a minimum of 25 loans and a maximum of 5 percent of the loan count from the National Wells pool and are required to achieve the same level of NSO outcomes as are required in the NSO pools. Bids were submitted on September 14th, 2016 by a total of eighteen (18) bidding entities who submitted forty-one (41) distinct bids. A total of 8,043 loans were awarded from this sale representing approximately \$1.32 billion in UPB and representing 80.0% and 80.7% of the number of loans and UPB offered, respectively. The total Bid Amount percentage of UPB for all awarded pools, National, NSO and NSO Non-Profit combined was 48.8%.

A Single Family Loan sale is a portfolio management tool used by HUD to manage its overall credit exposure. Loan sales enable HUD to take advantage of efficiencies of private and non-profit sectors to maximize net recoveries, reduce the resource demands and costs of owned asset disposition servicing and support HUD in promoting its goal to increase homeownership retention opportunities. FHA continues to attempt to attract a greater number of nonprofit organizations and ULGs to participate in the SFLS program to achieve its program objective of strengthening strategic focus on community stabilization. The NSO post-sale requirements encourage investment in communities’ potentially experiencing neighborhood instability from an elevated level of foreclosures. The SFLS 2016-2 transaction was successful due to the hard work and efforts from key team members and stakeholders (including ASO, OGC, PFA and TS).

2 Sale Overview

2.1 Results

The 10,056 loans offered were from 46 States, the District of Columbia and 1 Territory and were auctioned in 20 pools - including 8 National Pools, 7 Neighborhood Stabilization Outcome (NSO) Pools, 4 NSO Pools for Non-Profit or U LG Bidders and 1 Non-Profit Set Aside. The SFLS 2016-2 Sale winning bids for the 15 awarded pools of loans totaled nearly \$646.5 million.

Pool	Pool Name	# Bids	Winner	Winning Bid Amount	Bid/UPB %	Bid/BPO %
106	National BofA and US Bank	2	NO AWARD	NO AWARD	38.06	43.41
107	National Chase and MTB	3	Rushmore Loan Management Services, LLC	\$90,483,710	48.26	52.42
108	National NationStar And Ocwen	2	Rushmore Loan Management Services, LLC	\$43,662,213	47.50	54.70
109	National Vacant Chicago Metro Area	3	Matawin Ventures Trust Series 2016-2	\$2,718,018	35.80	47.39
110	National Vacant Florida	6	Matawin Ventures Trust Series 2016-2	\$3,250,000	52.82	63.03
111	National Wells	2	Bayview Acquisitions, LLC	\$114,803,890	49.79	56.55
112	National Mixed 1	3	Matawin Ventures Trust Series 2016-2	\$51,760,019	47.38	54.18
113	National Mixed 2	3	Rushmore Loan Management Services, LLC	\$34,659,734	43.87	50.80
217	NSO Mid Atlantic	2	Bayview Acquisitions, LLC	\$25,638,342	55.40	62.60
218	NSO Mixed IL,IN,OH	1	NO AWARD	NO AWARD	24.31	29.21
219	NSO Mixed NY and NJ 1	3	Bayview Acquisitions, LLC	\$58,921,306	50.31	51.72
220	NSO Mixed NY and NJ 2	1	Bayview Acquisitions, LLC	\$59,670,872	47.07	50.51
221	NSO North Central	1	Bayview Acquisitions, LLC	\$64,267,289	45.61	53.97
222	NSO Southern US	1	Bayview Acquisitions, LLC	\$55,305,449	56.05	64.44
223	NSO Western US	2	Bayview Acquisitions, LLC	\$24,889,306	59.01	61.98
304	NSO Non-Profit Baltimore MSA	1	NO AWARD	NO AWARD	33.68	39.97
305	NSO Non-Profit Chicago MSA	1	Hogar Hispano, Inc.	\$8,135,486	34.79	48.28
306	NSO Non-Profit NYC	1	NO AWARD	NO AWARD	28.88	26.90
307	NSO Non-Profit NYS	1	NO AWARD	NO AWARD	26.10	27.37
308	Non-Profit Set Aside	2	Community Loan Fund of New Jersey, Inc	\$8,378,306	47.39	56.91
	Total	41		\$646,543,940	48.80	54.80

Table 1 Sale Results

For the SFLS 2016-2 transaction, all pools with exception of 106, 218, 304, 306 and 307 were awarded. The bids for Pools 106, 218, 304, 306, and 307 were not awarded as the bids were below the reserve price.

2.2 Sale Timeline

The following table summarizes the critical path timeline for the SFLS 2016-2 transaction as described in the Participating Servicer Desk Guide.

SFLS 2016-2 Schedule of Dates	National and NSO 09/14/2016
Earliest BPO Order Date	6/16/2016
Sale Announcement Date	06/30/2016
SFLS Claims Submission Report Date	7/20/2016
Due Diligence Due Date	7/20/2016
BIP Release Date	08/15/2016
SFLS Claims Submission Report - Update Date	8/23/2016
Bid Date	09/14/2016
Earliest Anticipated Claim Submission Date	9/19/2016
Anticipated First Settlement Date	10/25/2016
Claims Submission Cut-Off Date	11/18/2016
Anticipated Second Settlement Date	11/28/2016
Latest Servicing Transfer Date	01/04/2017

Table 2 Sale Timeline

3 Lessons Learned by CLIN

3.1 CLIN 0001 Briefing Materials

The TS developed and delivered a briefing paper on the DASP Enhancements. Listed below are key lessons learned for this task:

Issue/Observation:

The DASP Enhancement announcement included language that stated, for the Non-Profit Set Aside pool, a bidder would only have to bid higher than the reserve price to be awarded the pool, which was later clarified.

Recommendation:

Given time constraints of this sale, the announcement was posted before discussing the impacts detailed in the DASP Enhancement briefing paper prepared by the TS and was not reviewed by all parties. Future announcements should be reviewed by all parties before posting to ensure accuracy.

3.2 CLIN 0002 Asset Sales Project Plan

The TS developed and delivered the Asset Sales Project Plan (“ASPP”), which identified the deliverables and key project requirements. The project plan also identified activity-level information for each task, and included a Quality Assurance (“QA”) and Quality Control (“QC”) Plan as an appendix to assist in monitoring and managing deliverables and activities over the course of the transaction. Listed below are key lessons learned for this task:

Issue/Observation:

The delay in the release of the timeline negatively impacted Participating Servicer (P-Servicer) participation. Two P-Servicers dropped from the sale after completing the PSA and ISA due to the time constraints.

Recommendation:

The timeline developed for future sales should take into consideration the actions of P-Servicers to ensure there is enough time for them to familiarize themselves with the content and address questions with the TS.

Issue/Observation:

Redlined version of Desk Guide was requested by two P-Servicers, but was not made available to identify the changes specific to SFLS 2016-2.

Recommendation:

For each DASP sale going forward, TS recommends to distribute the Redlined versions of PSA, ISA and Riders along with Desk Guide making it easier for P-Servicers to review the changes made.

3.3 CLIN 0003 Asset Portfolio Analytics

The SFLS 2016-2 transaction is viewed as producing mixed results regarding its success based upon:

- Positives;
 - Successfully offered and awarded the first non-profit set aside pool,
 - Successfully offered and awarded the first all vacant property National pools,
 - Multiple bids for all National pools.
- Negatives:
 - Five of the 20 pools were not awarded due to not meeting reserve prices including:
 - 1 of the 8 National pools offered,
 - 1 of the 7 NSO pools offered and
 - 3 of the 4 NSO Non-profit pools, excludes the set-aside pool.
 - Eight pools had only one bid including:
 - 4 of the 7 NSO pools and
 - 4 of the 4 NSO Non-profit pools had only 1 bid

- The total awarded bids (\$646.5 million) represented 103.9% of the reserve pricing which is a decline from the 139.8% achieved for ADPLS and from the 121.6% achieved for SFLS 16-1.

The Asset Portfolio Analytics report for the SFLS 2016-2 addressed a number of topic areas anticipated to be germane to then upcoming SFLS 2016-2, including:

- 1) Pool characteristic factors influencing bid level differences between National, NSO and NSO Non-profit pools,
- 2) Declining trend of SFLS Bids to BPO Values and Potential negative SFLS 2016-2 bid implications of the DASP Enhancements being introduced with SFLS 2016-2.
- 3) The potentially negative bid implications of the DASP Enhancements.

Issue/Observation:

With respect to bidder participation in SFLS 2016-2, the actual results reflect a slight increase in the number of bidders that qualified for SFLS 2016-2, 55 versus 54 qualified bidders in SFLS 2016-1.

There was an increase in the number of actual bidders for SFLS 2016-2 as compared to SFLS 2016-1. The change in qualified bidder count:

National: -6

NSO: +2

Non-Profit: +5

Description	SFLS 2016-1	SFLS 2016-2
Number of Qualified National Bidders:	41	35
Number of Qualified NSO Bidders:	10	12
Number of Qualified NSO Non-Profit Bidders:	3	8
Number of BTAFs:	12	19
Number of Actual Bidders:	12	18
Total Number of Bids Received:	41	41
Number of National Winning Bidders:	2	4
Number of NSO Winning Bidders:	3	1
Number of NSO Non-Profit Winning Bidders:	2	2

Table 3 SFLS 2016-2 Bidder/ Bid Metrics Sale Comparison

Lessons Learned: The previously raised concern that there may be declining market/ investor interest in ASO’s NPL sales was not supported by the results of SFLS 2016-2, based upon the number of participants at the auction (18 in SFLS 2016-2 vs. 12 in SFLS 2016-1). However, both sales received the same number of bids at 41 bids.

Issue/Observation:

The TS had anticipated in the SFLS 2016-2 Asset Portfolio Analytics report and associated loan level bid estimates that the SFLS 2016-2 loans would result in relatively lower bids to BPO for SFLS 2016-2 pools than obtained for SFLS 2016-1 pools. As anticipated the bids to BPO for SFLS 2016-2 were lower than SFLS 2016-1. However, although lower bids to BPOs were anticipated, the bid results for SFLS 2016-2 were materially lower than the TS' expected bids. As evidenced in the table below, there are noticeable differences between the actual high bid levels and the TS' estimated bid levels for each pool category i.e. National, NSO and NSO Non-Profit (excluding the set aside pool). Since the TS uses a consistent methodology for deriving its bid estimates, the spread between pool category total high bids to BPO and TS estimated bids to BPO suggested the possibility that bidders may be valuing the pool categories distinctly different as reflected by the following spreads between total category high bid to BPO minus estimated bids to BPO of:

National ~ -3.96%

NSO ~ -8.23% and

NSO Non-profit ~ -33.64%

Pool #	Pool Reference	Bid Est. to UPB	Bid Est. to BPO	High Bid	High Bid - Bid Est.	Est. Bid by Pool Category	High Bid by Pool Category	High Bid Category - Bid Est. Category
106	SFLS2016-2-National BofA & US Bank	43.41%	49.51%	43.41%	-6.10%			
107	SFLS2016-2-National Chase and MTB	50.22%	54.55%	52.42%	-2.13%			
108	SFLS2016-2-National NationStar and Ocwen	46.25%	53.26%	54.70%	1.44%			
109	SFLS2016-2-National Vacant Chicago Metropolitan Area	32.99%	43.67%	47.39%	3.72%			

Pool #	Pool Reference	Bid Est. to UPB	Bid Est. to BPO	High Bid	High Bid - Bid Est.	Est. Bid by Pool Category	High Bid by Pool Category	High Bid Category - Bid Est. Category
110	SFLS2016-2-National Vacant Florida	39.86%	47.56%	63.03%	15.47%			
111	SFLS2016-2-National Wells	57.02%	65.02%	56.55%	-8.47%			
112	SFLS2016-2-National Mixed 1	46.19%	52.82%	54.18%	1.36%			
113	SFLS2016-2-National Mixed 2	49.02%	56.76%	50.80%	-5.96%	56.35%	52.39%	-3.96%
217	SFLS2016-2-NSO Mid Atlantic	60.98%	68.90%	62.60%	-6.30%			
218	SFLS2016-2-NSO Mixed IL IN OH	54.47%	65.46%	43.40%	-22.06%			
219	SFLS2016-2-NSO Mixed NY NJ 1	59.71%	61.38%	51.72%	-9.66%			
220	SFLS2016-2-NSO Mixed NY NJ 2	51.64%	55.41%	50.51%	-4.90%			
221	SFLS2016-2-NSO North Central	53.86%	63.74%	53.97%	-9.77%			
222	SFLS2016-2-NSO Southern United States	58.98%	67.81%	64.44%	-3.37%			

Pool #	Pool Reference	Bid Est. to UPB	Bid Est. to BPO	High Bid	High Bid - Bid Est.	Est. Bid by Pool Category	High Bid by Pool Category	High Bid Category - Bid Est. Category
223	SFLS2016-2-NSO Western United States	63.43%	66.62%	61.98%	-4.64%	62.88%	54.65%	-8.23%
304	SFLS2016-2-NSO Non Profit Baltimore	57.90%	68.20%	41.70%	-26.50%			
305	SFLS2016-2-NSO Non Profit Chicago	44.71%	62.04%	48.28%	-13.76%			
306	SFLS2016-2-NSO Non Profit NYC	71.43%	66.52%	26.90%	-39.62%			
307	SFLS2016-2-NSO Non Profit NYS	63.71%	66.80%	28.44%	-38.36%	66.13%	32.49%	-33.64%

Table 4 SFLS 2016-2 High Bid Metrics by Pool

To test this relative different bid levels by pool type hypothesis, for National and NSO pools the TS compared the pool level bids to BPO made by Bayview as both a National and NSO bidder against the TS estimated bids to BPO, as reflected in the table below:

Pool #	Pool Name	Bayview Bid (%BPO)	Bid Est.	Bayview Bid - Est. Bid
106	National Bank of America and US Bank	43.41%	49.51%	-6.10%
108	National NationStar and Ocwen Pool	51.98%	53.26%	-1.28%
111	National Wells	56.55%	65.02%	-8.47%
112	National Mixed 1	46.37%	52.82%	-6.45%
113	National Mixed 2	46.66%	56.76%	-10.10%
217	NSO Mid Atlantic	62.60%	68.90%	-6.30%
219	Mixed NY and NJ	51.72%	61.38%	-9.66%
220	Mixed NY and NJ 2	50.51%	55.41%	-4.90%
221	NSO North Central	53.97%	63.74%	-9.77%
222	NSO Southern United States	64.44%	67.81%	-3.37%

Pool #	Pool Name	Bayview Bid (%BPO)	Bid Est.	Bayview Bid - Est. Bid
223	NSO Western United States	61.98%	66.62%	-4.64%

Table 5 Bayview as National and NSO bidder against TS estimated bids to BPO

Lessons Learned: Based on the above comparison between Bayview National and NSO bids and the TS bid estimates, the TS did not see any clear indication of a pool type distinction in the level of Bayview’s bids for National pools versus NSO pools. Additionally, the above comparison of Bayview to estimated bids comparison appears to refute the discussed possibility that limited competition for Bayview on NSO pools may be resulting in Bayview attempting to lower its NSO bids vis-à-vis its National bid levels.

Additionally, the historic SFLS relationship of NSO pools being awarded at a higher bid to BPO level than National pools held true for SFLS 2016-2 with the overall high bid to BPO for NSO pools being 2.26 points higher than the overall bid to BPO for National pools.

With respect to the NSO Non-profit pools, excluding the set aside pool, bid to BPO comparison to estimated bid to BPO, the overall pool category difference was 33.64 points and reflective of significantly lower bid levels on the NSO Non-profit pools than achieved for the National or NSO pools as also supported by the fact that 3 out of the 4 NSO Non-profit pools’ bids were significantly below the pool’s reserve price.

Issue/Observation:

Three NSO Non-profits pools, one National pool and one NSO pool were not awarded due to bids not meeting or exceeding the reserve prices.

Lessons Learned: With respect to pool 106, a review of the two bids submitted reveals that the bids for this pool were relatively close at 43.41% and 41.51% of BPO from Bayview and Canyon, respectively and as a result suggest to the TS that it was a pool characteristic or characteristics that resulted in the below reserve price bids. The TS had previously noted that pool 106 and pool 306, which is one of the NSO Non-profit pools that was not awarded, had noticeably high percentages of 2 to 4 unit property types than the other pools at 52.2% and 53.5%, respectively. In addition to this high percentage of two to four unit properties, pool 106 also had the third lowest pool average UPB at \$132.8 thousand and fourth lowest average BPO value at \$116.4 thousand. The combination of these relatively low average UPB and BPO value with a high percentage of two to four unit properties is suspected to not be fully captured in the reserve pricing methodology. As reflected in the table below, pool 106, other than the vacant property pools, had the largest positive reserve price to BPO minus estimated bid to BPO difference at 2.75 points. Furthermore, considering that the actual high bid to BPO for this pool was about 6 points lower than the estimated bid to BPO, suggests to the TS that the TS needs to further refine its methodology to be more conservative for two to four unit properties.

Pool Name	Reserve/ BPO	Bid Est. to BPO
SFLS2016-2-National Bank of America and US Bank-106	52.26%	49.51%
SFLS2016-2-National Chase and MTB-107	52.24%	54.55%

SFLS2016-2-National NationStar and Ocwen Pool-108	52.86%	53.26%
SFLS2016-2-National Vacant Chicago Metropolitan Area-109	47.39%	43.67%
SFLS2016-2-National Vacant Florida-110	56.19%	47.56%
SFLS2016-2-National Wells-111	53.28%	65.02%
SFLS2016-2-National Mixed 1-112	53.33%	52.82%
SFLS2016-2-National Mixed 2-113	50.80%	56.76%
SFLS2016-2-NSO Mid Atlantic-217	55.88%	68.90%
SFLS2016-2-NSO Mixed IL, IN, OH-218	49.24%	65.46%
SFLS2016-2-NSO Mixed NY and NJ 1-219	50.68%	61.38%
SFLS2016-2-NSO Mixed NY and NJ 2-220	49.54%	55.41%
SFLS2016-2-NSO North Central-221	51.93%	63.74%
SFLS2016-2-NSO Southern United States-222	58.03%	67.81%
SFLS2016-2-NSO Western United States-223	61.98%	66.62%
SFLS2016-2-NSO Non Profit Baltimore MSA-304	53.15%	68.20%
SFLS2016-2-NSO Non Profit Chicago MSA-305	42.54%	62.04%
SFLS2016-2-NSO Non Profit NYC-306	43.66%	66.52%
SFLS2016-2-NSO Non Profit NYS-307	40.01%	66.80%

Table 6 Reserve Price against Bid Estimate

With respect to pool 218, which had only one bid from 25 Capital of 43.4% of BPO, the failure to award this pool is felt to be primarily due to Bayview being blocked from bidding on this pool. A comparison of 25 Capital bids to Bayview bids, as are available for pools 217 and 219, indicate that 25 Capital bids much more conservatively than Bayview with 25Capital being 26.9 points behind Bayview’s bid for pool 217 and 13.6 points back for pool 219. An increase of 6 points to 25 Capital’s bid for pool 218 would have exceeded the reserve price for pool 218.

