NABPOP
National Association of BPO Professionals
6619 North Scottsdale Road
Scottsdale, Arizona 85250

September 8, 2008

Jack Woodcock, BPO Task Force Chairman
7475 West Sahara Avenue
Las Vegas, Nevada 89117

Subject: Comments to the BPO Task Force

Dear Mr. Woodcock:

Please allow me to introduce the organization that I represent. The National Association of BPO Professionals - NABPOP is a professional trade association of real estate professionals that either perform BPOs or support the advocacy of BPOs across the United States. Members of NABPOP benefit from the professional advancement of robust BPO education, BPO training, a stringent BPO certification process, BPO resources, and networking that is offered through the association. NABPOP also has an extended membership comprised of organizations that process and distribute BPOs i.e. BPO Companies.

NABPOP has established a standardization of techniques and procedures to elevate the effectiveness of the BPO industry. Member BPO Companies accept and adhere to the standards set forth by NABPOP to maintain continuity. Sales Agent and Broker members of NABPOP must also adhere to the association Code of Ethics. NABPOP also administers a BPO education and certification process which further elevates the professionalism and competency of the BPO industry. In short, the standards, code of ethics, and the BPO education/certification process elevate the overall competence and professionalism of the BPO industry.

> NABPOP Vision: NABPOP envisions a uniform and standardized BPO Industry with highly qualified and competent Real Estate Professionals that service the industry. NABPOP also envisions leveraging the synergies that exist between the BPO Professionals and all financial organizations (BPO/REO Companies, banks, lenders, investment managers et al) for the common benefit of all organizations, BPO Professionals in this industry, and most importantly the end customer of the BPO.
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> NABPOP's vision is to positively affect the BPO industry with an environment of continuous ongoing excellence and a seamless communication network between NABPOP members, BPO Companies, financial institutions, and the general public requiring Real Estate services.

Our group recently learned of the BPO Task Force and we have obtained various materials, including an assortment of letters and news articles, from the last BPO Task Force public hearing. Some of the materials appear to have an anti-BPO bias which is cause for concern within our group. Some of the letters cite disparaging remarks with incidents of people that were negatively affected as the result of a BPO. These appear to be isolated incidents and we believe that in some cases not extending a loan or a line of credit may ultimately be in the consumer's best interest. In general, in instances where it is hard to assess the real problem, the thing that is least understood ends up bearing the blame.

We have many examples of the positives of BPOs in the valuation/due diligence process that we would like to share with you.

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Consumer Protection

In its August meeting, the focus of the BPO Task Force was appropriately placed on the protection of consumers in Nevada – we applaud this direction and agree wholeheartedly that this should be the focus of this debate.

Unfortunately, too often the BPO issue is framed as a turf battle between real estate sales agents/brokers and appraisers. Our group holds appraisers in high regard, as our members often work side by side with appraisers and our membership also includes appraisers. Due to the obscure nature of BPOs in general and the even more obscure nature of the actual uses of BPOs, these rifts between appraisers and BPO practitioners are completely understandable. Hopefully we can shed more light on the issue as we feel it is important to make determinations as to what is in the consumer’s best interest based on a complete and unbiased understanding of the various uses and benefits of BPOs.

There are three major categorizations of how BPOs are utilized. There are also multiple sub-categorizations that go beyond the scope of this letter that we would be happy to discuss in a different venue. The major categories of BPO usage that we will discuss in this letter are:

- as a supplement to an appraisal for loan originations;
- in the secondary loan market; and
- in the loan servicing market (REO, foreclosure, short sales etc).

Uses of BPOs

There is little argument over the appropriateness of a BPO done by a real estate professional for the seller of a property in anticipation of getting the listing, or for the purchaser of a property in anticipation of representing the purchaser. Beyond this, there appears to be a great deal of misunderstanding over the many uses of BPOs and the benefits that BPOs have provided to real estate professionals, the real estate and financial services industries and, ultimately, the consumer for an extended period of time.

