

Justification for Other Than Full and Open Competition

U.S. Department of Housing
and Urban Development
Office of the Chief Procurement Officer

PART 1 - PROGRAM OFFICE RECOMMENDATION

I recommend the use of other than full and open competition for the acquisition of **[describe services or supplies]**

Obtain services for Single Family Master Subservicer to continue service of defaulting Ginnie Mae Mortgage Backed Securities Issuers.

Negotiations should be conducted with the following source(s) only **[provide names, addresses and points of contact; continue on separate sheets as needed]**:

Selene Finance LLP, 9990 Richard Ave., Ste 400S, Houston, TX 77042-4599

The estimated cost of this acquisition is: **\$1,136,481.637.00**

The statutory exception which allows this use of other than full and open competition is **[select one]**:

- ☒ Only one responsible source and no other supplies or services will satisfy agency requirements - 41 USC 253 (c)(1) (see FAR 6.302-1)
- ☐ Unusual and compelling urgency - 41 USC 253 (c)(2) (see FAR 6.302-2)
- ☐ Industrial mobilization; engineering, developmental or research capability; or expert services - 41 USC 253 (c)(3) (see FAR 6.302-3)
- ☐ Authorized or required by statute - 41 USC 253 (c)(5) (see FAR 6.302-5)
- ☐ Public interest (**NOTE: requires Secretarial approval and Congressional Notification**) - 41 USC 253 (c)(7) (see FAR 6.302-7)

☐ A description of the circumstances that support the use of the above statutory authority is attached and included as Exhibit 1 to this justification.

Program Office Certification. I certify that the information contained in this justification is accurate and complete to the best my knowledge and belief.

Head of Program Office **[name]**

John Getchis

Title/Name of Office:

SVP, Office of Capital Markets,
Ginnie Mae

Signature:

John Getchis

Date:

08/09/19

For additional information contact:

Khari Grant (202) 475-7840

PART 2 - CONTRACTING OFFICER REVIEW AND CERTIFICATION

Provide additional justification and comments here. Continue on back as needed.

Contracting Officer Certification.

I certify that the information contained in this justification is accurate and complete to the best of my knowledge and belief

Name:

Damon Q. McClure

Signature:

Damon Q. McClure

Date:

8/9/19

Previous edition unusable

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form HUD-24012 (07/2011)

PART 3 - OTHER APPROVALS

Up to \$650,000 - Contracting Officer

Name	Title
Signature	Date

\$650,000 to \$12,500,000 - Competition Advocate

Name	Title
Signature	Date

\$12,500,000 to \$62,500,000 - Head of the Contracting Activity

Name	Title
Signature	Date

Over \$62,500,000 - Senior Procurement Executive

Name	Title
Signature	Date

Additional Contracting Officer justification/comments from front (attach additional pages if needed)

Additional Guidance for Completing the Justification
(see HUD Handbook 2210.3, Chapter 4)

PART 1 - Program Office Recommendation

The supporting documentation in the Exhibit 1 must describe:

- The nature of the proposed acquisition that requires other than full and open competition;
- The unique qualifications of any proposed sole source; and
- The market research conducted (see FAR Part 10) and the results or the reason(s) why market research was not conducted.

The cost estimate must include all costs of the proposed acquisition, e.g., options, systems life costs, etc. The total will determine the approval level needed (see 3 below).

FAR Subpart 6.3 describes the statutory exceptions, their applicability and limitations on their use.

"Head of the Program Office" means:

- For all Headquarters acquisitions: the cognizant Assistant Secretary or designee.
- For field acquisitions: the program office director (e.g., Director, Multifamily Housing) within the State or Area Office.

PART 2 - Contracting Officer Review and Certification

Besides any information provided to support the program office's justification, the Contracting Officer shall provide:

- Documented results of any Commerce Business Daily notices or explanation of why no notice was published.
- A statement of actions the Department may take to remove barriers to competition for subsequent acquisitions of similar services / supplies; and
- A determination that the anticipated cost / price is fair and reasonable. (See FAR Subpart 6.3 for further guidance.)

The Contracting Officer signing the certification shall be the same individual who will sign the proposed acquisition action which is the subject of this justification.