PoolName	Bid (%BPO)	Bid Diff
SFLS2016-2-NSO Mid Atlantic-217	62.6	
SFLS2016-2-NSO Mid Atlantic-217	35.74	26.86
SFLS2016-2-NSO Mixed NY and NJ 1-219	51.72	
SFLS2016-2-NSO Mixed NY and NJ 1-219	38.16	13.56

Table 7 Comparison of 25 Capital bids to Bayview bids for Pools 217 and 219

With respect to the NSO Non-profit pools that were not awarded, pools 304, 306 and 307, as stated previously these “no awards” are felt to be caused by uncompetitive bidding levels offered by non-profits and ULGs vis-à-vis National or NSO (for profit) bidders.

Issue/Observation:

Eight of the 11 NSO and NSO Non-profit pools had only one bid per pool which has previously been recognized by the TS as increasing the risks of a no trade as well as potentially diminishing the competitiveness of bids received.

Company Name	Pool Reference	Bid (%BPO)	High Bid Diff
Bid Estimate	106	49.51%	
Bayview Acquisitions, LLC	106	43.41	
Carlsbad Funding Mortgage Loan Acquisition, L.P. (Canyon Partners)	106	41.51	1.90
Bid Estimate	107	54.55%	
Rushmore Loan Management Services LLC (Roosevelt)	107	52.42	
Upland Mortgage Acquisition Company II, LLC	107	49.12	3.30
Carlsbad Funding Mortgage Loan Acquisition, L.P. (Canyon Partners)	107	48.46	3.96
Rushmore Loan Management Services LLC (Roosevelt)	108	54.7	
Bid Estimate	108	53.26%	
Bayview Acquisitions, LLC	108	51.98	2.72
Matawin Ventures Trust Series 2016-2	109	47.39	
Bid Estimate	109	43.67%	
Hogar Hispano, Inc.	109	26.13	21.26
25 Capital Residential Mortgage Opportunities Master Fund, LLC (25 Capital Partners)	109	17.6	29.79
Matawin Ventures Trust Series 2016-2	110	63.03	
LongVue Mortgage Capital	110	61.59	1.44
Home Saver Fund Management, LLC (Paladin Strategic Partners)	110	61.1	1.93
AMIP Management, LLC	110	60.92	2.11
Avail Holding LLC	110	48.87	14.16
Bid Estimate	110	47.56%	
Corona Asset Management XVIII, LLC (HMC Assets)	110	35.22	27.81
Bid Estimate	111	65.02%	
Bayview Acquisitions, LLC	111	56.55	

Company Name	Pool Reference	Bid (%BPO)	High Bid Diff
Carlsbad Funding Mortgage Loan Acquisition, L.P. (Canyon Partners)	111	48	8.55
Matawin Ventures Trust Series 2016-2	112	54.18	
Bid Estimate	112	52.82%	
Rushmore Loan Management Services LLC (Roosevelt)	112	51.4	2.78
Bayview Acquisitions, LLC	112	46.37	7.81
Bid Estimate	113	56.76%	
Rushmore Loan Management Services LLC (Roosevelt)	113	50.8	
Bayview Acquisitions, LLC	113	46.66	4.14
Stanwich Mortgage Acquisition Company VI, LLC	113	39.54	11.26
Bid Estimate	217	68.90%	
Bayview Acquisitions, LLC	217	62.6	
25 Capital Residential Mortgage Opportunities Master Fund, LLC (25 Capital Partners)	217	35.74	26.86
Bid Estimate	218	65.46%	
25 Capital Residential Mortgage Opportunities Master Fund, LLC (25 Capital Partners)	218	43.4	NA
Bid Estimate	219	61.38%	
Bayview Acquisitions, LLC	219	51.72	
25 Capital Residential Mortgage Opportunities Master Fund, LLC (25 Capital Partners)	219	38.16	13.56
Community Loan Fund of New Jersey, inc.	219	26.58	25.14
Bid Estimate	220	55.41%	
Bayview Acquisitions, LLC	220	50.51	NA

Company Name	Pool Reference	Bid (%BPO)	High Bid Diff
Bid Estimate	221	63.74%	
Bayview Acquisitions, LLC	221	53.97	NA
Bid Estimate	222	67.81%	
Bayview Acquisitions, LLC	222	64.44	NA
Bid Estimate	223	66.62%	
Bayview Acquisitions, LLC	223	61.98	
BIDCO I LLC	223	31.51	30.47
Bid Estimate	304	68.20%	
Hogar Hispano, Inc.	304	41.7	NA
Bid Estimate	305	62.04%	
Hogar Hispano, Inc.	305	48.28	NA
Bid Estimate	306	66.52%	
Preserving City Neighborhoods HDFC	306	26.9	NA
Bid Estimate	307	66.80%	
SONYMA Community Restoration Fund	307	28.44	NA

Table 8 Bids

Lessons Learned: As reflected in the table above 4 of the 8 single bid pools were not awarded. However, as pointed out previously 3 of these single bid pools were NSO non-profit pools with bids represented by 3 different non-profit or ULG organizations. None of the non-profit/ ULG bids for the non-awarded pools came close to meeting the respective pool's reserve price with the highest bid to reserve price being 78.5% for pool 304, the NSO Non-profit Baltimore pool. As a result, the TS surmises that if the other non-profit / ULG bidders had bid on other pools and thereby increased the number of bids per pool, these pools still would not have been awarded.

With respect to the single bid NSO (for profit) pool, 218, as explained previously this single bid result is felt to be primarily attributable to the known situation of Bayview, a proven to be reliable and competitive NSO bidder, being blocked from bidding on this pool. As pointed out in the TS' Sales Strategy Addendum, the number of qualified bidders for NSO pools is a smaller population than National bidders and as a result blocking a proven successful bidder out from bidding on an NSO pool further reduces the number of potential bidders for that pool.

With respect to the other single bid pools, all NSO pools and all bid on by Bayview, as previously stated the TS did not see evidence that this lack of competitive of bidding resulted in materially lower bids than Bayview’s bids on more competitively bid pools. However, the TS recognizes and is concerned about the increasing dependency of successful NSO pool awards on Bayview’s participation as a NSO bidder. There were a total of 4 NSO pool bidders for SFLS 2016-2, 25 Capital, Bayview, Bidco and Community Loan Fund. For the NSO pools that multiple bids were obtained, as reflected in the table above, the closest cover bid, pool 219, to Bayview’s winning bid was 13.56 points lower than Bayview’s bid and the furthest cover bid, pool 223, was 30.47 points lower than Bayview’s. To a degree this increasing NSO dependency on Bayview is felt to be primarily attributable to the attrition of Pretium as an NSO bidder due to the TS understanding of a combination of alternative supply being available from the Enterprises and SFLS program features deemed unattractive to Pretium e.g. high fallout and untimely breach repurchase process.

Additionally, the TS is concerned that “capital constraints” may be reducing the level of competitive bidding for the NSO pools as evidenced by the fact that Bayview was the only NSO qualified bidder that bid on every NSO pool that Bayview was eligible to bid on i.e. Bayview was blocked from bidding in pool 218. 25 Capital, the next most active NSO bidder for SFLS 2016-2, only bid on 3 of the 7 NSO offered pools while the other 2 NSO bidders, Community Loan Fund and Bidco, only bid on one pool each.

Issue/Observation:

SFLS 2016-2 introduced and successfully offered the first non-profit set aside pool which allowed for non-profits or ULGs to select a minimum of 25 loans and a maximum of 5% of a National pool’s, pool 111, loan count.

Company Name	Pool Reference	Bid (%BPO)
Bayview Acquisitions, LLC	111	56.55
Canyon Partners	111	48
Community Loan Fund of New Jersey, Inc.	308	56.91
Southside NSP Trust 2016-1	308	53.70

Table 9 SFLS 2016-2 Non-Profit Set-Aside

As reflected in the table above, the winning bid to BPO for the National non-profit set aside pool, 308, was higher than the associated remaining National pool’s, 111, bid to BPO.

Lessons Learned: The National non-profit set aside approach to providing non-profits and ULGs a greater opportunity to participate in DASP is viewed by the TS as being a superior to that of the NSO non-profit only pool approach. First, the winning bid to BPO obtained for the National non-profit set aside pool was comparable to (or higher than) the bids to BPO obtained from National for profit bidders. Second, the backstop award mechanism inherent in the National non-profit set aside pool approach of awarding the loans to the highest National for profit bidders reduces the risk of loans not being awarded as experienced on 3 of the 4 SFLS 2016-2 NSO Non-profit pools.

Issue/Observation:

SFLS 2016-2 introduced and successfully offered the first all “vacant property” pools. Vacant is defined as blank or “vacant” from either the BPO provider or the servicer. Vacant pools offered as part of SFLS 2016-2 were created in order to reduce the high percentage of vacant properties in National pools that is caused by allocating occupied properties to NSO pools to meet HUD’s targeted sale offering percentage for NSO pools i.e. 40% to 50% for SFLS 2016-2. Two vacant property pools were offered in SFLS 2016-2 and, as reflected in the table below, both pools had winning bids to BPOs that exceeded the TS estimated bids to BPO for those pools which was not the situation for many of the other pools’ estimated bids. Additionally, market interest in vacant property pools was evidenced by the number of bids obtained for these pools, 3 and 6, respectively for pools 109 and 110.

Pool #	Pool Reference	Bid Est. to BPO	High Bid	High Bid - Bid Est.
109	SFLS2016-2-National Vacant Chicago Metropolitan Area	43.67%	47.39%	3.72%
110	SFLS2016-2-National Vacant Florida	47.56%	63.03%	15.47%

Table 10 Vacant Property Pools

Lessons Learned: The successful offering of these two pools proved market receptivity for all vacant property pools which is viewed by the TS as a positive indicator for the success of a HECM vacant property pool offering.

3.4 CLIN 0004 Sales Strategy Report

The TS developed the Sales Strategy Report, which discussed the assets to be included in SFLS 2016-2 transaction and the reasons that the recommended sales structure will maximize asset value as well as enable HUD to achieve its relevant public policy goals. The report also reviewed current requirements in the capital markets for the sale of non-performing mortgage loans and current capital markets conditions. In addition, this report reviewed the types of assets that were to be included in SFLS 2016-2.

The below table outlines the pooling for the SFLS 2016-2 transaction (prior to drops):

Pool #	Pool Name	Count	Current UPB	Overall %
106	National BofA / US Bank	1,176	\$157,495,961	8.2%
107	National Chase / M&T	1,394	\$223,804,975	11.6%

108	National Nationstar / Ocwen	742	\$106,425,469	5.5%
109	National Vacant Chicago Metro	75	\$11,087,163	0.6%
110	National Vacant Florida	43	\$6,239,458	0.3%
111	National Wells (Set-aside Pool)	1,806*	\$317,039,376	15.6%
112	National Mixed 1	815	\$120,118,847	6.2%
113	National Mixed 2	579	\$83,783,832	4.4%
	National Total	6,540	\$1,010,143,111	52.5%
217	NSO Mid Atlantic	280	\$56,808,774	3.0%
218	NSO Mixed IL, IN, OH	580	\$76,272,807	4.0%
219	NSO Mixed NY / NJ 1	462	\$117,469,947	6.1%
220	NSO Mixed NY / NJ 2	614	\$147,402,934	7.7%
221	NSO North Central	1,355	\$162,817,315	8.5%
222	NSO Southern US	924	\$127,130,117	6.6%
223	NSO Western US	365	\$50,585,696	2.6%
	NSO Total	4,580	\$738,487,590	38.3%
304	NSO NP Baltimore MSA	91	\$16,052,649	0.8%
305	NSO NP Chicago MSA	206	\$35,082,727	1.8%
306	NSO NP NYC	182	\$75,319,494	3.9%
307	NSO NP New York State	200	\$34,721,538	1.8%
308	National Wells (NP Subpool)	TBD	TBD	0.8%
	NP Total	769	\$177,028,377	9.2%
	Grand Total	11,889	\$1,925,659,077	100%

Table 11 Pooling for the SFLS 2016-2 transaction

* While 1,310 notes were offered for Pool 111, 25 to 65 notes were offered as a separate Non-Profit sub-pool (Pool 308)

Issue/Observation:

HUD had a programmatic policy goal of achieving 40% to 50% of the loans being sold in the sale to be placed in NSO or NSO Non-Profit pools. Given this constraint and adjustments requested by HUD have resulted in potential bidders (that have won at prior SFLS auctions) being blocked from bidding on multiple pools (notably Stanwich an affiliate of Carrington).

Recommendation:

The TS will identify "blocked-bidders" and internally disseminate information regarding Servicers, Affiliated Bidders, Interested Investors, through the Pooling recommendations, and bidder system access process. The TS will work with ASO to avoid having historically active bidders being blocked from bidding a number of pools.

Issue/Observation:

The TS identified the following potential challenges for this sale in the sales strategy report:

- The number of servicing transfers per pool from previous sales increased in order to achieve HUD's objective of increasing the NSO pool percentage of the total. Based on feedback provided from past SFLS bidder surveys, multiple servicing transfers in many pools is an unattractive feature to bidders and may limit participation to bidders with the operational ability to economically manage multiple servicing transfers. Also, dealing with multiple servicers in a single pool, in the case of future repurchases, has also been identified from bidder surveys as an unattractive feature to some bidders.
- Negative press related to single family NPL transactions has discouraged some large bidders who have previously participated.
- New provisions introduced in the CAA added a level of uncertainty.
- Pools with high concentration of NY / NJ (with multiple servicing transfers) are being offered for the first time in a DASP sale and reflect the challenge posed to the DASP program to transfer the large volume of delinquent, FHA, NY / NJ pools in ASO's loan sale program in a cost-effective manner.
- The TS added multiple servicer vacant pools, a first, in an effort to manage the vacant properties percentage in other National pools and as was the case with NSO non-profit, will take time to develop capital sources to participate in DASP.

Recommendation:

The TS recommends limiting the number of servicing transfers per pool, to the extent possible, to encourage participation from more bidders in future sales as well as to improve bids. The TS is interested in re-introducing the topic of discussion of instituting a minimum number of loans to participate in the sale as a P-Servicer.

The TS recommends having a discussion on ways to mitigate the effects of negative press releases.

The TS recommends releasing the CAA as early in the sales cycle as possible to allow potential bidders the opportunity to review changes to the CAA and the impacts it may have to their investing strategy.

The TS recommends continuing to gather as much potential investor feedback as possible in future sales and take into account all bidders' feedback when creating the pools.

The TS recommends continuing the multiple servicer, geographically concentrated vacant pools in future sales as they both achieved the reserved price and Pool 110 was the most bid on pool in the auction. This new offering attracted a number of bidders that have never participated in the auction and is viewed as a large success.

The TS points out that the bidder interest obtained for the vacant pools is a positive indicator for the market's receptivity for HECM vacant property offerings.

Issue/Observation:

A number of bidders informed the TS that their financiers declined their capital backing at the last moment of this auction, which may have led to the lower bids on the above pools.

Recommendation:

The TS recommends continuing to gather as much potential investor feedback to ensure to attract a variety of potential investors when creating the pools.

Issue/Observation:

Excluding the non-profit set aside pool, 60% of the non-profit pools (3 out of the 5 pools) did not get awarded due to not meeting their reserve prices. However, the non-profit set aside pool's bid of 56.9% of BPO was reasonably close to the Nation Pool 111's awarded bid, excluding the set aside pool, of 56.6%.

Recommendation:

The TS recommends consideration of replacing non-profit only pool offerings with National set aside pool offerings. Based on the lower bid levels that have been received for non-profit only pools and the fact that if bids do not meet reserve levels these loans are not awarded, the TS is of the opinion that the non-profit set aside approach for offering pools to non-profits and ULGs is a more efficient process. The set aside approach offers numerous advantages to that of the non-profit only approach including:

- Allowing non-profits and ULG to select the investment amount, loan geographies, loan characteristics and participating servicers that the non-profits and ULGs are most interested in as opposed to the constraints imposed on these pooling considerations in forming non-profit only pools.
- The failure from a set aside pool not obtaining a bid that meets or exceeds reserve price is to award those loans to the winning National pool bidder as opposed to not awarding pools as is the case for non-profit only pools.
- The percentage of DASP loans directed towards non-profits or ULGs can be readily accommodated in the set aside process by increasing the maximum percentage of a pool's loan count that can be included in the set aside bid. Although the SFLS 2016-2 upper percentage of 5% is felt to be an appropriate threshold currently for NPL capital available from non-profits and ULGs, if greater demand is proven to exist this threshold could be adjusted up, to say, 7.5%.

Issue/Observation:

Based on the reduced number of bidders pursuing qualification for NSO pools, a situation has evolved in which Bayview has become the predominant bidder for NSO pools having won 86.2% of the NSO pools that Bayview has bid on since SFLS 2015-1.

Recommendation:

The TS recommends consideration of National pool offerings that require NSO outcomes albeit as a percentage of the number of occupied matched, servicer and BPO, loans contained in a pool and the elimination of the specific NSO pool qualification requirements.

Issue/Observation:

At the request of ASO, for SFLS 2016-2, the TS expended its outreach efforts to insurance companies and pension funds. The TS did not obtain any indications of interests from these expanded outreach efforts and provided an assessment on this effort to the ASO as part of a Sales Strategy Report Addendum.

Recommendation:

The TS recommends that outreach efforts focus on prospective bidders that have the management expertise, operational infrastructure and investment authority and capital in place to effectively invest in U.S., residential non-performing loans.

3.5 CLIN 0005 Marketing Plan

The TS developed the SFLS 2016-2 Marketing Plan, which outlined an efficient marketing strategy to address the specifics of the collateral contained in this particular transaction, and to communicate to potential participants:

- HUD and FHA’s current strategic goals in conducting the DASP and the auction;
- The announcement that an auction will occur and the requirements for participation;
- The rationale, parameters and structure of the sale and related agreements, including the Conveyance, Assignment and Assumption Agreement, the Interim Servicing Agreement and any associated riders;
- The characteristics of the loans, underlying properties and collateral documents offered in the auction;
- The effects of recently announced changes to the DASP program; and
- The value proposition inherent in the SFLS 2016-2 auction.

As a result of bidder outreach performed by the TS in marketing the SFLS 2016-2 transaction, bidder attrition experienced could be attributed to the following factors:

- **LoneStar**, a prior qualified bidder and repeat winner, elected not to bid due to attractiveness of conventional collateral and concerns about the negative press the SFLS auction process is receiving.