In our experience, BPOs are not being used in lieu of appraisals for loan origination decisions, other than perhaps in the limited situations permitted by FIRREA (i.e., for amounts less than $250,000). However, why should financial institutions, who obtain an appraisal in full compliance with FIRREA, be prohibited from obtaining a BPO as an additional source of information to complete their due diligence and verify the information upon which their financial decisions are made? These institutions understand what a BPO is, including its inherent limitations, but are able to use the product to aid in their decision-making process. It is a well-established element of public policy that a scarcity of information leads to bad investment decisions. If lenders are not allowed to protect their interests and conduct full due diligence on their lending decisions, it will lead to more bad loans and a greater reluctance on the part of lenders to extend credit, worsening an already tight credit situation. The ultimate loser is of course the consumer. Few would argue that more information is a good thing. Restricting BPOs is essentially restricting access to valuable information for these institutions.

Further, BPOs are an integral part of the secondary loan markets that provide the liquidity that is necessary to originate consumer loans in the first place. Investors purchasing pools of loans rely on BPOs to ensure that they are not overpaying for a loan portfolio, and sellers likewise rely on BPOs to establish an appropriate sales price for the portfolio. These are major investment decisions by experienced and sophisticated financial institutions who fully understand a BPO’s features and limitations and see BPOs as a great source of information upon which to base their due diligence on the entire portfolio. Often these single portfolio transactions involve thousands of loans and very limited timeframes to complete the deal. Wall Street is a fast moving environment and due to price and timing considerations, appraisals may not be a viable option – "time is money" definitely applies as market liquidity is a function of time. Without BPOs and adequate due diligence these institutions would be less likely to accept the investment risks in completing the deal, further limiting the market's overall liquidity and depriving consumers of the capital necessary to fuel loan originations (i.e. the sooner a bank can sell its loans/mortgages and bring in the money from these blanket loan sales, the sooner they have the money to lend for new loans). This directly relates to the availability of money and is a significant factor in a bank's propensity to extend credit to its customers – the "consumer."

Finally, the loan servicing market relies on BPOs to make sound and adequately supported decisions on their loans. A BPO is often the first of many steps to get an initial feel of a distressed loan's true disposition. BPO allows a loan servicer to know what the expected listing price would be in a foreclosure sale or short sale for a specific property. It also allows the servicer to maintain a frequent and up-to-date understanding of the prices of properties underlying the loans in its portfolio, thereby making informed decisions in loan workouts, etc.

These properties may ultimately be placed on the market for sale, with the potential for the real estate professional performing the BPO to obtain the listing. In many cases, a sales agent/broker's primary motivation to perform BPOs is to secure a short sale or REO/foreclosure listing. Although a listing is possible, a listing may not transpire (for a myriad of reasons) which represents a risk for the BPO practitioner working without compensation. A listing prospect combined with being compensated for a BPO ensures that the most qualified BPO practitioners compete for these types of BPO assignments.

Loan Servicing needs are ideally fulfilled by the use of BPOs and are an important part of the loan servicing business. Consumers are better served by having these important decisions made on the basis of the best information available.

Conclusion

Overall, a greater flow of information benefits the real estate markets, the profession, and the consumer. On the origination side, a BPO supplementing an appraisal offers an additional perspective on the characteristics of a property underlying a proposed loan, and in borderline cases a lender may be more likely to extend a loan when it is confident that it has sufficient data upon which to base its decision. In the secondary markets BPOs have become an integral part of the transaction process, and permitting their use for Nevada properties adds to the liquidity of the markets and the overall capital available for Nevada homeowners. On the servicing side, a BPO might establish a possible listing or sales price lower than a previously obtained appraisal, causing a servicer to further investigate a situation and hold off on foreclosing. The additional information provided by a BPO benefits consumers in all these situations.

FIRREA already requires appraisals on the origination side where it is in the public interest, and we support full compliance with FIRREA. However, limiting the ability of financial institutions and others to seek alternative forms of information in order to make informed decisions relating to their investments is not sound public policy and ultimately harms consumers.

Sincerely,

Michael Ramer
Chief Executive Officer