PART 3 - Other Approvals

The Contracting Officer shall obtain the approval for the dollar value ranges indicated.

If any person required to sign in these blocks disapproves this justification, he/she shall return it to the requesting activity with a written determination.

The requesting activity may obtain the name of the "Contracting Activity Competition Advocate" from the cognizant contracting office.

The "Head of Contracting Activity" is defined at Subpart 2402.1 of the HUD Acquisition Regulation (48 CFR Chapter 24). The cognizant contracting office may also provide the name of this individual.

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and Urban Development
Office of the Chief Procurement Officer

PART 1 - PROGRAM OFFICE RECOMMENDATION

I recommend the use of other than full and open competition for the acquisition of *[describe services or supplies]*

Obtain services for Single Family Master Subservicer to continue service of defaulting Ginnie Mae Mortgage Backed Securities Issuers.

Negotiations should be conducted with the following source(s) only *[provide names, addresses and points of contact; continue on separate sheets as needed]*:

Carrington Mortgage Services LLC, 1610 E. Saint Andres Place B-150, Santa Ana, CA 92705-4931

The estimated cost of this acquisition is: **\$1,031,327,147.50**

The statutory exception which allows this use of other than full and open competition is *[select one]*:

- ☒ Only one responsible source and no other supplies or services will satisfy agency requirements - 41 USC 253 (c)(1) (see FAR 6.302-1)
- ☐ Unusual and compelling urgency - 41 USC 253 (c)(2) (see FAR 6.302-2)
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Head of Program Office *[name]*

John Getchis

Title/Name of Office:

SVP, Office of Capital Markets
Ginnie Mae

Signature:

John Getchis

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Khari Grant (202) 475-7840

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- The nature of the proposed acquisition that requires other than full and open competition;
- The unique qualifications of any proposed sole source; and
- The market research conducted (see FAR Part 10) and the results or the reason(s) why market research was not conducted.

The cost estimate must include all costs of the proposed acquisition, e.g., options, systems life costs, etc. The total will determine the approval level needed (see 3 below).

FAR Subpart 6.3 describes the statutory exceptions, their applicability and limitations on their use.

"Head of the Program Office" means:

- For all Headquarters acquisitions: the cognizant Assistant Secretary or designee.
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PART 2 - Contracting Officer Review and Certification

Besides any information provided to support the program office's justification, the Contracting Officer shall provide:

- Documented results of any Commerce Business Daily notices or explanation of why no notice was published.
- A statement of actions the Department may take to remove barriers to competition for subsequent acquisitions of similar services / supplies; and
- A determination that the anticipated cost / price is fair and reasonable. (See FAR Subpart 6.3 for further guidance.)

The Contracting Officer signing the certification shall be the same individual who will sign the proposed acquisition action which is the subject of this justification.

PART 3 - Other Approvals

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The requesting activity may obtain the name of the "Contracting Activity Competition Advocate" from the cognizant contracting office.

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JUSTIFICATION FOR OTHER THAN FULL AND OPEN COMPETITION

1. **Requiring Activity:** Government National Mortgage Association
Contracting Activity: Office of the Chief Procurement Officer/HHQ
Requisition Number: RCS-T-2019-00049 & RCS-T-2019-00050
Contract Number: TBD

2. ***Nature and Description of the Action Being Approved:***

The Government National Mortgage Association (Ginnie Mae) hereby requests that a new sole source contract be negotiated with Ginnie Mae's current Master Subservicer (MSS) contractors to provide uninterrupted and continuing support to Ginnie Mae's Mortgage-Backed Securities (MBS) programs.

The action being requested to be approved is to establish sole-source contracts for the Master Subservicer contracts for a one-twelve-month base year; with two-twelve-month options. These services are currently being provided under two separate contracts by Carrington Mortgage Services, LLC DU100G-14-C-01 expires August 12, 2019, and Selene Finance LP DU100G-14-C-04 which expires August 11, 2019. Both contracts were procured using full and open competition. Ginnie Mae is strategically planning this contract action to ensure future competition, while completing its re-design of its financial reporting systems and processes. The best interest of the Government is to protect and develop solid financial reporting and resolution of identified HUD OIG audit findings. This will allow Ginnie Mae to solicit and award these contracts competitively in the future.