- A number of bidders informed the TS that their financiers withdrew or diminished their capital backing at the last moment of this auction, such as **Kondaaur Capital Corporation, Carrington, Community Loan Fund of New Jersey Inc., NSP Depositors and Hogar Hispano, Inc.**
- Concerns over quality of the collateral were cited by several bidders, notably **Bayview Acquisitions, LLC and Garrison Investment Group**, as a reason for not bidding or submitting bids that did not meet the reserve prices.
- Disinterest in the pooling strategy was also cited as a reason for not participating. **Pretium** and **HMC Assets** noted that their preference is for geographically concentrated pools, versus the larger national pools that were created.
- In a similar determination as Garrison, **Fortress** cited their experience with delays in the repurchase process and the associated costs, especially given the nature of the collateral in the SFLS 2016-2 transaction, as a deterrent from bidding. Fortress explained that the ongoing delay in repurchases increases holding costs and decreases the possible positive financial returns.
- **OHA Newbury Ventures** also expressed that they did not like the collateral at current market prices for NPL, stating that there were too many NY and NJ loans and they weren't comfortable with the risk and potential competition of the transaction.
- Delay in the release of the CAA, and lack of a "red-line version" discouraged some bidders, such as **Truman** and **Starwood Property Trust**, from placing bids. They felt there was inadequate time to review and evaluate potential bids prior to the sale date.

3.6 CLIN 0006 Bidder's Conference

On August 17, 2016, a Bidder's Conference was conducted to provide potential investors an overview of the HUD Single Family Note Sale program and an in-depth review of recent enhancements to the program

Specific objectives include:

- Educate potential bidders about the HUD single family notes sales process.
- Review and explain the announced enhancement to the note sale program.
- Facilitate introductions between Non Profits, Units of Local Government, Investment Firms, and other teaming members.

Issue/Observation:

A significant number of versions of the save the date and agenda were created as a result of staggered reviews and comments being provided.

Recommendation:

In order to eliminate the duplicative revisions noted above, the TS recommends that each member of a reviewing group distribute and review the document internally. Then, gather their collective comments in one version and send the proposed revisions and comments in one e-mail instead of a number of emails.

Issue/Observation:

HUD requested a change to the start time of the DASP Enhancements Seminar from 1pm to 11am after the save the dates were sent out to all potential investors. This created confusion amongst potential participants and resulted in some participants changing their travel plans.

Recommendation:

In order to eliminate the confusion noted above, the TS recommends that one schedule be approved and executed.

3.7 CLIN 0007 Pipeline Coordination and Loan Due Diligence Services

Aggregate Loan Database

The TS utilized an automated process for receiving data tapes (Excel files) from P-Servicers via Secure File Transfer Protocol (SFTP) that was developed prior to 2015-1 and enhanced throughout 2016-1 and SFLS 2016-2. With an updated ALD format layout and new edits in place, the TS was able to use the automated process, running validation checks upon receiving the data tape from the P-Servicer and generating detailed exceptions reports to be returned to P-Servicer for data corrections via email.

Preparing the ALD involves multiple phases, including:

P-Servicer Authorization:

TS prepared a SFTP folder for each P-Servicer to upload their data tape and due diligence images for this sale. Registration process for submitting data tapes was smooth for the most part and no major issues reported.

SFLS Claim Submission file

Most P-Servicers were already registered ahead of the Claims Submission Report deadline and they were able to submit their data tapes through the SFTP, as shown in Figure 1 below. Most of the P-Servicers did not have any issues uploading the data tape to the SFTP. A few P-Servicers (similar to past sales) like Bank of America, Chase and Citi were sending data tapes through secure email as they couldn't use Verdi's SFTP due to restrictions on their network firewall preventing them from connecting to the SFTP.

Phase 1: Collection Phase

Using the automated data format and edits checks allowed the TS to process and send the exceptions back to the P-Servicers within minutes.

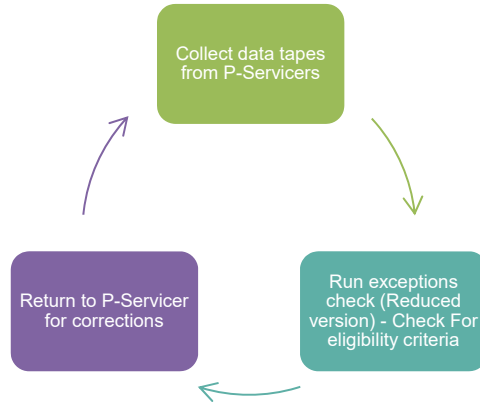


Figure 1: Data tape Submission Process

Phase 2: Process Drops

After the conclusion of Phase 1, a combined ALD file was generated and sent to be checked for Indemnification Agreements and SFDMS eligible codes, as shown in Figure 2.

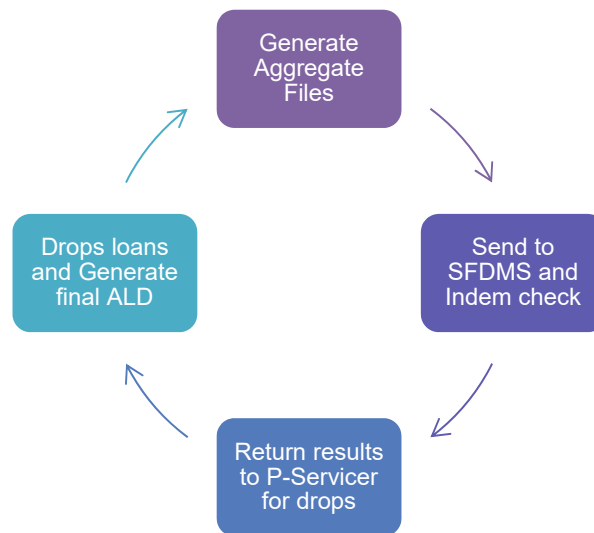


Figure 2: Drops Processing

A drops report with status code (reason for drop) was sent to P-Servicers for this sale and used to report any drops back to P-Servicers for final submission of ALD. The drops report continued to be very effective in addressing P-Servicers inquiries regarding drops.

Issue/Observation:

The SFDMS check was done on 7/26 with 850 cases dropped due to ineligible codes using June SFDMS data. A second SFDMS check was done on 8/1 with 8 cases dropped due to ineligible codes also using June SFDMS data. Servicers were notified of the drops together with claim ID report. Another run was done on 8/15 using July SFDMS data which resulted in 581 additional drops. Also 251 cases that failed the SFDMS check on 7/26 became eligible and we had to add

them back. This resulted in delay to go live scheduled date and due diligence images posting to the bidding system as some of the pools had to be updated due to 8/15 check.

Recommendations:

The TS recommends that the SFDMS check be done during the same month as the Claim Submission Report due date so that it is reflective of the SFDMS codes that would have been available to P-Servicers when the P-Servicers were assessing SFLS eligibility prior to the Claim Submission Report date.

Issue/Observation:

For SFLS 2016-2 certain loans were dropped from the Claim Submission Report population due to flooding in Louisiana. Similarly, for SFLS 2015-1 and SFLS 2016-1, loans were dropped for flooding in Texas and South Carolina respectively.

Recommendations:

To adopt as a sale ineligible reason loans in FEMA declared disaster areas.

Phase 3 Pooling, Claim ID Report

After the pooling is complete and the final ALD files were generated by pool, the Claim ID report and drops reports were generated and sent to each P-Servicer.

Due Diligence Materials

The TS worked closely with each P-Servicer to facilitate the submission of loan document images. An ICD was provided to P-Servicers as a guide for the requirements regarding the loans images, along with the Desk Guide. Participating Servicers were required to submit the images through the Verdi secured portal using an SFTP, as well as send the loans images via multimedia storages and discs by mail. The TS guided the P-Servicers during the initial process and provided an enhanced IT support service through emails and phone calls.

The quality measures implemented by the TS for SFLS 2016-2 included a 100% check of loan documents, BPOs, payment histories and servicing comments files. This process included ensuring each loan had all 4 documents types, and performing an image check for the file size and page count of the images provided. The image check resulted in identifying some P-Servicers mortgage and collateral documents that were not compliant with the minimum required document(s) that need to be provided as per the Desk Guide. Some P-Servicers submitted the payment history and servicing comments as one batch file; the TS quality check consisted of parsing the file, and a check to ensure the date was available for each loan. The TS also conducts a 100% check of all files, this quality check is performed after the files are uploaded to the bidding system, this process validates that each loan has a BPO and loan documents. The TS additionally ensures that the combined (per pool per servicer) payment history and servicing comments contain all the pool loans.

For the P-Servicers provided images for different types of Loan files (collateral, mortgage, payment history, servicing comments and BPO images) in different formats and files extensions as a batch and individual files per loans, the TS implemented the latest technology to check,

convert and process the loans.

Issue/Observation:

Some P-Servicers (like Ocwen) provided the due diligence in small batches throughout a long period (on daily or Semi-daily basis), that causes a lot of confusion was a very time consuming process

As TS needed to follow up with their vendor to get the password for each batch and combine the daily images which some been delivered twice.

Recommendation:

The TS recommends encouraging P-Servicers to provide their due diligence as one batch to overcome the confusion and the time consuming follow up.

Issue/Observation:

Some P-Servicers (like Selene) provided the due diligence images in very large sizes despite the size limitation that been clearly specified in the ICD, such huge size of files (some reach 1GB per file) cause issues in the system when processing them.

Recommendation:

The TS recommends encouraging P-Servicers to comply with the size limitation specified in the ICD when submitting/preparing their due diligence images.

Issue/Observation:

For ALD supplement some servicers did not follow instructions by uploading loan updates and drops to the secure FTP and sending their updates by email instead. This created additional work for the TS and made it more challenging to ensure accuracy.

Recommendation:

The TS recommends creating separate interface control document for ALD supplement with detailed instructions on how to submit loan updates and drops and included with the desk guide.

Issue/Observation:

The email handle for SFLS 2016-2 was changed to verdiconsulting.net. In previous sales, the email handle was verdiassetsales.com. There was inconsistency in the sender when sending out email notifications to P-Servicers for PSA document submission.

Recommendation:

Going forward, TS will build in quality measures to validate the email address prior to sending out documents to P-Servicers to ensure that notifications are being sent from the correct email handle. In addition, notify P-Servicers of the new change to make sure they are aware of the new email handle.

Issue/Observation:

Quality on some of the PSA documents distributed was compromised as there was minimal time between the sale announcement and receiving the PSA documents from HUD ASO, and the distribution of these documents to the Participating Servicers.

Recommendation:

Prior to the Sale Announcement, TS should prepare draft Appendices and Exhibits to ensure the quality of PSA documents with time between the sale announcement and revising the PSA Documents and distribution of those documents. For example, the acceleration date should have been removed as a required field in the ICD (Appendix 9 in SFLS 2016-2 Desk guide). At the receipt of the final Desk Guide, TS should perform a quick edit check. Additionally the quality on the following items suffered as there was minimal time between the sale announcement and receiving the PSA Documents, and the distribution of these documents to the P-Servicers:

- At the time of PSA document distribution, any edits to Breach Template will reflect those from the previous sale, as the current sale CAA will not be available at the Sale Announcement.
- ICDs should be consolidated into one to correspond with PSA reference (i.e. Appendix 9).
- TS should have draft email templates ready to distribute (including PSA exhibits and appendices)

Issue/Observation:

P-Servicers submitted claim submission due diligence via encrypted secure files to individual email addresses as well as TS generic mailbox.

Recommendation:

TS will develop a protocol for claim submission due diligence material. P-Servicers submissions will be directed to TS generic mailbox, and just one designated member of TS team will be responsible for obtaining and following up on P-Servicers registration and passwords, and disseminate the information appropriately.

Issue/Observation:

TS mailbox was created for investor outreach; however designated TS team did not have correct mailbox permissions to that mailbox.

Recommendation:

Permissions to the mailbox will be tested by both the designated members and TS IT to ensure that the right party has the appropriate access and control. Measures will be put in place to ensure TS IT is alerted regarding permissions and access to the mailboxes, additionally designated TS members will have permission to the correct mailbox.

Issue/Observation:

The Interface control Document is provided to the Participating servicer should be consolidated and clear instructions should be provided to P-Servicers on Claim Submission Report and Update for ease of management and distribution.

Recommendation:

Going forward, improvements should be made to the ICD to include clarification on the instructions for Claim Submission Report. For example, P-Servicer should follow file naming convention clearly identifying the Servicer, date of submission, version, and the Sale ID for management and organization purposes.

ICD is provided to the P-Servicers as 1) ICD Claim Submission Report File Format, 2) ICD

Claim Submission Report File Format, 3) ICD Loan Files and 4) ICD Servicer Authorization Form. These documents should be consolidated into one file.

Issue/Observation:

SFLS 2016-2 Participating Servicer received an edit on loans secured by properties in Virgin Islands; however the PSA did not include criteria for these loans.

Recommendation:

PSA should establish criteria for inclusion or alternatively exclusion of loans secured by properties in the Virgin Islands. HUD ASO to review and consider establishing criteria.

Issue/Observation:

TS performed duplicative QCs on due diligence materials because unexpected servicer drops and changes occurred to the ALD late in the sale cycle.

Recommendation:

Going forward, due diligence material should be as final as possible before being sent to the QC reviewer to eliminate duplicative reviews.

Issue/Observation:

There was a delay with the ASO delivery of SFLS 2016-2 legal documents.

Recommendation:

The TS recommends ensuring that all parties confirm all deadlines that apply to them, prior to finalizing the Asset Sale Project Plan and timeline. This would allow bidders to review the legal documents in detail and have reasonable time to properly execute and work with the TS on any identified non-conforming issues.

Issue/Observation:

Qualified Bidders found errors in the ISA for Wells and Carrington. This caused delays in bidders submitting legal documents.

Recommendation:

The TS recommends all parties involved in reviewing P-Servicers documents to do a very thorough review. This in-detail review is to avoid the time delays associated with having qualified bidders redo documents.

3.8 CLIN 0008 Repurchases

The TS continued to receive and track repurchase requests from winning bidders starting with SFLS 2014-2, as well as track completed repurchases. The TS continued to develop the monthly Repurchase Status Report and deliver to ASO monthly.

Issue/Observation:

Due to investors submitting multiple repurchase requests for the same loan, duplicate requests appeared in the Repurchase Status Report.

Recommendation:

The TS has developed a centralized repository for uploading bidder repurchase requests and supporting documentation, as well as servicer rebuttals, Breach Notification System, thus removing the manual email practice from the process and removing the ability of the investors to submit multiple requests for the same breach on the same loan. The TS suggests moving all repurchases to this system as soon as possible.

3.9 CLIN 0009 Bid Package, Bidder Qualification and Supplements

The TS developed the Bidder Information Package (“BIP”) and accompanying six BIP Supplements to provide qualified bidders with instructions for the SFLS 2016-2 transaction. The TS worked with bidders to complete qualification paperwork.

Issue/Observation:

The final BIP supplements listed the incorrect email address in the bidder instructions for submitting legal documents. Bidders were confused as to where to send the legal documentation because the BIP supplements listed previous loan sales’ email addresses.

Recommendation:

TS recommends a two tier review performed by designated TS members prior to posting of supplements to the Verdi Asset Sales site to ensure that everything posted online is accurate. One email address for documentation submission should be used to provide consistency.

Issue/Observation:

The TS prepared and PFA and ASO approved Bidder Instructions part of the BIP, incorrectly listed ADPLS on the cover page which caused confusion for bidders.

Recommendation:

TS will re-evaluate and develop improved quality check lists to update documents and ensure all information is accurately reflected for each sale.

Issue/Observation:

The HUD Office of General Counsel was reviewing potential changes to the Conveyance of Assignment and Assumption Agreement (“CAA”), which led to a protracted delay in the release of the CAA. This delay affected bidder interest and participation in the sale.

Recommendation:

The TS recommends ensuring that all parties confirm all deadlines that apply to them, prior to finalizing the Asset Sale Project Plan and timeline. This would allow bidders to review the legal documents in detail and have reasonable time to properly execute and work with the TS on any identified non-conforming issues.

Issue/Observation:

Some Bidders upon review of the ALD data fields had requested clarifications on the explanation of the required fields. TS provided the SFLS 2016-2 File Submission Layout as part of the BIP supplement to provide clarification to all Bidders.

Recommendation:

TS recommends to include all the appropriate fields to the Data Dictionary for clear explanation of fields for future sales.

Issue/Observation:

Some of the Chase loans considered for SFLS 2016-2, were sub serviced by Carrington. For pools that contained these sub serviced loans, the document matrix listed the Chase riders and ISAs, but they should have solely listed the Carrington legal documents.

Recommendation:

The entity that signs the PSA is the entity that should be listed in the Document Matrix for riders, etc. The TS will implement verification for this process as part of the quality checklist going forward. TS shall also create a cross-walk of Servicers and Sub-Servicers that will also identify the entity with whom legal documents must be executed during bid preparation and when ALD/Pooling is prepared.

Issue/Observation:

Some P-Servicers and Potential Investors requested red-lined version of the legal documents to save time and quickly identify the terms that have changed from the last sale.

Recommendation:

TS recommends for HUD ASO to provide redlined and clean copies of the PSA, ISA, CAA and associated riders to save time for Servicers and Bidders.

Issue/Observation:

Some new bidders submitted bids incorrectly or had a number of technical issues with bid submission to Verdi asset sales bid room during bid day. TS provided phone support as well as email (Screen Shots) support for the bidders regarding bid submission on Bid Day

Recommendation:

TS recommends offering a tutorial on the Verdi Asset Sales bid room for new bidders. This tutorial should minimize the incorrect submission of bid forms on bid day.

Issue/Observation:

The Wells and Carrington ISA review issues (mentioned before) caused problems, for which a Supplement had to be provided to Bidders with corrected P-Servicer ISAs. The ISA's that were posted for Wells Fargo and Carrington were not executed accurately due to which both the Servicers were requested to send corrected ISA's prior to bid day. There were other bidders who were waiting on sending the completed legal documents due to this issue.

Recommendation:

The ASO/PFA review should be as thorough as possible so ensure that such issues shall not occur in the future sales.

3.10 CLIN 0011 Bid Evaluation Model

In 2016-2 a separate set aside Bid Evaluation Model (BEM) was developed to include the process of selecting the winner of the set aside pool. The Set aside BEM developed by Verdi Team (see Figure X for BEM Process) and tested thoroughly by the Verdi Team internally. The BEM was also independently tested by the PFA and ASO in the days prior to Bid Day. As part of Pre Bid testing, HUD ASO and PFA submitted test files by downloading the Bid Forms available in the system for the desired pools. There were few pools where multiple users (ASO and PFA) submitted the same bid percentages for a pool. The set aside BEM model appropriately generated the winners for the set aside pool. Also we ran the regular BEM after excluding the winner of the set aside pool to generate the winners list of the other pools. Both BEMs, The Set aside BEM and the regular BEM were sent to ASO and PFA users to validate their inputs and the results generated.



Figure 3 BEM Process

The Verdi Team performed rigorous testing on the BEM Results excel file prior to release of BEM to HUD ASO and PFA for testing. The additional Quality Control procedures have resulted in excellent results reducing the potential for errors on Bid Day. On Bid Day, there were no unresolved technical issues reported by the Bidders during the timing of 10:00AM – 1:00PM EST.

Issue/Observation:

There were delays experienced with the TS modification of the BEM to accommodate the Alternative Bidding process introduced in SFLS 2016-2 as the National non-profit set aside pool. These delays were associated with determining whether or not the BEM modifications were within the scope of the contract. As a result of the delays, the BEM modification, although successfully implemented for SFLS 2016-2, impacted the timing of BEM testing.

Recommendation:

Developing a more expedient protocol for addressing potential contract scope concerns would have reduced the BEM modification delays.

Issue/Observation:

Avail holding LLC submitted their BTAF late and we granted them access by 12:45PM. They called the technical line at 12:57PM saying they can locate the bid tab on the bidding system. We showed the bidder the location of the bid tab but it was too late to submit the bid form as the bid room was closed at 1PM. we received their bid by email and had to upload it to the system ourselves. Another Bidder LongVue Mortgage capital did not submit BTAF before 1PM and we did not grant them access but they sent their bid form by email and later sent the BTAF after 1PM. We had to upload the bid forms for both bidders manually. Late submission of the bid forms resulted in delays for generating the BEM and additional QA was required to insure data was uploaded correctly

Recommendation:

1. TS recommends bidders submit BTAF no later than 12PM. TS will grant access to bidders by 12:15PM and bidders will have enough time to find the bid tab (which is clearly documented in the bidder instructions) and submit bid forms and allow some time to resolve technical issues. TS will be granting bidding rights immediately after Bidder documentation review is complete.
2. TS recommends that bids submitted by email be rejected unless the bidder was unable to submit through the system due to a technical issue. Bidders sending bid form by email without completing the BTAF should not be allowed.

Issue/Observation:

During Fill or kill and BAFO bidders submitted their bid forms by email with one bidder sending their total percentage only without the bid form. This is deviation from the process defined in the bid day procedures of reopening the bid room to the bidders participating in fill or kill and BAFO and allow them to resubmit their bid forms through the bidding system resulting in additional manual work that had to be done by TS to upload the bids and QA to ensure bids were uploaded and assigned correctly.

Recommendation:

TS recommends using the bidding system for Fill or Kill and BAFO.

3.11 CLIN 0012 Bid Day Procedures

The TS Team updated the Bid Day Procedures for SFLS 2016-2 to capture the authorized participants, activities, documents, guidelines and processes to be utilized for the sale. Feedback and comments were received from ASO/PFA on Bid Day Procedures developed for SFLS 2016-1 sale. All identified logs as part of the Bid Day Procedures document were printed on Bid Day.

For SFLS 2016-2 sale, the Bid Day Procedures walkthrough was conducted on 9/12/16. Comments and feedback was implemented and discussion occurred on 9/13/16. The dry run of Bid Day was conducted on 9/13/16 and included all Bid Day participants – ASO, PFA and the TS.

Issue/Observation:

The TS was unable to verify the return of deposits to non-winners.

Recommendation:

The TS recommends that HUD reach out to non-winners to confirm if there are any deposit entries in the system. The TS will capture all return deposit emails for record keeping. ASO should provide TS the proof return wire after bid day upon returning the deposits to the unsuccessful bidders.

Issue/Observation:

The TS implemented a new process of adding Amendments to the Bid Day Procedures for the SFLS 2016-2.

Recommendation:

Edits and modifications to Bid Day Procedures (BDP) after the official release of BDP should be released as Amendments as this proved effective in capturing the changes made to BDP post the official review.

Issue/Observation:

Due to the truncated timeline for editing the award slides to accommodate the Non-Profit Set-Aside, initiative introduced for SFLS 2016-2 to increase the participation of Non-Profits, there were more manual inputs. This required more time for slide generation on Bid Day.

Recommendation:

TS will reconsider the existing software for generating award slides, with a focus on solutions that allow quick modifications to the existing framework to accommodate truncated timelines and sale related changes. Additionally TS will develop a template with fewer manual inputs for the NP Set Aside Award Slides.

Issue/Observation:

The Bid Day Procedures mentioned that the Loan Sale Authority should call the Successful Bidders. However, per ASO feedback, this will be changed back to the ASO Marketing Lead making the calls to successful Bidders. The TS internally did check the previous sales Bid Day Procedures to see where the change was made to BDP from ASO Marketing Lead to Loan Sale Authority. The change was made for the ADPLS upon recommendation from PFA/ASO.

Recommendation:

The TS is to check with ASO/PFA to confirm the changes made to Bid Day Procedures, so there is no confusion on the roles/activities assigned to each personnel.

3.12 CLIN 0013 Bid Day Execution Tasks

Bid Day (09/14/16)

Issue/Observation:

A number of Bidders requested confirmation that their bid deposit was received by the Treasury. However, the TS was unable to verify this request as Treasury Report is provided to TS on the morning of bid day.

Recommendation:

For future sales, the TS suggests a request to the Bidders to input the Federal Reference number and other pertinent details in the Bidding system. To provide further information on whether the wire was received or not, TS will draft procedures upon understanding the feedback received from Treasury once a deposit has been made by the Bidder.

Issue/Observation:

There were a few bidders who submitted Bid Day Bid Forms via email to TS and ASO..

Recommendation:

Bids should only be submitted by forms through the Bid Day portal. Bid Day Procedures should be updated to include procedures to process Bids. Bidder access for bid form submission after 12:30pm on Bid Day should be revised. In instances where there is a BAFO, or Fill or Kill, Bidder should resubmit their bids through the system.

Issue/Observation:

ASO suggested changes to the Non-Confirming/Technical/Document Issues. ASO Non-Conforming Tem member prepared Non-confirming memo whereas the TS prepared Concurrence Memo.

Recommendation:

Non-Conforming, technical and document issue logs will be revised and further detailed functional descriptions will be provided as part of Bid Day Procedures. The TS proposes to add more time to populate technical and document issue logs.

Issue/Observation:

There was a delay in printing enough copies of the award presentation to HUD. This led to TS taking few copies of the slides for HUD Senior leadership meeting.

Recommendation:

The TS will perform an Equipment Check on Printer and Toner prior to bid day and add additional supplies to ensure preparedness for bid day.

Issue/Observation

On Bid Day, during the 8:30 AM non-conforming meeting, the deposit log generated from the system was inaccurate, the report generated reflected the data from ADPLS. TS IT was contacted and they immediately provided the accurate report.

Recommendation:

Prior to sending the deposit information from the system on bid day, TS will take additional measures to verify the deposit data and bidders participating.

Issue/Observation

On Bid Day, the bidders requested to submit the bid forms for Fill or Kill and BAFO via email, and requested to provide the bid amount for a pool as a total amount, rather than loan level bid amounts.

Recommendation:

For accountability and confidentiality purposes TS recommends that the bid forms should not be emailed, rather the bid room should be re-opened to those specific bidders to submit bid forms via Verdi bid portal. Additionally the bid amount applied as a percentage of a total amount at the loan level would have propagating effect on settlement amount. The Bid day Procedures should be reviewed to accommodate these changes incurred by Fill or Kill and BAFO process.

Post Bid Activities

Issue/Observation:

There were challenges downloading the legal documents from SharePoint to print out for HUD execution under the time constraints requested by HUD.

Recommendation:

The TS technical team is to provide zip files of the documents for the TS to download easily and print for future sales.

3.13 CLIN 0014 Claims and Settlements

The Settlement process includes activities to create MLS and Settlement Statements for winning bidders as part of two settlement dates provided by HUD. Please note that the lessons learned listed below relate to the Settlement process for ADPLS, as the SFLS 2016-2 Settlement process has not yet taken place.

Issue/Observation:

The SFLS 2016-2 CAA does not have an amendment to the Settlement Statement.

Recommendation:

CAA agreement is realized when countersigned by HUD ASO official. Settlement Statement should reflect this date. An amendment was created for Matawin for ADPLS First settlement as the Settlement Statement referenced the date to be the P-Servicer signed date.

Issue/Observation:

Applying a default 50% Bid Deposit towards calculating the net amount for a settlement on the Settlement Statement, as per the CAA is not always appropriate or correct.

Recommendation:

In the event that the bid deposit is greater than the settlement amount, only the settlement amount will be taken from the bid deposit and the remaining bid deposit will be held until the second settlement.

Issue/Observation:

At the time of settlements, large discrepancies in the UPB amount between the Claim Filing amount and Claim Submission Reports resulted from inaccurate reporting by P-Servicers.

Recommendation:

TS should perform an edit on claim submission report to identify any discrepancies and for follow up communication. As HUD ASO conducts settlements with the investor based on the percentage of the UPB, the difference should be captured so that HUD can follow up with the P-Servicer.

3.14 CLIN 0017 Advertising

The TS developed SFLS 2016-2 advertising templates to advertise the sale in the following publications:

- Asset Backed Alert
- Housing Wire
- Bloomberg Briefs
- DS News
- PR Newswire
- The Wall Street Journal

Issue/Observation:

Due to a delay in HUD approval of the advertising budget/templates, some ads ran later than expected as space was no longer available.

Recommendation:

The TS recommends obtaining HUD approval as early as possible to place the ads in order to run according to schedule.

4 Conclusion

Single family whole loans sales are a prudent and cost effective portfolio management tool used by HUD to manage its overall credit exposure. Loan sales enable HUD to achieve net recoveries. This is supported by the fact that the SFLS 2016-2 transaction resulted in forty - one (41) distinct bids and generated additional proceeds to HUD of \$24.4 million above its total portfolio reserve price for the 15 awarded pools. Fifteen (15) of 20 pools were awarded and all awarded bids were above the reserve price. The BAFO process for the SFLS 2016-2 transaction for five pools was not done through the system, and resulted in three additional bids.

The Verdi Asset Sales system has been very efficient throughout the sale and no unresolved technical issues were reported throughout the SFLS 2016-2 transaction. Bidders were able to download required files and bids were uploaded into the system without any major issues on Bid Day. Since the SFLS 2016-2 program achieved substantial scale in its first offering, the TS recommends that changes become part of fine tuning the current processes with recommendations mentioned in this report. The documentation, project plan, marketing plan and sales strategy report utilized for SFLS 2016-2 are comprehensive templates for executing the SFLS 2016-2 program going forward.

Overall, the SFLS 2016-2 transaction was well received by the Bidders based on their ongoing feedback. Based on the proceeds realized above reserve prices, the number of Qualified Bidders, the number of new Qualified Bidders, the number of actual Bidders and the depth of Bidders per pool for SFLS 2016-2, the TS recommends that HUD gives consideration to offering another SFLS transaction. The TS recognizes the positive influence that one Bidder had on the level of SFLS 2016-2 bids awarded. However, the winning bids produced for SFLS 2016-2 are anticipated to set bid expectations for a subsequent SFLS offering.

5 Exhibits

Non-Conforming Logs (09/14/16)

Document Issues				
Bidder ID	Date Received	Transaction Specialist (TS) Comments	PFA Review Comments	Non-Conforming Team Comments
1	9/14/2016	Bidder has qualified for the sale with confidentiality agreement and qualification statement. Bidder was authorized (sent in the proper legal docs) for certain pools. Bidder wanted authorization to bid for a new pool. TS received the legal documents for the new pool at approx. 12:30pm The TS was in 2nd level review of new legal documents as of 1PM. Bidder's new legal documents were pushed back to him b/c of errors at 1:49pm. The TS has now received updated legal documents at 3:15pm and currently approves of the documents (ready to send to PFA).		
2	9/14/2016	Bidder has qualified for the sale with confidentiality agreement and qualification statement. TS received legal documents at 12:22pm and 12:45 pm from bidder. Bidder legal documents were in 2nd review with TS as of 1PM. The documents are approved now and ready to be sent to PFA.		
3	9/14/2016	Bidder has qualified for the sale with confidentiality agreement and qualification statement. TS received legal documents at 12:40pm. TS informed bidder at 12:49pm that no BTAF and BAUF was included in the legal document submission. TS still had not received the BTAF and BAUF by 1pm. The other legal documents submitted were in 1st review with TS at 1pm. TS has since received the BTAF and BAUF at 2:45 PM. Legal Documents will need to be pushed back to bidder due to mistakes in them. Bidder submitted bid via email (despite not having completed BTAF and BAUF) to the TS at the HUDSales@Verdiassetsales.com email address 1:00pm. Deposit Reference # 20160914J1Q504C001898.		

Technical Issues

1	9/14/2016	Bidder sent email at 12:59pm saying it has no federal reference number or confirmation back from a bid deposit on a Pool. .		Fed wire issue was resolved. TS bid day supervisor confirmed receipt of fed wire:#0914B1QGC02C006479.
1	9/14/2016	Bidder also emailed in a bid at 1:11PM for a certain pool to John Lucey, Phil, and Adam for a certain pool b/c of a guideline in the bidder instructions		Bidder's emailed bid was uploaded to bid system because bidder was making best effort to get bid in timely.
4	9/14/2016	Bidder has qualified for the sale with confidentiality agreement and qualification statement. Bidder was authorized by TS to bid on a certain pool. Bidder was looking at the wrong page and could not find out how to upload a bid on website and discussed with the TS at approx. 12:50PM to resolve. Bidder sent the bid forms to the TS at 1pm. Bidder had discussion with Khalil and resolved problem, but after 1pm.		Bid was sent to TS by the bid 1:00pm deadline. Bid was uploaded to the bid system.

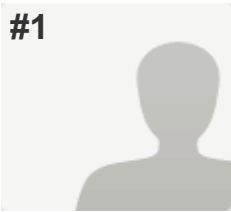
Non-conforming Issues

3	9/14/2016	At the time of the nonconforming committee meeting Bidder #3 was still correcting issues with legal documents (see document issues bidder #3 above). However by 1:00pm the TS still had not received the BTAF. At 1:00 pm Bidder submitted bid via email (despite not having completed BTAF) to the TS at the HUDSales@Verdiassetsales.com email address. Bidder also sent deposit as its fed reference number was confirmed: # 20160914J1Q504C001898.		Non-conforming committee presented the following strategy to the ASO Loan Sale Authority John Lucey: As the TS had a federal reference # verifying receipt of bidder's appropriate deposit and bid was submitted timely to TS, give permission to the TS to upload bid. Ask TS to contact bidder and give a deadline of 2:00 pm for receipt of BTAF. If this bidder was a winning bidder and the TS was not in receipt of the BTAF the nonconforming committee would meet again to discuss further resolution. It turned out this that bidder as not a winning bidder.
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Bidder Survey Questionnaire Responses

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#1

**COMPLETE**

Collector: Web Link 1 (Web Link)
Started: Friday, October 14, 2016 12:53:43 PM
Last Modified: Friday, October 14, 2016 1:02:14 PM
Time Spent: 00:08:30
IP Address: 108.184.92.41

PAGE 1

Q1: Bidder Information

Respondent's Name:	Carl Webb
Company:	Rock Creek Partners LLC
Email Address:	carl.webb@paladinsp.com

Q2: Did your firm submit a bid on any of the SFLS 2016-2 pools? Yes

Q3: Have you qualified for other HUD note Sales? Check all that apply. ADPLS Pools

Q4: Does your firm participate in other non-performing loan sales? Check all that apply. Fannie Mae, Freddie Mac

Q5: How did you learn about HUD's SFLS 2016-2? Check all that apply. HUD Asset Sales Office website, Verdi Asset Sale website, Transaction Specialist email

Q6: What SFLS 2016-2 Pool types interested your firm? Check all that apply. National, National Vacant Properties, NSO NP Set-Aside

Q7: What is your Firm's level of interest in large national, diversified single servicer NSO pools? Minimal

Q8: Was the due diligence period for SFLS 2016-2 sufficient? Appropriate

Q9: Were the due diligence data and documents for SFLS 2016-2 Sufficient? Yes

Q10: Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner? Yes

Q11: Did you view the terms of the CAA as reasonable? Yes

Q12: Did you view the terms of the CAA riders as reasonable? Yes

Q13: Did you view the terms of the ISA as reasonable? Yes

Q14: Did the new DASP enhancements below, influence your decision not to bid?

Principal Reduction/Capital Arrearage Forgiveness - None
Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.

Payment Shock Protection - FHA limited modification None
interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).

Walk-Away Prohibition - Effective with SFLS 2016-2, FHA None
prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.

Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - None
This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.

Q15: If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments: *Respondent skipped this question*

Q16: Did pool size influence your decision not to bid? Significantly

Q17: Were the National pool sizes? Too large

Q18: If applicable to your firm, were the NSO pool sizes? *Respondent skipped this question*

Q19: If applicable to your firm, were the NSO Non-Profit pool sizes? *Respondent skipped this question*

Q20: If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes? *Respondent skipped this question*

Q21: What is your firm's preferred pool size? <\$25M

Q22: Did the number of servicers per pool influence your decision to bid None

Q23: What do you recommend as the maximum number of servicers per pool? Indifferent

Q24: What do you recommend as the minimum number of loans per servicer per pool? Indifferent

Q25: What do you consider to be more important? Minimum number of loans per servicer per pool

Q26: Did the pools' loan geographic areas influence your decision to bid? Significantly

Q27: Did the percentage of vacant properties influence your bidding? Positively

Q28: What is your firm's level of interest in pools of vacant or unknown occupancy notes? Significant

Q29: Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?

As buyers I'd focus in on Florida, Carolina's, Nevada, Arizona, Colorado

These are some of the higher demand growing values.

But I'd say we can buy in most other states but would just pay less.

I think if they break this into smaller pools at say 5 to 10 million it won't all go to one huge buyer and we have a better shot at winning

I'd say the 100k plus are the most valuable and re sale able along with the more populated areas with jobs

Q30: Were the pools' loan characteristics compositions appropriate?

yes

Q31: What changes, if any, to pool loan characteristics would you recommend for future sales? *Respondent skipped this question*

Q32: Is your firm interested in participating in future SFLS transactions? Yes

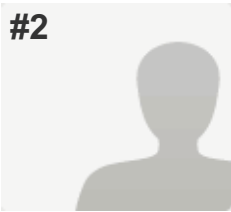
Q33: Are there any recommendations or changes you would like to have considered for SFLS offerings?

see above

Q34: If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Name: Carl Webb
 Email address: carl.webb@paladinsp.com
 Phone number: 212-488-5383

#2

**COMPLETE****Collector:** Web Link 1 (Web Link)**Started:** Friday, October 14, 2016 2:30:17 PM**Last Modified:** Friday, October 14, 2016 2:37:12 PM**Time Spent:** 00:06:54**IP Address:** 64.129.230.178

PAGE 1

Q1: Bidder Information

Respondent's Name:	Michael Daurio
Company:	Kondaur Capital Corporation (Matawin Ventures)
Email Address:	mdaurio@kondaur.com

Q2: Did your firm submit a bid on any of the SFLS 2016-2 pools? Yes

Q3: Have you qualified for other HUD note Sales? Check all that apply. DASP National Pools, DASP NSO Pools, ADPLS Pools

Q4: Does your firm participate in other non-performing loan sales? Check all that apply. Fannie Mae, Freddie Mac, Private Sellers

Q5: How did you learn about HUD's SFLS 2016-2? Check all that apply. HUD Asset Sales Office website, Other

Q6: What SFLS 2016-2 Pool types interested your firm? Check all that apply. National, National Vacant Properties

Q7: What is your Firm's level of interest in large national, diversified single servicer NSO pools? Minimal,
Comments:
The 50% point system has proven to be problematic to our business processes.

Q8: Was the due diligence period for SFLS 2016-2 sufficient? Too Short,
Comments:
It is in between Appropriate and too short. It is not bad, but 4 to 6 weeks is best.