3. ***Description of supplies or services required to meet Ginnie Mae's needs (including estimated value):***

Ginnie Mae's mission has been determined to be an essential function of the United States Government under Federal Continuity Directive 1 (FCD 1) of the Federal Executive Branch's National Continuity Program and Requirements. The processes associated with servicing borrower mortgage payments, calculating MBS investor remittances, and guaranteeing holders of Ginnie Mae Mortgage-Backed Securities, in the event of an Issuer default, are core components of this national essential function. This designation recognizes Ginnie Mae's role in stabilizing the Nation's economy, its impact upon national and international economic activity, and ensuring continued public confidence in financial systems.

The purpose of these sole source contracts is to obtain the MBSSs services to (1) continue termination and seizure services of defaulting Ginnie Mae MBS Issuers, (2) fulfill loan servicing requirements, and (3) perform MBS data reporting and MBS Guide requirements on behalf of Ginnie Mae.

This non-personal services contract is required to provide the following MSS processes and professional services and to complete a major business application development - a loan level accounting database solution which is currently under development, the Sub-Ledger Database (SLDB). Timely completion of these initiatives is critical to avoid unacceptable delays in the performance of Ginnie Mae's mission and HUD OIG audit remediation efforts.

The SLDB is currently tailored to ingest the data and formats provided by the current Contractors. Currently, the process to standardization and maximize the requirements for the SLDB and normalize the requirements being developed by Ginnie Mae's Enterprise Data Solutions Team so that in the future any Contractor can comply with the Data and Business Requirements.

Uninterrupted continuation of the following services is required:

- a. Readiness to Perform - The MSSs must be prepared, capable, and staffed to perform the complete range of services required of a Ginnie Mae Issuer. These services include, but are not limited to, providing terminated Issuer and MBS portfolio seizure services, servicing current and delinquent/defaulted loans, performing MBS reporting requirements, and managing both pooled and non-pooled assets through the appropriate claims processing regimes consisting of bankruptcy and foreclosure services, management and disposition of acquired properties (i.e. REO), preparation and submission of insurance or guarantee claims to FHA, VA, RD, PIH, asset sales, and reporting functionality.

This includes the capacity and readiness to execute simultaneous multiple Issuer defaults, including defaults of the largest Ginnie Mae Issuers i.e., those with more than \$10 billion in Ginnie Mae pools consisting of more than 50,000 mortgage loans. This requirement also includes the readiness to service highly complex portfolios of reverse mortgage loans, reverse mortgage MBS [HMBS], and portfolios that are seriously delinquent.

- b. Issuer Default Services - Once an Issuer default occurs the MSSs are required to work effectively with Ginnie Mae in securing control of the defaulted MBS portfolio. This requires having staff at the Issuer's site within 24 hours. The MSSs shall transfer each portfolio from a defaulted Issuer within five (5) business days of default seizure date, or within a negotiated time to be authorized by Ginnie Mae. This requires complying with specific FHA, VA, RD, PIH and Ginnie Mae requirements for reporting and advances.

Additional default services include preparing and submitting to Ginnie Mae a required Initial Default Assessment Report within sixty (60) days of default, with preliminary update reports due within ten (10) and thirty (30) days of the default to advise Ginnie Mae of the preliminary status and condition of the loans/pools.

- c. Loan Servicing Operations – Service the government (pooled and non-pooled) loans and paying the holders of Ginnie Mae MBS in accordance with the Ginnie Mae Guide and relevant FHA, VA, PIH and RD regulations, handbooks and other guidelines. Additionally, the MSSs will create and maintain records and archives related to the services performed under this contract.