Q9: Were the due diligence data and documents for SFLS 2016-2 Sufficient? Yes

Q10: Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner? Yes

Q11: Did you view the terms of the CAA as reasonable? No,
Comments:
Should put it out when data tape is posted.

Q12: Did you view the terms of the CAA riders as reasonable?	Yes
Q13: Did you view the terms of the ISA as reasonable?	No, Comments: Need to ensure servicers are not advancing funds at their discretion and are forced to do 2 servicing transfers in a timely manner (30 days)
Q14: Did the new DASP enhancements below, influence your decision not to bid?	
Principal Reduction/Capital Arrearage Forgiveness - Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.	None
Payment Shock Protection - FHA limited modification interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).	None
Walk-Away Prohibition - Effective with SFLS 2016-2, FHA prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.	Minimally
Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.	Minimally
Q15: If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments:	<i>Respondent skipped this question</i>
Q16: Did pool size influence your decision not to bid?	Minimally
Q17: Were the National pool sizes?	Too large
Q18: If applicable to your firm, were the NSO pool sizes?	Too large
Q19: If applicable to your firm, were the NSO Non-Profit pool sizes?	<i>Respondent skipped this question</i>
Q20: If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes?	<i>Respondent skipped this question</i>
Q21: What is your firm's preferred pool size?	\$25<\$50M
Q22: Did the number of servicers per pool influence your decision to bid	None
Q23: What do you recommend as the maximum number of servicers per pool?	Indifferent

Q24: What do you recommend as the minimum number of loans per servicer per pool? Indifferent

Q25: What do you consider to be more important? Minimum number of loans per servicer per pool

Q26: Did the pools' loan geographic areas influence your decision to bid? Minimally

Q27: Did the percentage of vacant properties influence your bidding? None

Q28: What is your firm's level of interest in pools of vacant or unknown occupancy notes? Significant

Q29: Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?

We would be interested.

Q30: Were the pools' loan characteristics compositions appropriate?

yes.

Q31: What changes, if any, to pool loan characteristics would you recommend for future sales? *Respondent skipped this question*

Q32: Is your firm interested in participating in future SFLS transactions? Yes

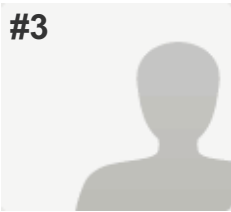
Q33: Are there any recommendations or changes you would like to have considered for SFLS offerings?

changing the 50% require for the NSO offerings. More national sales.

Q34: If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Name: Michael Daurio
 Email address: mdaurio@kondaur.com
 Phone number: 7143522010

#3

**COMPLETE****Collector:** Web Link 1 (Web Link)**Started:** Friday, October 14, 2016 12:41:46 PM**Last Modified:** Friday, October 14, 2016 2:54:52 PM**Time Spent:** 02:13:05**IP Address:** 4.28.131.162

PAGE 1

Q1: Bidder Information

Respondent's Name:	Janice Pecache
Company:	Rushmore Loan Management Services LLC
Email Address:	jpecache@rooseveltmc.com

Q2: Did your firm submit a bid on any of the SFLS 2016-2 pools? Yes

Q3: Have you qualified for other HUD note Sales? Check all that apply. DASP National Pools, DASP NSO Pools, ADPLS Pools

Q4: Does your firm participate in other non-performing loan sales? Check all that apply. Fannie Mae, Freddie Mac, Private Sellers

Q5: How did you learn about HUD's SFLS 2016-2? Check all that apply. Housing Wire, HUD Asset Sales Office website, Verdi Asset Sale website

Q6: What SFLS 2016-2 Pool types interested your firm? Check all that apply. National, National Vacant Properties, NSO

Q7: What is your Firm's level of interest in large national, diversified single servicer NSO pools? Significant,
Comments:
Single servicer transfers eliminate timeline frictions as well as borrower confusion/delays

Q8: Was the due diligence period for SFLS 2016-2 sufficient? Appropriate,
Comments:
Provided data is uploaded in a timely manner; when pools cohorts change quickly or massive data uploads are provided, it creates material drag on our ability to accurately price

Q9: Were the due diligence data and documents for SFLS 2016-2 Sufficient? Yes,
Comments:
Would be ideal to have more robust data sets included prior cash and delinquency counters, more robust mod data, partial claim info.

Q10: Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner?	Yes
Q11: Did you view the terms of the CAA as reasonable?	Yes
Q12: Did you view the terms of the CAA riders as reasonable?	Yes
Q13: Did you view the terms of the ISA as reasonable?	Yes
Q14: Did the new DASP enhancements below, influence your decision not to bid?	
Principal Reduction/Capital Arrearage Forgiveness - Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.	Minimally
Payment Shock Protection - FHA limited modification interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).	Minimally
Walk-Away Prohibition - Effective with SFLS 2016-2, FHA prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.	Minimally
Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.	Significantly
Q15: If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments:	
Would need to discuss how this could be done.	
Q16: Did pool size influence your decision not to bid?	None, Comments: We wouldn't mind seeing larger pool sizes.
Q17: Were the National pool sizes?	Right size
Q18: If applicable to your firm, were the NSO pool sizes?	<i>Respondent skipped this question</i>
Q19: If applicable to your firm, were the NSO Non-Profit pool sizes?	<i>Respondent skipped this question</i>
Q20: If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes?	<i>Respondent skipped this question</i>
Q21: What is your firm's preferred pool size?	>\$200M

Q22: Did the number of servicers per pool influence your decision to bid

Significantly,

Comments: Would prefer fewer servicers per pool

Q23: What do you recommend as the maximum number of servicers per pool?

3-5

Q24: What do you recommend as the minimum number of loans per servicer per pool?

31 to 40

Q25: What do you consider to be more important?

Number of servicers per pool

Q26: Did the pools' loan geographic areas influence your decision to bid?

Minimally

Q27: Did the percentage of vacant properties influence your bidding?

Neutrally

Q28: What is your firm's level of interest in pools of vacant or unknown occupancy notes?

Significant

Q29: Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?

Understanding if they are secured or not and timing around potential disposition ability assuming borrower contact is prohibited.

Q30: Were the pools' loan characteristics compositions appropriate?

Yes

Q31: What changes, if any, to pool loan characteristics would you recommend for future sales?

None

Q32: Is your firm interested in participating in future SFLS transactions?

Yes

Q33: Are there any recommendations or changes you would like to have considered for SFLS offerings?

Our transaction management department would prefer more than 2 business days to determine the final population prior to closing. For other transactions, we normally see minimum 5 business days and up to a week between the Final Population Determination Date and Settlement Date.

Q34: If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Name:

James Schneider

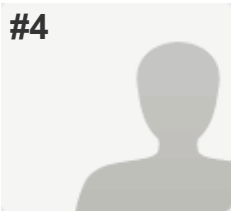
Email address:

jschneider@rooseveltmc.com

Phone number:

2129384822

#4

**COMPLETE****Collector:** Web Link 1 (Web Link)**Started:** Monday, October 17, 2016 1:53:15 PM**Last Modified:** Monday, October 17, 2016 2:00:39 PM**Time Spent:** 00:07:24**IP Address:** 184.176.130.44

PAGE 1

Q1: Bidder Information

Respondent's Name:	Marcos Morales
Company:	Hogar Hispano, Inc.,
Email Address:	mmorales@hogarhispanoinc.org

Q2: Did your firm submit a bid on any of the SFLS 2016-2 pools?	Yes
------------------------------------------------------------------------	-----

Q3: Have you qualified for other HUD note Sales? Check all that apply.	DASP National Pools, DASP NSO Pools, Dasp Non-profit Pools
-------------------------------------------------------------------------------	---------------------------------------------------------------

Q4: Does your firm participate in other non-performing loan sales? Check all that apply.	Fannie Mae, Freddie Mac, Private Sellers
-------------------------------------------------------------------------------------------------	------------------------------------------

Q5: How did you learn about HUD's SFLS 2016-2? Check all that apply.	HUD Asset Sales Office website, Verdi Asset Sale website
-----------------------------------------------------------------------------	-------------------------------------------------------------

Q6: What SFLS 2016-2 Pool types interested your firm? Check all that apply.	National, National Vacant Properties, NSO, NSO NP, NSO NP Set-Aside
------------------------------------------------------------------------------------	------------------------------------------------------------------------

Q7: What is your Firm's level of interest in large national, diversified single servicer NSO pools?	Significant
------------------------------------------------------------------------------------------------------------	-------------

Q8: Was the due diligence period for SFLS 2016-2 sufficient?	Appropriate
---------------------------------------------------------------------	-------------

Q9: Were the due diligence data and documents for SFLS 2016-2 Sufficient?	Yes
----------------------------------------------------------------------------------	-----

Q10: Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner?	Yes
---------------------------------------------------------------------------------------------------------------------------------------	-----

Q11: Did you view the terms of the CAA as reasonable?	Yes
--------------------------------------------------------------	-----

Q12: Did you view the terms of the CAA riders as reasonable?	Yes
---------------------------------------------------------------------	-----

Q13: Did you view the terms of the ISA as reasonable?	Yes
--------------------------------------------------------------	-----

Q14: Did the new DASP enhancements below, influence your decision not to bid?

Principal Reduction/Capital Arrearage Forgiveness - Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.	None
Payment Shock Protection - FHA limited modification interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).	None
Walk-Away Prohibition - Effective with SFLS 2016-2, FHA prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.	None
Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.	Significantly

Q15: If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments:

Respondent skipped this question

Q16: Did pool size influence your decision not to bid?	None
Q17: Were the National pool sizes?	Too large
Q18: If applicable to your firm, were the NSO pool sizes?	Right size
Q19: If applicable to your firm, were the NSO Non-Profit pool sizes?	Too Small
Q20: If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes?	Too small
Q21: What is your firm's preferred pool size?	\$25<\$50M
Q22: Did the number of servicers per pool influence your decision to bid	Minimally
Q23: What do you recommend as the maximum number of servicers per pool?	2
Q24: What do you recommend as the minimum number of loans per servicer per pool?	Greater than 50
Q25: What do you consider to be more important?	Minimum number of loans per servicer per pool
Q26: Did the pools' loan geographic areas influence your decision to bid?	Significantly
Q27: Did the percentage of vacant properties influence your bidding?	Neutrally

Q28: What is your firm's level of interest in pools of vacant or unknown occupancy notes? Minimal

Q29: Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?

Knowing if the occupant is the former owner or a squatter is important, when it comes to pricing the pool.

Q30: Were the pools' loan characteristics compositions appropriate?

Yes,

Q31: What changes, if any, to pool loan characteristics would you recommend for future sales?

none

Q32: Is your firm interested in participating in future SFLS transactions? Yes

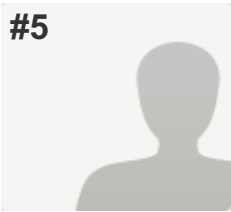
Q33: Are there any recommendations or changes you would like to have considered for SFLS offerings?

Better tracking of wire information.

Q34: If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Name:	Marcos Morales
Email address:	mmorales@hogarhispanoinc.org
Phone number:	6024551302

#5

**COMPLETE****Collector:** Web Link 1 (Web Link)**Started:** Tuesday, October 25, 2016 12:51:02 PM**Last Modified:** Tuesday, October 25, 2016 1:02:09 PM**Time Spent:** 00:11:06**IP Address:** 64.95.10.5

PAGE 1

Q1: Bidder Information

Respondent's Name:	Andrew Taffet
Company:	Carrington (Stanwich)
Email Address:	andrew.taffet@carringtoncap.com

Q2: Did your firm submit a bid on any of the SFLS 2016-2 pools? Yes

Q3: Have you qualified for other HUD note Sales? Check all that apply. DASP National Pools, DASP NSO Pools, ADPLS Pools

Q4: Does your firm participate in other non-performing loan sales? Check all that apply. Fannie Mae, Freddie Mac, Private Sellers

Q5: How did you learn about HUD's SFLS 2016-2? Check all that apply. Transaction Specialist email

Q6: What SFLS 2016-2 Pool types interested your firm? Check all that apply. National, NSO

Q7: What is your Firm's level of interest in large national, diversified single servicer NSO pools? Minimal

Q8: Was the due diligence period for SFLS 2016-2 sufficient? Appropriate

Q9: Were the due diligence data and documents for SFLS 2016-2 Sufficient? Yes

Q10: Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner? Yes

Q11: Did you view the terms of the CAA as reasonable? No,
Comments:
Mostly reasonable, but I'd really prefer to see the surcharge-able damage rep back in the CAA - running into a bunch of issues, especially in the ADPLS.

Q12: Did you view the terms of the CAA riders as reasonable? Yes

Q13: Did you view the terms of the ISA as reasonable? Yes

Q14: Did the new DASP enhancements below, influence your decision not to bid?

Principal Reduction/Capital Arrearage Forgiveness - Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.	Minimally
Payment Shock Protection - FHA limited modification interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).	Significantly
Walk-Away Prohibition - Effective with SFLS 2016-2, FHA prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.	Significantly
Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.	Minimally

Q15: If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments:

N/A

Q16: Did pool size influence your decision not to bid?	None
Q17: Were the National pool sizes?	Right size
Q18: If applicable to your firm, were the NSO pool sizes?	Right size
Q19: If applicable to your firm, were the NSO Non-Profit pool sizes?	Right size
Q20: If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes?	Right size
Q21: What is your firm's preferred pool size?	\$100M-\$200M
Q22: Did the number of servicers per pool influence your decision to bid	Minimally, Comments: Affected our bid price due to the additional costs of multiple transfers (times 2 for the multiple settlement dates)
Q23: What do you recommend as the maximum number of servicers per pool?	3-5
Q24: What do you recommend as the minimum number of loans per servicer per pool?	21 to 30
Q25: What do you consider to be more important?	Number of servicers per pool

Q26: Did the pools' loan geographic areas influence your decision to bid?

None

Q27: Did the percentage of vacant properties influence your bidding?

Neutrally,

Comments: Somewhat negative, but is what it is.

Q28: What is your firm's level of interest in pools of vacant or unknown occupancy notes?

Minimal,

Comments: Average.

Q29: Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?

Similar interest as was on this pool.

Q30: Were the pools' loan characteristics compositions appropriate?

Yes.

Q31: What changes, if any, to pool loan characteristics would you recommend for future sales?

No limits on mod/walk-aways.

Q32: Is your firm interested in participating in future SFLS transactions?

Yes

Q33: Are there any recommendations or changes you would like to have considered for SFLS offerings?

Same as mentioned above.

Q34: If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Name:

Andrew Taffet

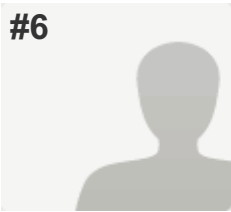
Email address:

andrew.taffet@carringtoncap.com

Phone number:

203-661-6186

#6

**COMPLETE****Collector:** Web Link 1 (Web Link)**Started:** Tuesday, October 25, 2016 1:45:13 PM**Last Modified:** Tuesday, October 25, 2016 2:07:22 PM**Time Spent:** 00:22:08**IP Address:** 74.87.20.67

PAGE 1

Q1: Bidder Information

Respondent's Name:	Louis Amaya
Company:	Southside Trust 2016-1
Email Address:	lamaya@nscm.us

Q2: Did your firm submit a bid on any of the SFLS 2016-2 pools? Yes

Q3: Have you qualified for other HUD note Sales? Check all that apply. DASP National Pools, DASP NSO Pools, Dasp Non-profit Pools

Q4: Does your firm participate in other non-performing loan sales? Check all that apply. Private Sellers

Q5: How did you learn about HUD's SFLS 2016-2? Check all that apply. Other

Q6: What SFLS 2016-2 Pool types interested your firm? Check all that apply. NSO NP, NSO NP Set-Aside

Q7: What is your Firm's level of interest in large national, diversified single servicer NSO pools? Significant

Q8: Was the due diligence period for SFLS 2016-2 sufficient? Appropriate

Q9: Were the due diligence data and documents for SFLS 2016-2 Sufficient? Yes

Q10: Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner? No,
Comments:
Riders came too late for one of my investors.

Q11: Did you view the terms of the CAA as reasonable? Yes

Q12: Did you view the terms of the CAA riders as reasonable?

No,

Comments:

The language regarding the ability for HUD to rescind NSO credits for sale to an NSP, 1st look and gift eliminates those exits and eliminates non-profits ability to participate in those exits downstream. If there is an issue with the outcome provider in managing to their business plan, the seller should not be penalized. Because of not using best efforts in executing the business plan, HUD should be able to not allow that NSO outcome provider from further deals, but not rescind credits already given. If HUD approved the NSO outcome provider for a transaction, the seller should not be penalized a few years down the road if HUD determines the outcome provider is not using best efforts to execute the business plan. Please make this change so non-profits can participate downstream. I spoke to all the winners of NSO loans and none will engage non-profits on the 1st look, gift or sale to an NSP because of the recession language.

Q13: Did you view the terms of the ISA as reasonable?

Yes

Q14: Did the new DASP enhancements below, influence your decision not to bid?

Principal Reduction/Capital Arrearage Forgiveness - Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.

None

Payment Shock Protection - FHA limited modification interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).

None

Walk-Away Prohibition - Effective with SFLS 2016-2, FHA prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.

None

Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.

None

Comments:

In regards to the set aside, more non-profits should be able to win pools especially if the pool consists of large volumes of NJ and FL. There is a particular NP that will always win these two states.

Q15: If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments:

Respondent skipped this question

Q16: Did pool size influence your decision not to bid?	Minimally
Q17: Were the National pool sizes?	<i>Respondent skipped this question</i>
Q18: If applicable to your firm, were the NSO pool sizes?	<i>Respondent skipped this question</i>
Q19: If applicable to your firm, were the NSO Non-Profit pool sizes?	Comments: However, two of the pools were in NY which are very difficult states. The NP NSO pools should be spread out in more states. Also, the lawsuit notification prior to bid did not help as well.
Q20: If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes?	Too small, Comments: Need more than 5% and more than one NP winner. Or perhaps just more winners up to 5%. There is a certain NP that will always win if the pools have large concentration of NJ and FL, therefore there should be multiple winners up to 5% if the receivers are meet.
Q21: What is your firm's preferred pool size?	\$25<\$50M
Q22: Did the number of servicers per pool influence your decision to bid	None
Q23: What do you recommend as the maximum number of servicers per pool?	Indifferent
Q24: What do you recommend as the minimum number of loans per servicer per pool?	Indifferent
Q25: What do you consider to be more important?	Minimum number of loans per servicer per pool
Q26: Did the pools' loan geographic areas influence your decision to bid?	Significantly, Comments: NP NSO pools were mostly in NY. The NP NSO pools should be more spread out in multiple states. Perhaps do a national NP NSO pool
Q27: Did the percentage of vacant properties influence your bidding?	None
Q28: What is your firm's level of interest in pools of vacant or unknown occupancy notes?	Significant
Q29: Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?	Would bid, but I'd imagine the bidding would be competitive if there were no NSO requirements.
Q30: Were the pools' loan characteristics compositions appropriate?	See above comments

Q31: What changes, if any, to pool loan characteristics would you recommend for future sales?