- d. Special Servicing - Provide enhanced servicing on one or more defaulted MBS portfolios that are seriously delinquent. Special servicing may include, but is not limited to, the ability to service loans that are chronically delinquent and/or in various stages of default termination and portfolio seizure services in the FHA, VA, RD and PIH programs.
- e. HMBS Servicing – The contractor must service reverse mortgage loans and the related HMBS. This includes funding daily borrower draws, service the loans in accordance with FHA guidelines, dispose of properties timely, and file all eligible insurance claims on behalf of Ginnie Mae.
- f. Portfolio and Loan Sales - Provide services to Ginnie Mae to effectuate the transfer of the mortgage servicing rights, whole loans, or other assets to any purchasers or other transferees.
- g. Asset Management - Ensure the performance and preservation of all assets that are being serviced by the MSS. This includes property preservation activities, allowable foreclosure expenses, and document custodial services, to name a few services covered. The MSSs will supply a monthly borrower level data set compliant to Ginnie Mae's Master Sub-Servicer Operational Reporting [MOR] system.
- h. Legal Services – Provide in-house counsel possessing extensive legal experience in (1) mortgage servicing, (2) litigation involving single-family mortgage loan servicing, and (3) supervising outside counsel retained for litigation or other complex matters.
- i. Financial Reporting Dataset - Provide (1) loan level transactional data and related context files to support accounting information for import into Ginnie Mae's Sub-Ledger Database (SLDB), (2) summary reports showing operating balances of loans, claims, and owned property reconciled for month-over-month changes that support Ginnie Mae's financial statements, and (3) revisions to accounting reporting formats and dataset contents as requested.
- j. Audit Fulfillment – Maintain loan information files that support Ginnie Mae's requirements for financial system controls and financial statement audits. Respond to audit documentation requests related to subsequent Disclaimer reporting periods and prospective reporting periods. Support Ginnie Mae's SLDB project development for supplemental data and system testing. Provide support for audits such as Statement on Standards Engagements (SSAE) 18 Type II, SOC I, and SOC II, Right to Audit, Federal Information Systems Controls Audit Manual (FISCAM), and OMB A-123.

The government's estimated cost for this sole source contract for a one-twelve-month period base with two twelve-month options periods is estimated to be \$839,728,438.75 for each MSS.

4. *An identification of the statutory authority permitting other than full and open competition:*

This sole source contract action is authorized under 41 USC 3304 (a) 12) FAR 6.302-1, "Only One Responsible Source and no other supplies or services will satisfy agency requirements."

5. *A demonstration that the proposed contractor's unique qualifications or the nature of the acquisition requires the use of the source cited:*

The existing MSS, Carrington and Selene, are uniquely qualified to perform the performance work statement (PWS) during the critical project development and audit calendar. The existing MSSs are the only contractors that possess the institutional knowledge of historical borrower transaction records and extensive history dating to 2010 from which the audit testing will be based. A successful outcome to the FY 2019 audit is a pre-requisite from which to finalize MSS system and data set requirements necessary to commence a full and open competition. Therefore, at this time it is not expected that any other contractor will seriously consider bidding on a re-compete of the MSS procurement because Ginnie Mae needs more time to 1) develop a final set of normalized data requirements in support of the SLDB IT solution, and 2) work with its financial and IT auditors to complete the audit of the non-pooled assets solution and resolve key findings which will not occur until after November 2019.

The existing MSSs are the only organizations that can provide uninterrupted progress and continuity of services with respect to the development of the SLDB. Switching MSSs would require significant time and transition effort to resume Ginnie Mae's development progress. Transition to new providers is a complex undertaking requiring extensive transfer of data and borrower contact records accumulated during the five-year aggregate contract term. It also requires the new provider to invest in its processing systems to customize the loan servicing reporting with Ginnie Mae's proprietary accounting requirements. Even under normal operating environments, the process to completely transition all borrowers and related records exceeds six months. Prior experience indicates a transition period to require 9-12 months at the minimum. A transition out would force a cascading effect upon the SLDB project contractors that would delay the progress of the other integrated development that would delay the progress of the other integrated project milestones including the critical audit timing.

Retaining the existing MSS leverages the significant time and money spent to have them modify their processes and systems to meet Ginnie Mae's development requirements. Ginnie Mae is close to achieving its goal of having a suite of fully integrated systems that will provide loan level accounting results that are accurate and auditable. Continuing with the current MSSs would allow Ginnie to complete that goal without unnecessary disruption and achieve a clean audit opinion for it and HUD.