Non Profit only NSO pool that is national or in multiple states.

Q32: Is your firm interested in participating in future SFLS transactions? Yes**Q33: Are there any recommendations or changes you would like to have considered for SFLS offerings?**

Eliminate the recession of NSO credits language in regard to 1st look, gift and sale to an NSP. No NSO buyer will engage non-profits if their credits may be taken away.

Q34: If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Name:	Louis Amaya
Email address:	lamaya@nscm.us
Phone number:	858-914-1098

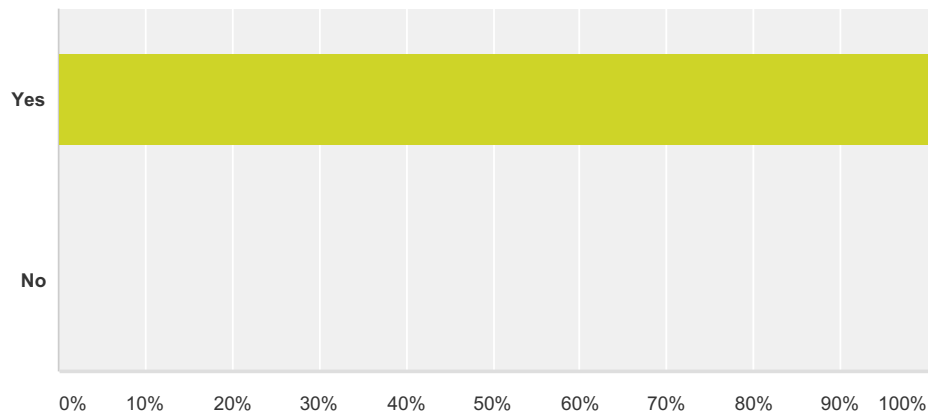
Q1 Bidder Information

Answered: 6 Skipped: 0

Answer Choices	Responses	
Respondent's Name:	100.00%	6
Company:	100.00%	6
Email Address:	100.00%	6

Q2 Did your firm submit a bid on any of the SFLS 2016-2 pools?

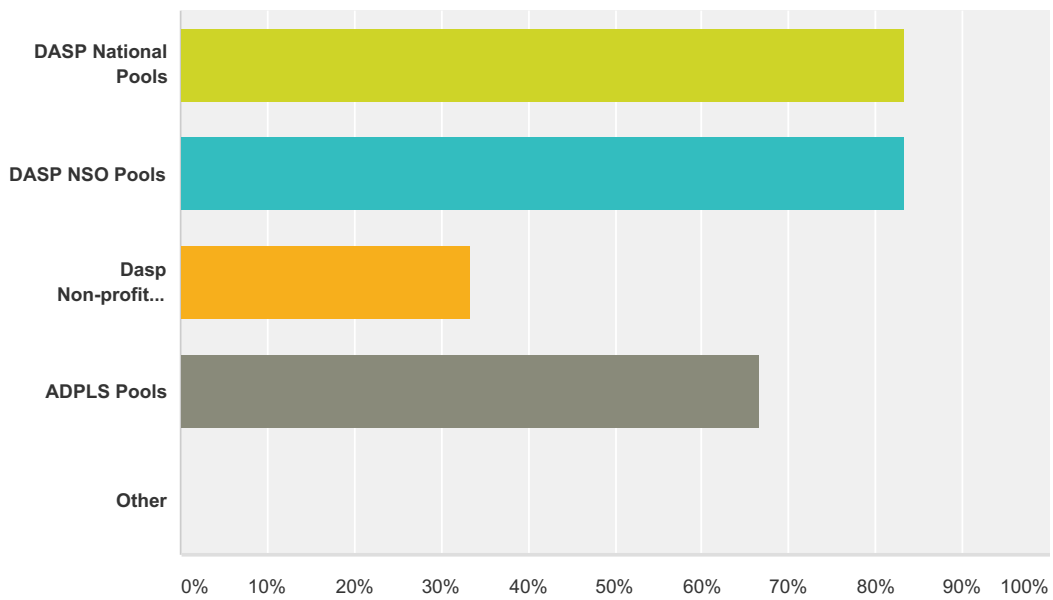
Answered: 6 Skipped: 0



Answer Choices	Responses
Yes	100.00% 6
No	0.00% 0
Total	6

Q3 Have you qualified for other HUD note Sales? Check all that apply.

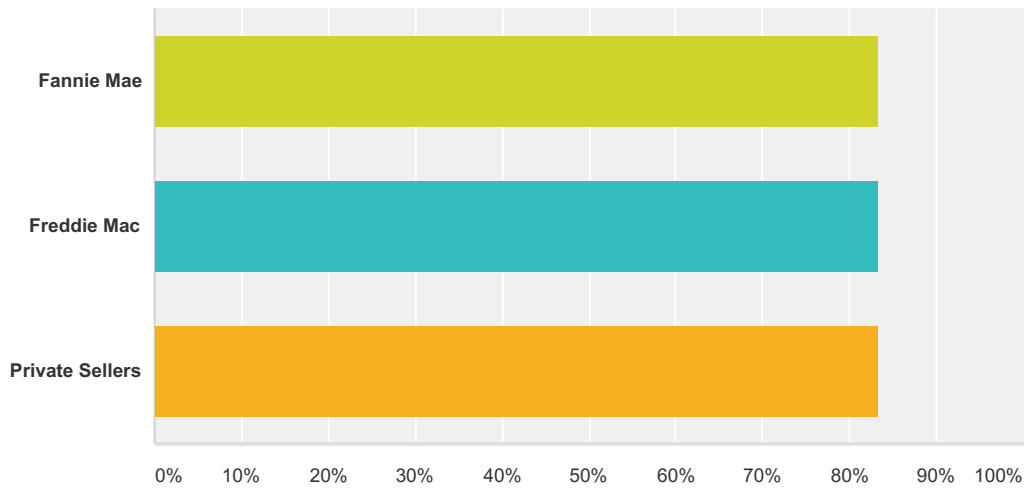
Answered: 6 Skipped: 0



Answer Choices	Responses
DASP National Pools	83.33% 5
DASP NSO Pools	83.33% 5
Dasp Non-profit Pools	33.33% 2
ADPLS Pools	66.67% 4
Other	0.00% 0
Total Respondents: 6	

Q4 Does your firm participate in other non-performing loan sales? Check all that apply.

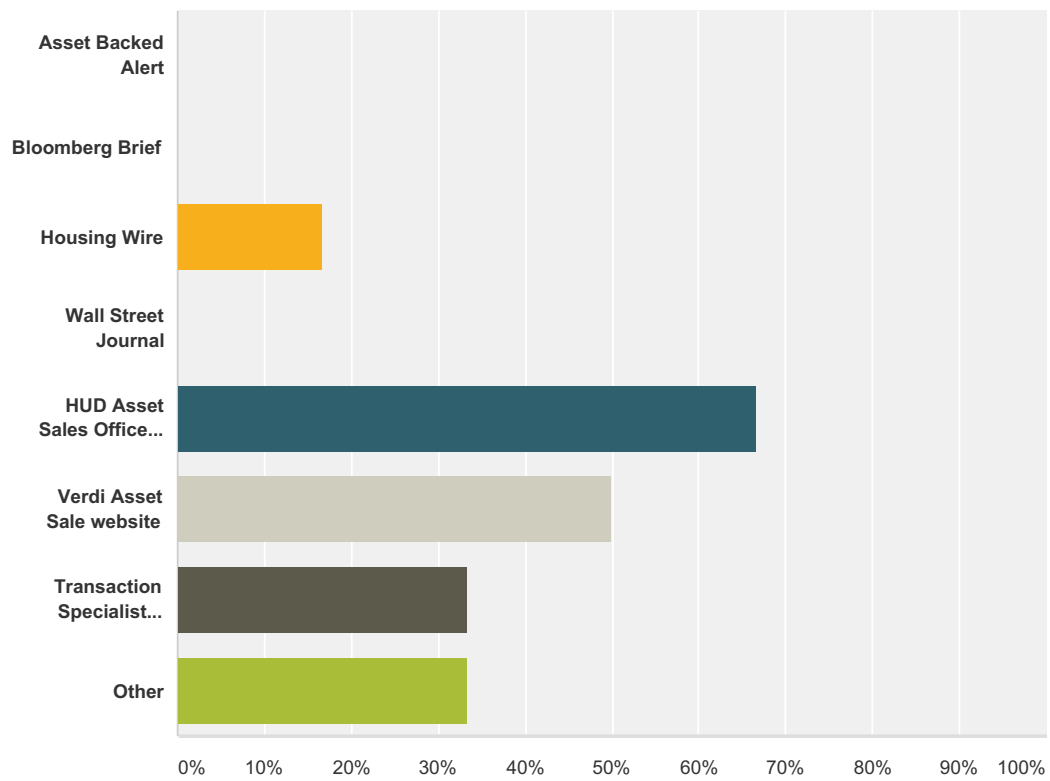
Answered: 6 Skipped: 0



Answer Choices	Responses
Fannie Mae	83.33% 5
Freddie Mac	83.33% 5
Private Sellers	83.33% 5
Total Respondents: 6	

Q5 How did you learn about HUD's SFLS 2016-2? Check all that apply.

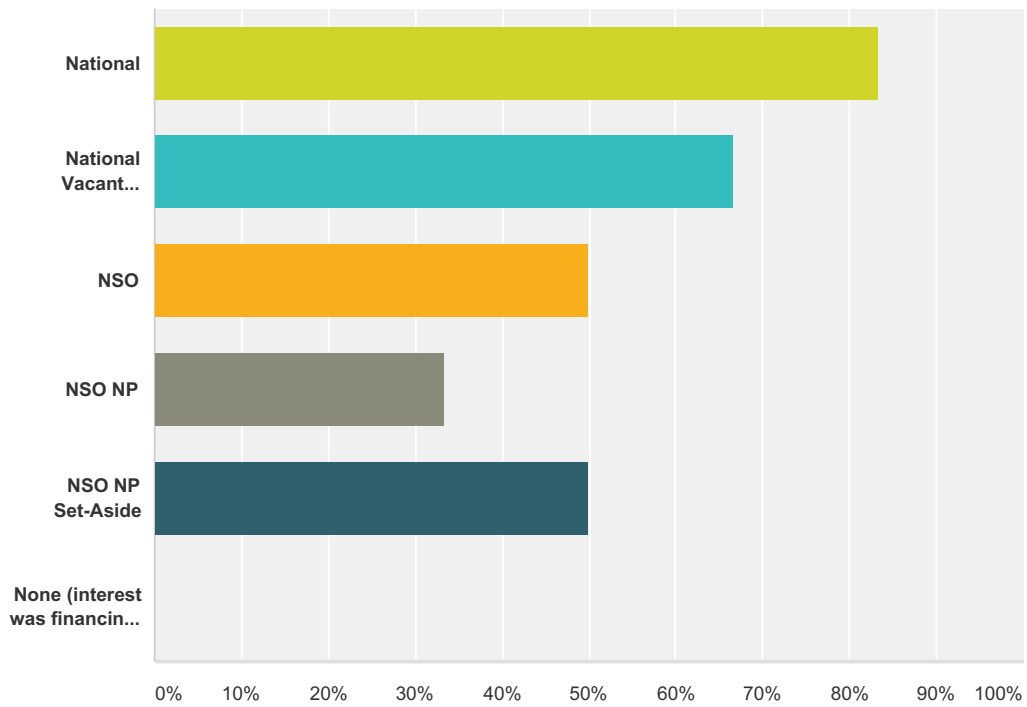
Answered: 6 Skipped: 0



Answer Choices	Responses
Asset Backed Alert	0.00% 0
Bloomberg Brief	0.00% 0
Housing Wire	16.67% 1
Wall Street Journal	0.00% 0
HUD Asset Sales Office website	66.67% 4
Verdi Asset Sale website	50.00% 3
Transaction Specialist email	33.33% 2
Other	33.33% 2
Total Respondents: 6	

Q6 What SFLS 2016-2 Pool types interested your firm? Check all that apply.

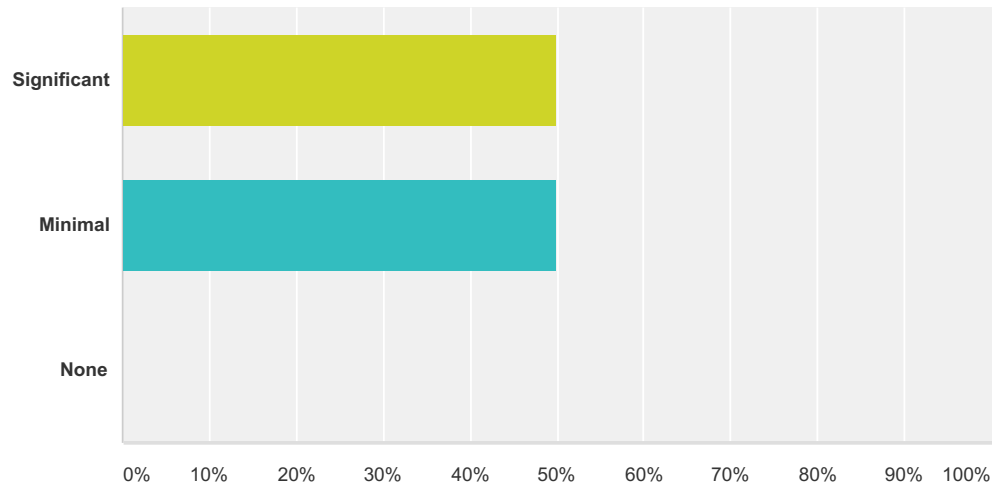
Answered: 6 Skipped: 0



Answer Choices	Responses
National	83.33% 5
National Vacant Properties	66.67% 4
NSO	50.00% 3
NSO NP	33.33% 2
NSO NP Set-Aside	50.00% 3
None (interest was financing or servicing pools)	0.00% 0
Total Respondents: 6	

Q7 What is your Firm's level of interest in large national, diversified single servicer NSO pools?

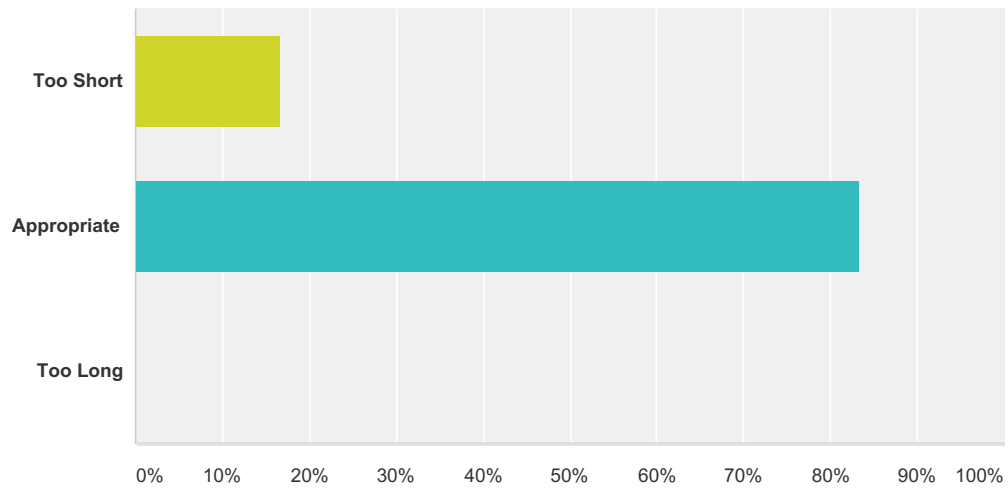
Answered: 6 Skipped: 0



Answer Choices	Responses
Significant	50.00% 3
Minimal	50.00% 3
None	0.00% 0
Total	6

Q8 Was the due diligence period for SFLS 2016-2 sufficient?

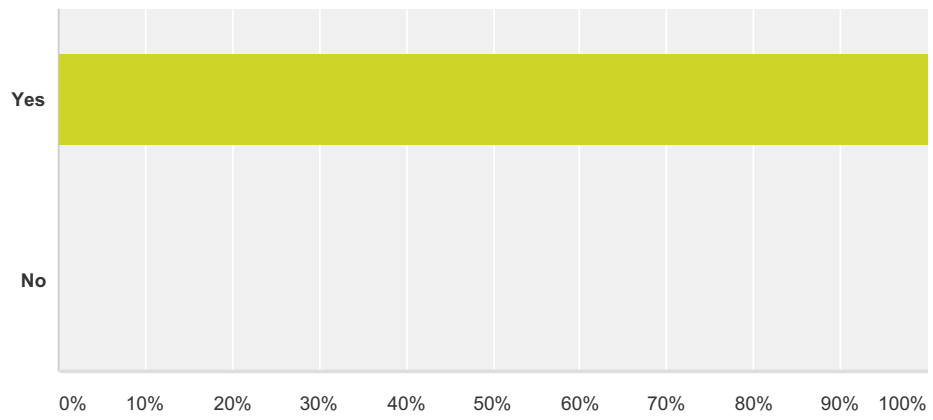
Answered: 6 Skipped: 0



Answer Choices	Responses
Too Short	16.67% 1
Appropriate	83.33% 5
Too Long	0.00% 0
Total	6

Q9 Were the due diligence data and documents for SFLS 2016-2 Sufficient?

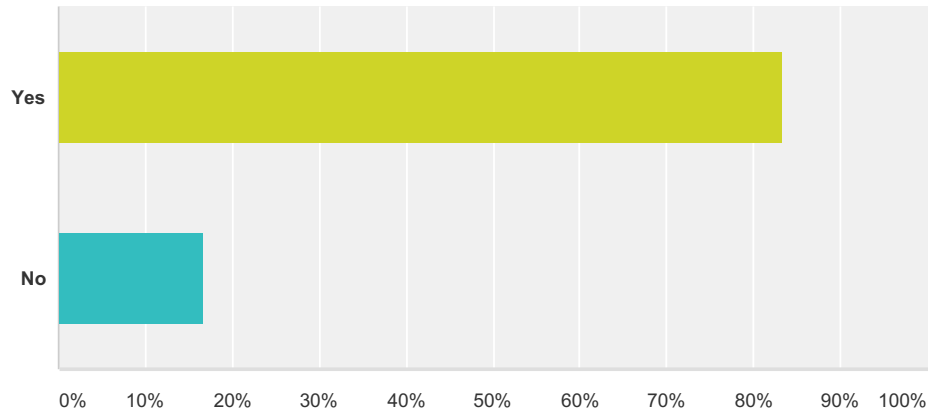
Answered: 6 Skipped: 0



Answer Choices	Responses
Yes	100.00% 6
No	0.00% 0
Total	6

Q10 Were all the SFLS 2016-2 sales documents (Bidder Information Package and Supplements) provided to you in a timely manner?