6. *A description of the efforts made to ensure that offers are solicited from as many potential sources as practicable, including whether a FEDBIZOPPS notice was or will be published as required by FAR 5.2, and if not, which exception under 5.202 applies:*

Ginnie Mae's market research has revealed that there are a small number of sources that can provide some of the services (i.e. Deval, LLC, Matt Martin and PNC Bank) (Refer to Market Research) (attached) but they are not all Ginnie Mae Issuers which is essential since all issuers must be an approved Ginnie Mae Single Family Issuer and maintains current MBS issuer eligibility. An approved Ginnie Mae Issuer must, maintain Ginnie Mae Issuer eligibility status, be an approved FHA Single-Family Mortgagee, be an approved VA Servicer, be an approved

USDA servicer and have issued, co-issued, serviced or retained at least 100 Ginnie Mae pools (SF) within the last twelve (12) months prior to the submission of the final proposal. In addition, they do not have the ability to provide the data required to Ginnie Mae in the time frame and without lapse in data delivery for our financial audit. However, at this time it would not be feasible to solicit a full and open competitive competition due to the requirement than an SLDB needs to be completed for other sources to be able to supply the services.

The Contracting Officer will publish a notice in FedBizOps stating that HUD will award a sole source contract for a period of a one-twelve-month base, with two (12) months options under the authority of 41 USC 253(c)(1). It is the government's intent to conduct a full and open competition for the contract services following the completion of this follow-on contract period.

In order to prepare for full and open competition in the future, Ginnie Mae will use the sole source contract period to complete the SLDB database development and testing, while developing necessary data requirements. This ensures that a new and responsible competitive competition can occur, and any awardee will be successful in all the requirements.

7. *The Contracting Officer has determined that the anticipated cost to the Government will be fair and reasonable:*

The Contracting Officer has determined that the anticipated cost to the Government will be fair and reasonable. The Government will compare the prices submitted for the resulting contract to the existing contract and to the Independent Government Cost Estimate (IGCE) (Attachment 1) has been developed and accounts for current contract price ranges, adjusted for the term of the period as Option 1 when the determination was made that exercising this option was the most advantageous method of fulfilling the Government's need price, and other factors considered for covered services.

8. *A description of the market research conducted and the results or a statement of the reason why the market research was not conducted:*

Market research was conducted and confirms that while some sources might be able to complete some of the required services, no other source can meet the requirement for the required continuous service in the developing SLDB database and integrated system components that are necessary, especially in systems development and ability to parallel test, without substantial duplication of cost to the Government and the interjection of unreasonable risk to Ginnie Mae's operations. (See Attachment II (Duplication of Cost)). These duplicative costs, which include necessary additional six months to transition out concurrent services for both existing contracts and duplicative costs for postponing the reporting requirements across other contracts, places this cost at \$2,341,786.60.

9. *Any other facts supporting the use of other than full and open competition:*

Background

Ginnie Mae's Charter empowers it to terminate defaulting MBS Issuers, seize mortgage servicing rights, and assume Issuer responsibilities under the Ginnie Mae Guaranty Agreement to guarantee the MBS payments to investors. In 2009, Ginnie Mae terminated Taylor, Bean, & Whitaker (TBW) and seized their Ginnie Mae MBS servicing portfolio. This was the largest Issuer termination and MBS portfolio seizure Ginnie Mae has executed in its 50-year history. The TBW portfolio was \$26.2 billion in outstanding unpaid principal balance (UPB) and pools consisting of approximately 185,000 loans.

In 2010, Ginnie Mae began exercising the option to purchase delinquent loans from MBS pools. This option is in addition to the mandatory requirement Issuers purchase any non-insured or defective loans from pools regardless of delinquency status. This buyout activity created new asset types that Ginnie Mae must account for in its financial statements. These are collectively referred to as "Non-Pooled Assets" (NPAs). Since 2010, this activity has resulted in buying out approximately 85,000 loans in the amount of \$12 billion.

NPAs are subject to GAAP [Generally Accepted Accounting Principles] reporting requirements for "troubled debt" which is an extremely complex accounting regime. Ginnie Mae's Office of the Chief Financial Officer (OCFO) was not equipped with the appropriate operational tools from which to account. Additionally, the MSS servicing platforms were not configured to provide the supplemental data and context files necessary to translate servicing data into accounting data requisite for GAAP reporting of the NPA portfolio.

As a result of these operational deficiencies, a material amount of assets reported on Ginnie Mae's Financial Statements were un-auditable and non-compliant with GAAP. Since fiscal year 2014, Ginnie Mae's HUD Office of the Inspector General Financial Statement Audit (OIG) has issued a Disclaimer of audit opinion and cited a material weakness in the financial reporting and controls associated with the NPA portfolio. The Ginnie Mae Audit Disclaimer is also a contributing factor to HUD's Consolidated Financial Statement audit opinion Disclaimer.

Ginnie Mae has committed to a multi-year development project to address the operational deficiencies. The project consists of a comprehensive suite of system tools which will significantly advance Ginnie Mae's capability to properly account for loans inherited from defaulting MBS Issuers.

Any interruption of services provided by the MSS contract would be extremely visible to the nation's financial markets and would have immediate financial and reputational consequences as well as a long-term impact on the desirability of Ginnie Mae MBS and, potentially, the full faith and credit guaranty provided by the US Government. The MSS services loans and acts in termination and seizure situations to protect Ginnie Mae's Guaranty. An immediate re-compete would result in unacceptable delays in the continued development of SLDB and the imposition of duplicative costs associated with the transfer or work in progress that would not be recovered through full and open competition. The current MSSs possess specialized expertise in

understanding the developing SLDB database solution. While it would be ideal, if all our contracts and deployments were in concurrent steps, contract awards and time periods can span across an initial award. It would unduly burden both the Government and a new Contractor if continuation of services in this contract aren't awarded. A new Contractor couldn't logically support a seamless transition with this development of a new database and reporting requirement.

Ginnie Mae is in the final stages of development of an integrated project with multiple contractors consisting of the MSSs [Carrington & Selene], Ernst and Young (EY), and Deloitte. User Acceptance Testing, IV&V, and implementation to a monthly production cycle remain. Once the SLDB project is in production, the OIG will commence its system and financial statement audits. Upon successful remediation of the material weakness, and clean audit opinion, Ginnie Mae will then have a stabilized, tested, and audited system from which data and processing requirements of the MSSs can be finalized and readied for a Full and Open Competition.

Full integration and deployment of the SLDB does not occur until FY 2019. When deployed, this will be the first fiscal year the OIG team begins a comprehensive audit of all information and the systems surrounding the SLDB and the broader audit remediation activities addressing the NPAs. This body of work consists of an audit trail compiled from eight years of loan level transaction information, with approximately 89 million rows of data, 675 accounting events, and an assessment of all collateral documentation associated with the NPAs. During the FY19 audit cycle, OIG will be engaging with the MSS contractors and will have extensive questions concerning underlying information, including on-site visits to the MSSs. MSS continuity for historical context is critical for the success of the audit and the remediation of material weakness identified in prior audits. The OIG audit cycle concludes in October 2019 and would require this continuity to be in place through the entire first year audit cycle of the SLDB. The MSSs are the subject matter experts (SMEs) and are the only source that can provide context and access to information to provide detailed support, as requested by the OIG during their audit testing.

Development Calendar and Contracting Conflicts:

This project is in-flight and therefore very vulnerable to the detrimental effects of replacement contractors. The project is heavily dependent upon and integrated with the development efforts of several other contractors. Ginnie Mae needs the expertise and services of key contractors (the Integrated Contractor Team, "ICT") who are delivering a new specialized and customized platform that enables it to track and manage the accounting operations for its NPAs in a seamless and auditable manner. It expects to complete this work in FY2019.

The current MSS, accounting, and general ledger contracts represent a suite of interconnected systems and processing with development objectives and interfaces that lead to the production of restated and prospective financial statements. The current ICT has historical data knowledge, restatement advisory, knowledge of system improvements, and will provide subject matter expertise through the implementation, stabilization, and post implementation handoff to succeeding contractors.