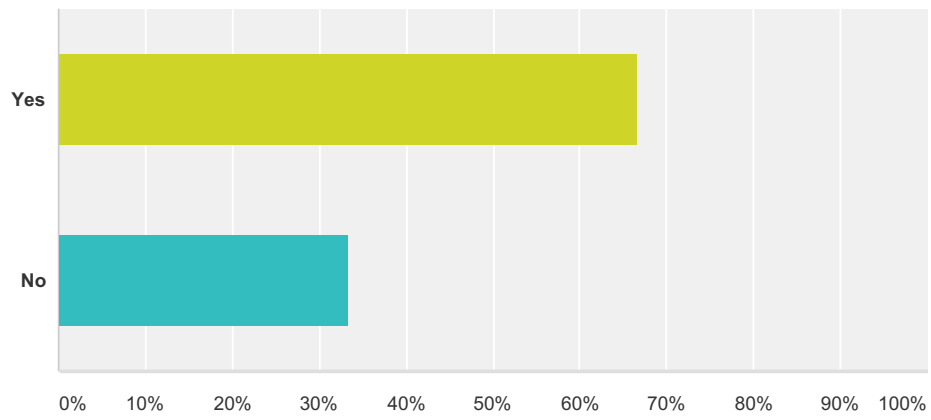
Answered: 6 Skipped: 0



Answer Choices	Responses
Yes	83.33% 5
No	16.67% 1
Total	6

Q11 Did you view the terms of the CAA as reasonable?

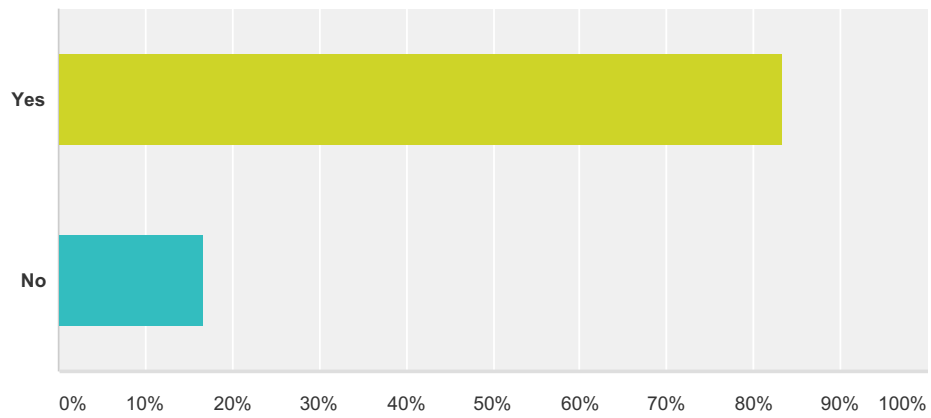
Answered: 6 Skipped: 0



Answer Choices	Responses	
Yes	66.67%	4
No	33.33%	2
Total		6

Q12 Did you view the terms of the CAA riders as reasonable?

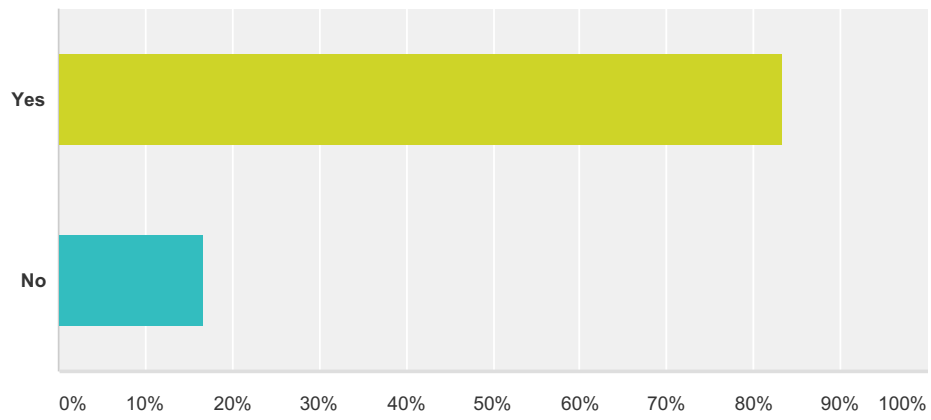
Answered: 6 Skipped: 0



Answer Choices	Responses
Yes	83.33% 5
No	16.67% 1
Total	6

Q13 Did you view the terms of the ISA as reasonable?

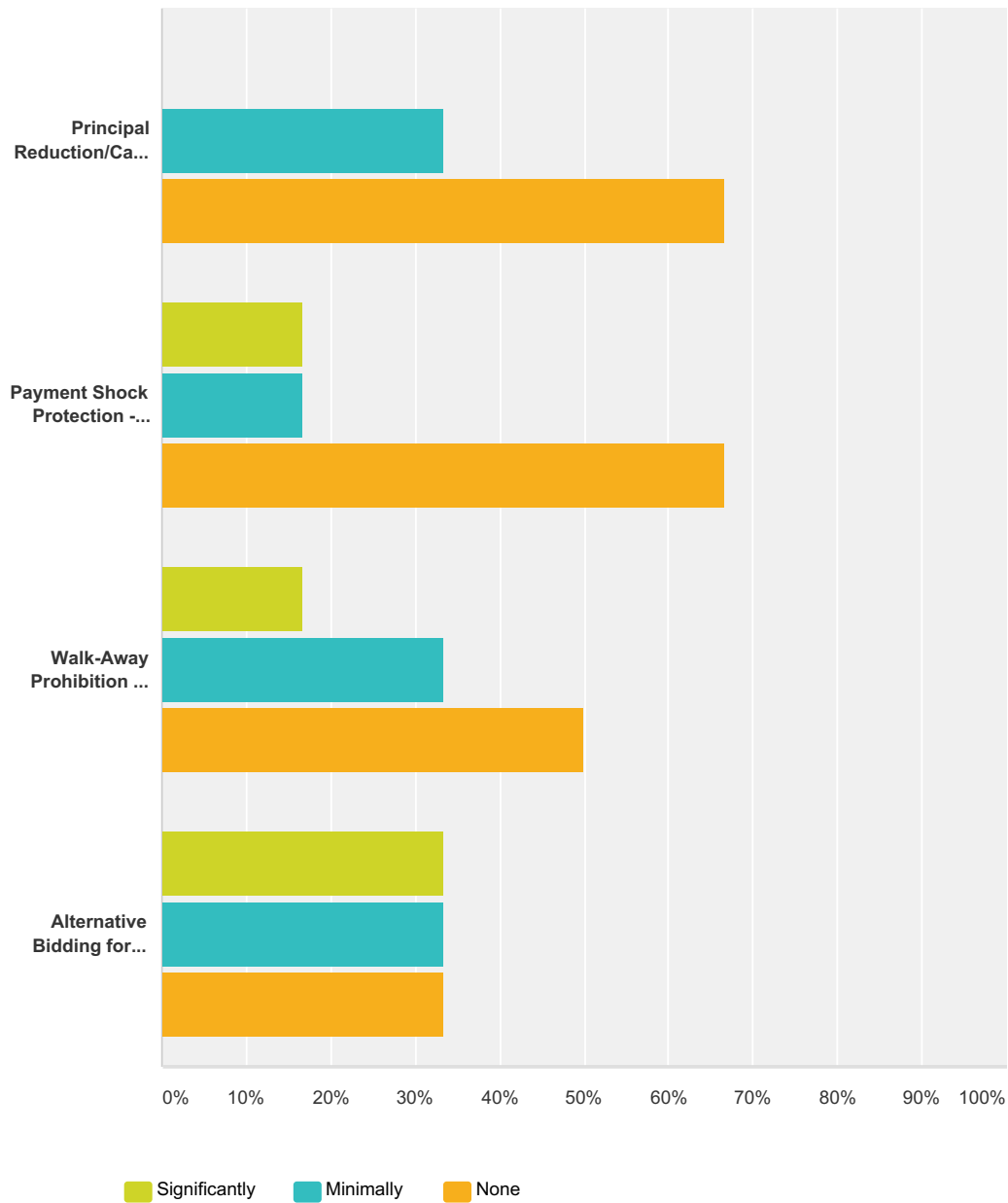
Answered: 6 Skipped: 0



Answer Choices	Responses
Yes	83.33% 5
No	16.67% 1
Total	6

Q14 Did the new DASP enhancements below, influence your decision not to bid?

Answered: 6 Skipped: 0



	Significantly	Minimally	None	Total
Principal Reduction/Capital Arrearage Forgiveness - Principal forgiveness is the first option investors must consider offering to borrowers when evaluating them for a modification.	0.00% 0	33.33% 2	66.67% 4	6
Payment Shock Protection - FHA limited modification interest rate increases to no more than one percent per year after a five-year period where the rate is fixed; this is consistent with the Home Affordable Modification Program (HAMP).	16.67% 1	16.67% 1	66.67% 4	6
Walk-Away Prohibition - Effective with SFLS 2016-2, FHA prohibits purchasers of single-family mortgages under DASP from abandoning lower value properties in order to prevent neighborhood blight.	16.67% 1	33.33% 2	50.00% 3	6

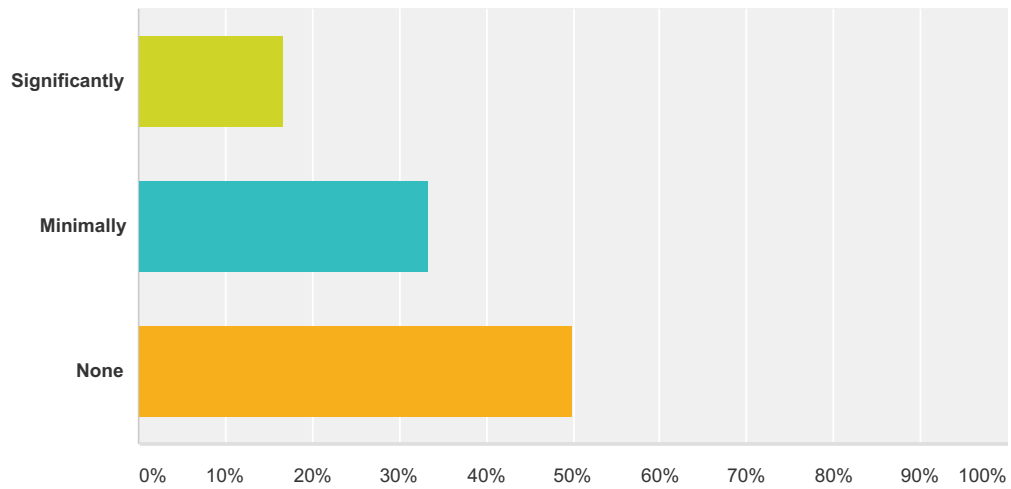
Alternative Bidding for Non-Profit Buyers (Set Aside Pool) - This enhancement allowed qualified non-profit organizations to bid on a partial pool of notes up to five percent of a National Pool i.e. the NSO Non-profit set aside pool.	33.33% 2	33.33% 2	33.33% 2	6
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Q15 If you were qualified as a National bidder and did not bid on pool 111 due to the 5% non-profit set aside pool, what could be done to attract you in the future to bid on a National pool with a non-profit set aside component?Comments:

Answered: 2 Skipped: 4

Q16 Did pool size influence your decision not to bid?

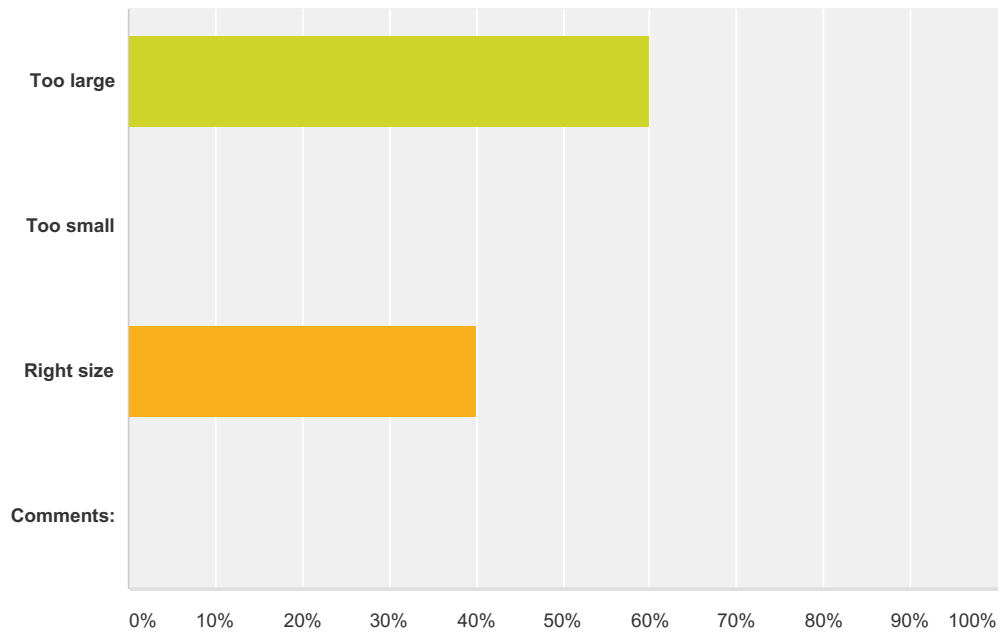
Answered: 6 Skipped: 0



Answer Choices	Responses
Significantly	16.67% 1
Minimally	33.33% 2
None	50.00% 3
Total	6

Q17 Were the National pool sizes?

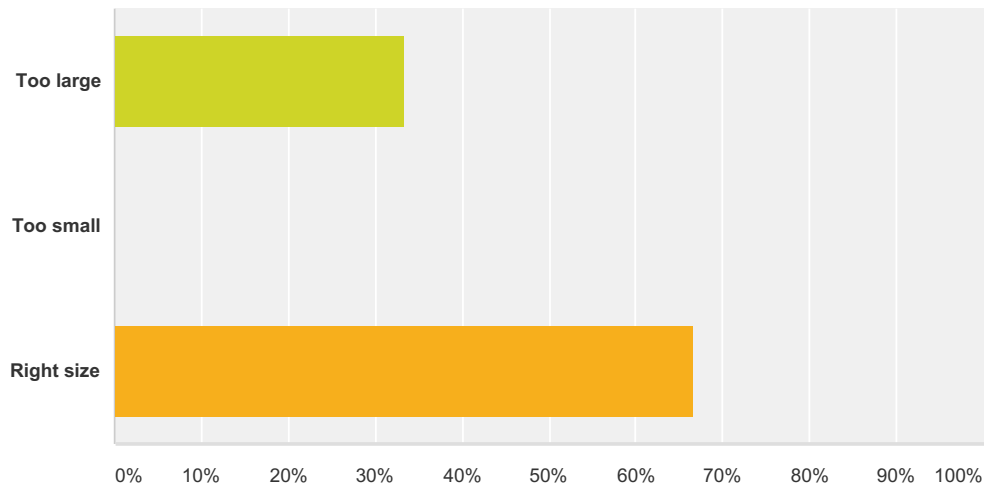
Answered: 5 Skipped: 1



Answer Choices	Responses
Too large	60.00% 3
Too small	0.00% 0
Right size	40.00% 2
Comments:	0.00% 0
Total	5

Q18 If applicable to your firm, were the NSO pool sizes?

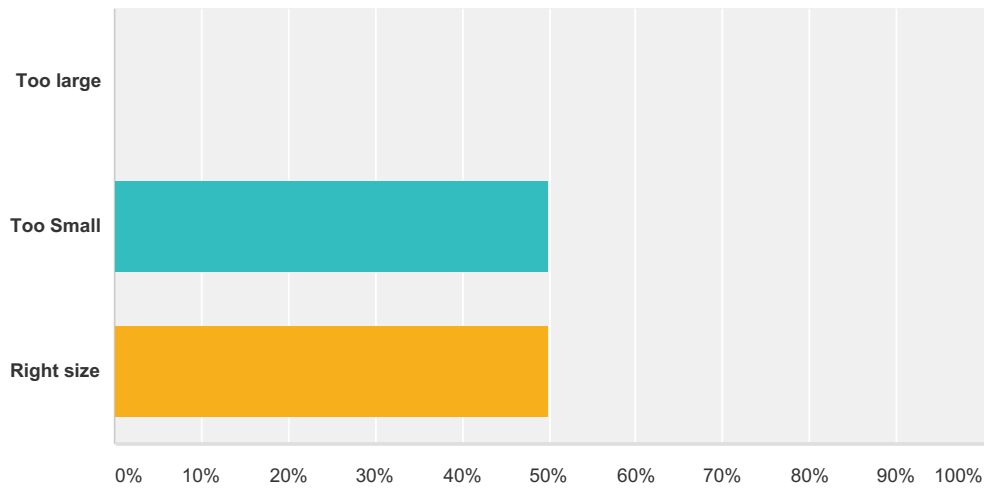
Answered: 3 Skipped: 3



Answer Choices	Responses
Too large	33.33% 1
Too small	0.00% 0
Right size	66.67% 2
Total	3

Q19 If applicable to your firm, were the NSO Non-Profit pool sizes?

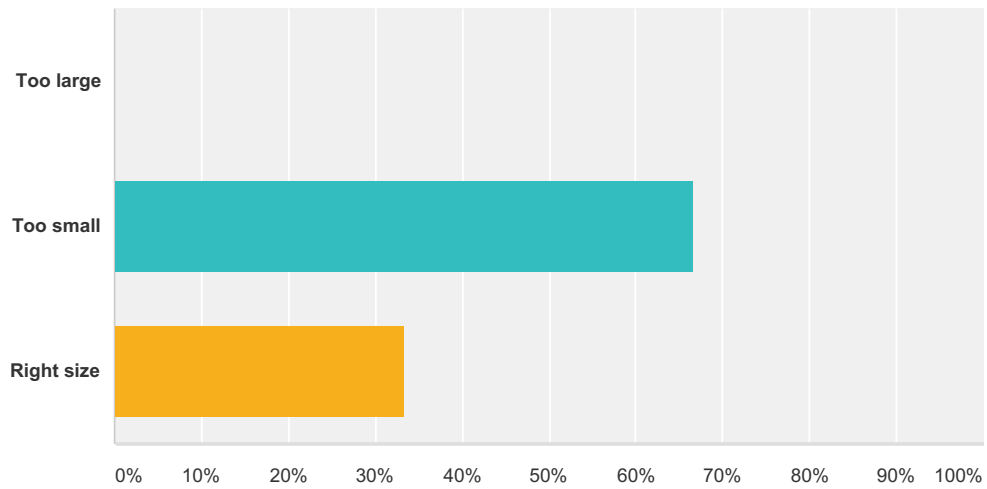
Answered: 2 Skipped: 4



Answer Choices	Responses
Too large	0.00% 0
Too Small	50.00% 1
Right size	50.00% 1
Total	2

Q20 If applicable to your firm, were the NSO Non-Profit Set Aside pool sizes?

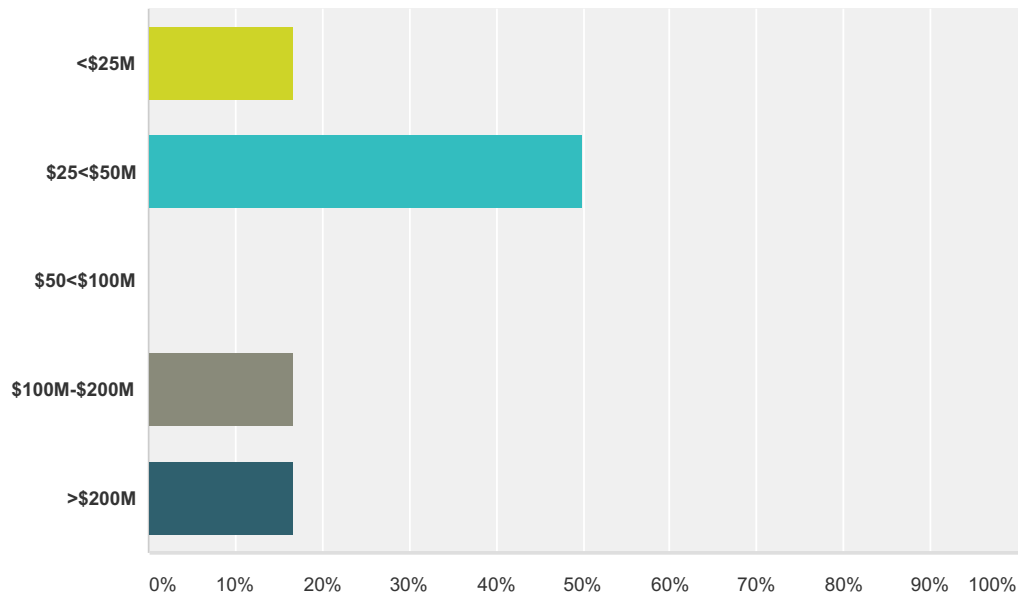
Answered: 3 Skipped: 3



Answer Choices	Responses
Too large	0.00% 0
Too small	66.67% 2
Right size	33.33% 1
Total	3

Q21 What is your firm's preferred pool size?

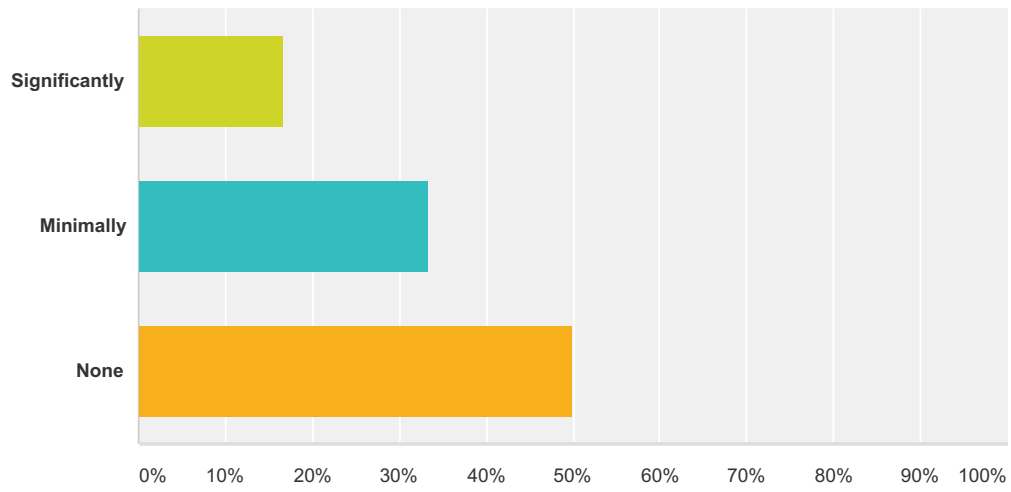
Answered: 6 Skipped: 0



Answer Choices	Responses
<\$25M	16.67% 1
\$25-\$50M	50.00% 3
\$50-\$100M	0.00% 0
\$100M-\$200M	16.67% 1
>\$200M	16.67% 1
Total	6

Q22 Did the number of servicers per pool influence your decision to bid

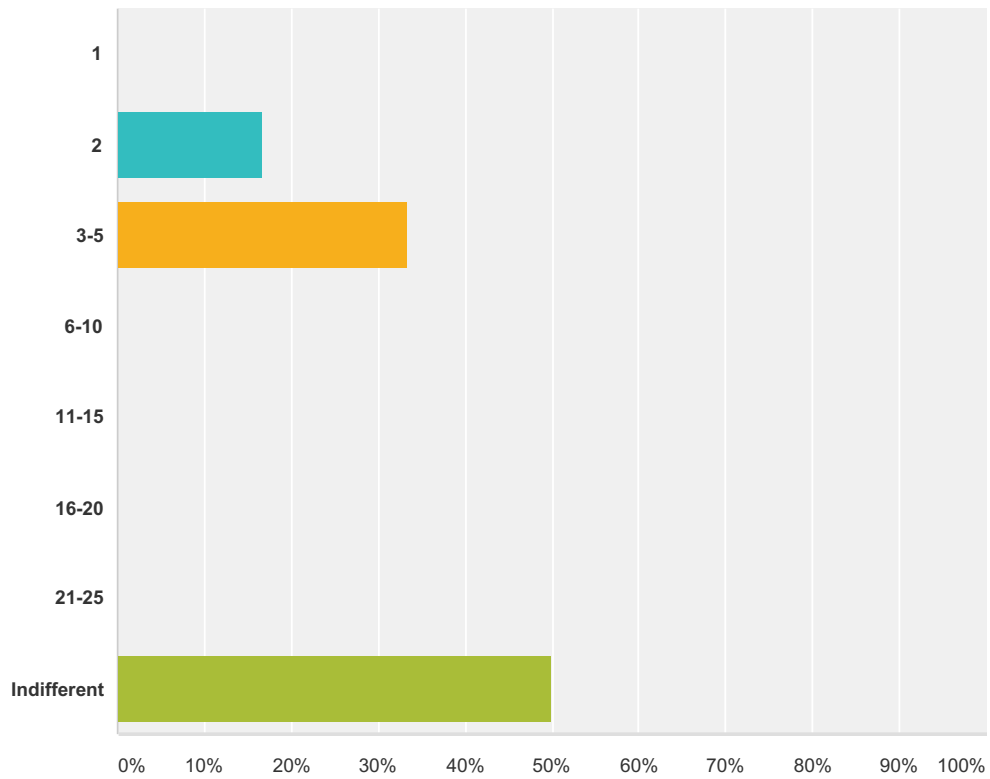
Answered: 6 Skipped: 0



Answer Choices	Responses
Significantly	16.67% 1
Minimally	33.33% 2
None	50.00% 3
Total	6

Q23 What do you recommend as the maximum number of servicers per pool?

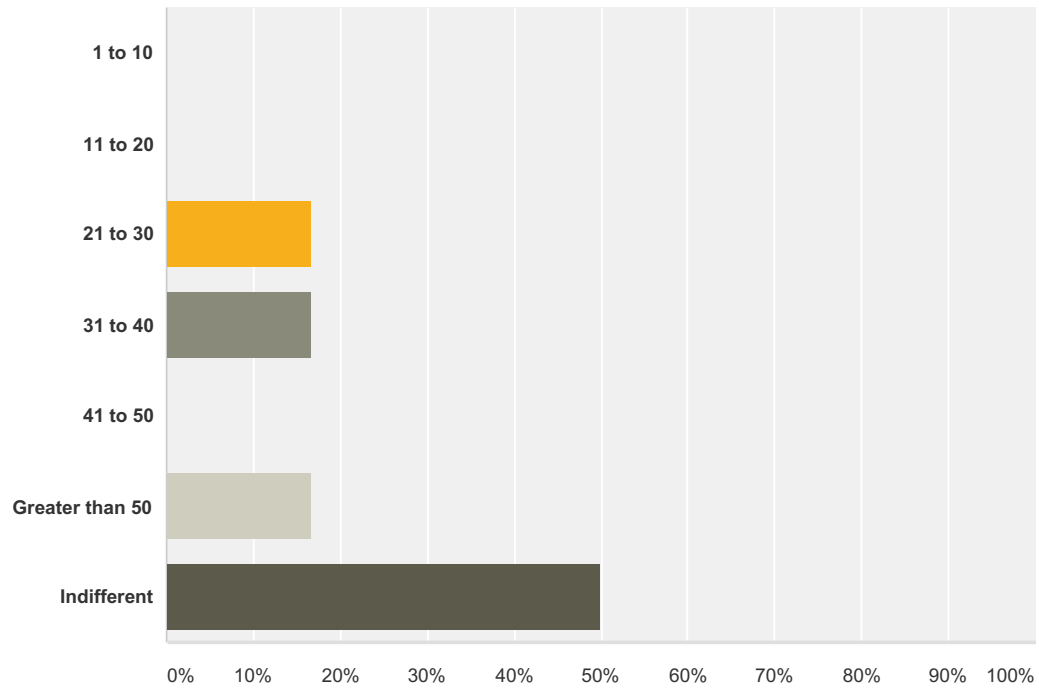
Answered: 6 Skipped: 0



Answer Choices	Responses
1	0.00% 0
2	16.67% 1
3-5	33.33% 2
6-10	0.00% 0
11-15	0.00% 0
16-20	0.00% 0
21-25	0.00% 0
Indifferent	50.00% 3
Total	6

Q24 What do you recommend as the minimum number of loans per servicer per pool?

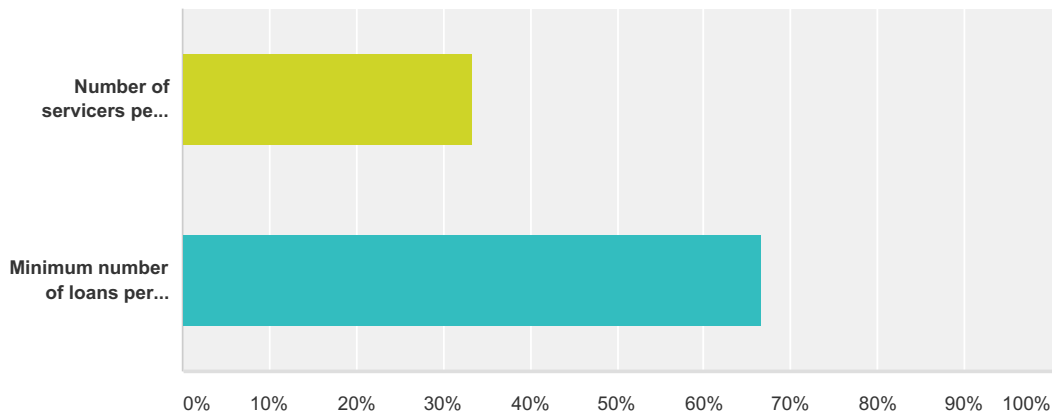
Answered: 6 Skipped: 0



Answer Choices	Responses
1 to 10	0.00% 0
11 to 20	0.00% 0
21 to 30	16.67% 1
31 to 40	16.67% 1
41 to 50	0.00% 0
Greater than 50	16.67% 1
Indifferent	50.00% 3
Total	6

Q25 What do you consider to be more important?

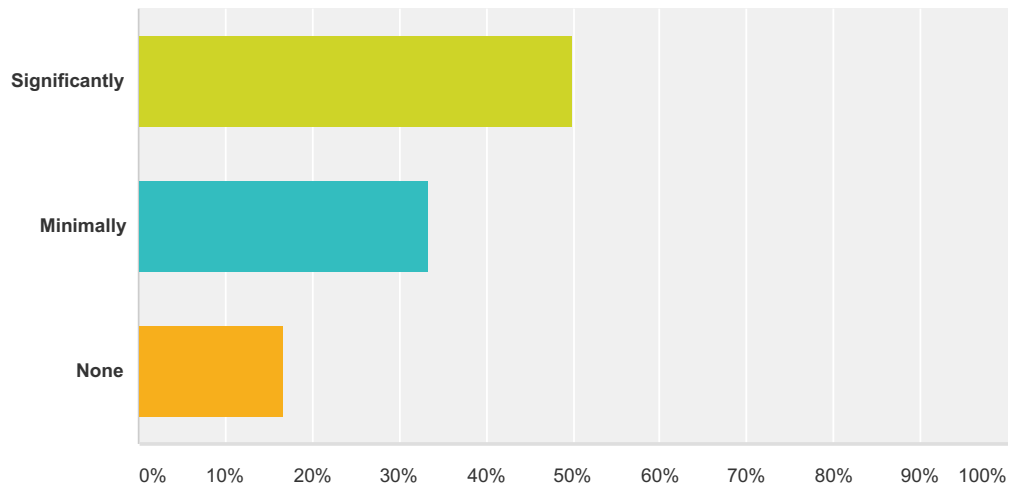
Answered: 6 Skipped: 0



Answer Choices	Responses
Number of servicers per pool	33.33% 2
Minimum number of loans per servicer per pool	66.67% 4
Total	6

Q26 Did the pools' loan geographic areas influence your decision to bid?

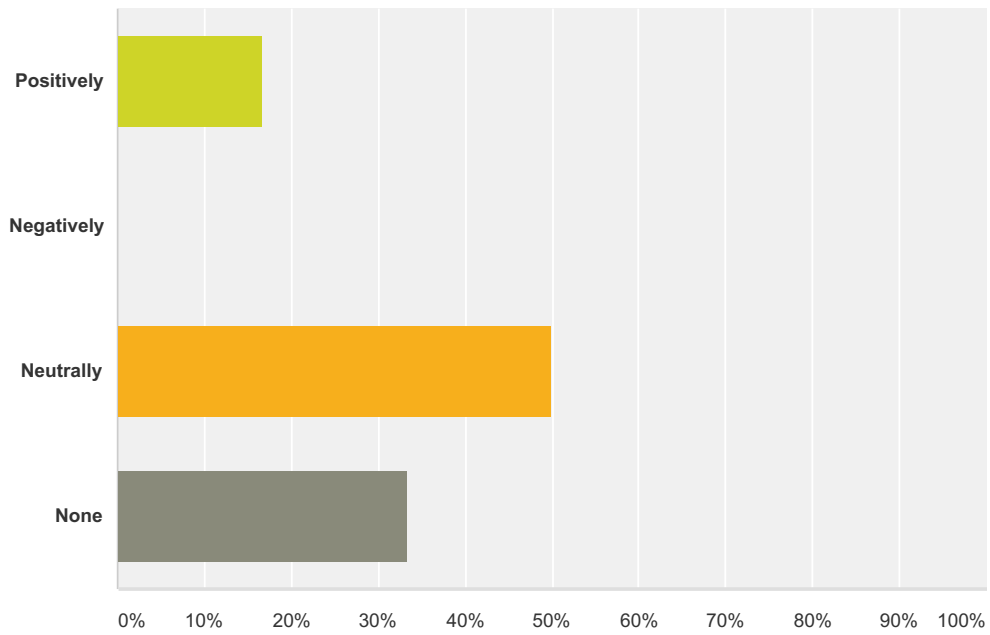
Answered: 6 Skipped: 0



Answer Choices	Responses
Significantly	50.00% 3
Minimally	33.33% 2
None	16.67% 1
Total	6

Q27 Did the percentage of vacant properties influence your bidding?

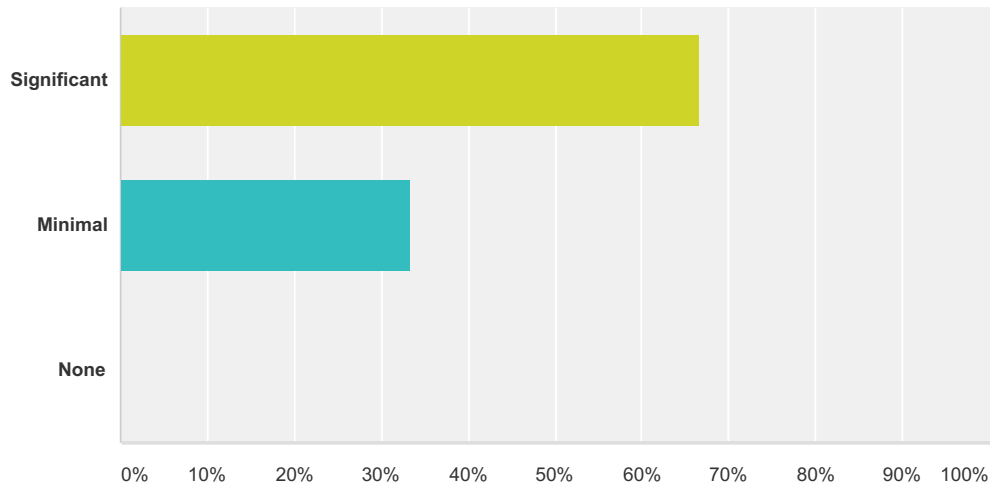
Answered: 6 Skipped: 0



Answer Choices	Responses
Positively	16.67% 1
Negatively	0.00% 0
Neutrally	50.00% 3
None	33.33% 2
Total	6

Q28 What is your firm's level of interest in pools of vacant or unknown occupancy notes?

Answered: 6 Skipped: 0



Answer Choices	Responses
Significant	66.67% 4
Minimal	33.33% 2
None	0.00% 0
Total	6

Q29 Please comment on your firm's considerations for pool characteristics if vacant/unknown occupancy pools were offered in future SFLS transactions?

Answered: 6 Skipped: 0

Q30 Were the pools' loan characteristics compositions appropriate?

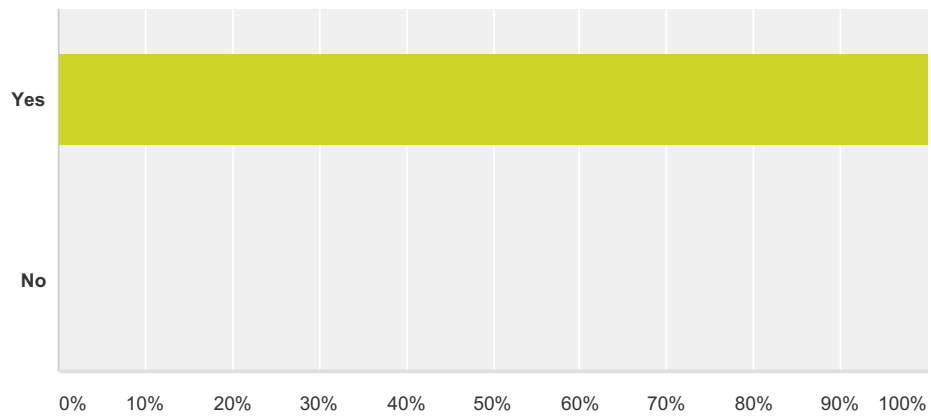
Answered: 6 Skipped: 0

Q31 What changes, if any, to pool loan characteristics would you recommend for future sales?

Answered: 4 Skipped: 2

Q32 Is your firm interested in participating in future SFLS transactions?

Answered: 6 Skipped: 0



Answer Choices	Responses	
Yes	100.00%	6
No	0.00%	0
Total		6

Q33 Are there any recommendations or changes you would like to have considered for SFLS offerings?

Answered: 6 Skipped: 0

Q34 If we have questions on your responses or comments, may we contact you to discuss? If yes, please provide contact information:

Answered: 6 Skipped: 0

Answer Choices	Responses	
Name:	100.00%	6
Email address:	100.00%	6
Phone number:	100.00%	6