MSSs are the primary providers of individual loan transaction information that generate journal entries and financial statements. The current MSSs are operating under an industry standard

PWS, defined in 2013, which was focused upon loan servicing and claims management activities. The 2014 Audit Opinion identified a need for a higher standard of data and accounting support. The future MSS PWS must reflect substantially enhanced requirements which address the incremental capabilities of providing accounting related information while simultaneously capturing an audit trail to substantiate journal entries and the financial statement presentation of NPAs.

The SLDB projected milestones and audit dates are estimated to be:

<u>Ref # Key Milestone</u>	<u>Target Dates</u>
1. SLDB in Production Mode	Dec 2018
2. Restatement Entries	Mar 2019
3. Financial Statement & System Audit	Oct 2019
4. Material Weakness Remediation and Final Report	Nov 2019
5. Final MSS Data Set & System Requirements	FEB 2020
6. MSS Full and Open Solicitation begins	Mar 2020
7. MSS Contracts Awarded	Dec 2020
8. Transition Out	Dec 2021

Rationale for Period of Performance:

The One-year Base Period for the new sole source contracts will begin August 2019 and continue with Two One-Year Options, ending August 2022. This period of performance coincides to the project development and implementation schedule and the fiscal year 2019 audit cycle which are the key milestones from which Ginnie Mae can finalize data set and system reporting requirements of an open competition in FY 2020. This will enable a successful and necessary SLDB deployment ensuring continued public confidence in its financial systems via the audit and accounting of Ginnie Mae's financial assets during the audit period

10. A listing of the sources, if any, that expressed, in writing, an interest in the acquisition.

HUD has determined that a competitive solicitation cannot result in meaningful competition at this time therefore, HUD has not published any notice at this time, nor has Ginnie Mae received any interest, in writing, of an interest in the acquisition. No other source has expressed, in writing, an interest in the acquisition. It is not currently feasible nor fair to fully define the reporting and audit requirements in tangible results for the competitive action. This has the potential of the future bidder not being able to perform these requirements.

Additionally, market research supports that onboarding a new contractor would result in unacceptable delays to the development of the SLDB integrated solution and require significant and time-consuming delays to Ginnie Mae's financial reporting capabilities. Research supports that the imposition of duplicative costs associated with the transfer or work in progress would not be recovered through full and open competition as discussed previously in #8 above.

11. A statement of the actions, if any, the agency may take to remove or overcome any barriers to competition before any subsequent acquisition for the services or supplies are required.

At the present time, Ginnie Mae is unable to compete this requirement. Not until the SLDB is complete, tested and fully operational will it be feasible for this requirement to be competitive. Ginnie Mae must fully define and complete the SLDB to be able to report their NPA at the loan level. Completing the transition to the SLDB and the positive audit opinion will ensure that loan level data is able to be correctly reported, with no disruption to the loans currently being serviced in the NPA portfolio. This is key to establishing responsible accounting and will allow full competition in the future. If a new MSSs was awarded, the new company would face significant unknown risks due to developing reporting requirements. Since the SLDB database and its fully integrated design and operational requirements are still currently being fully vetted and defined, a new Contractor would not be able to provide the required integration and testing since it is currently in development. This would therefore place the awardee at a disadvantage. In addition, Ginnie Mae's annual financial report would continue to be disclaimed due to the ongoing material weaknesses the SLDB database solution is being developed to address. With the fully developed SLDB integrated solution, a new contractor would not be subject to the potential risks of not providing the necessary required data and Subject Matter Expertise (SME) expertise for implementation. An operational SLDB integrated solution will enable competition so that all requirements will be available, and no SME reliance would be required that a new contractor would not be able to provide. A new awardee would have to have the identical SME's and familiarity with the project to be able to perform this function of mandatory financial reporting. Currently, there is only one source that can provide that expertise.

The diagram on the following page depicts the logical processing flow of data received from the MSSs, the data integration performed by the accounting contractor, the processing with the VAPE model engine to determine proper GAAP compliant adjustments and accruals, and finally the back-end processing in the general ledger.

Processing Design and Technology Solution

Subledger Solution Architecture Logical Processing Flow

