

# Vendor Management Best Practices In Property Preservation

Building a trained and qualified vendor network is core to a property preservation firm's success.

by Joe lafigliola

In the property preservation industry, the tens of thousands of vendors who inspect, secure and maintain vacant and abandoned properties are critical partners to protect the value and condition of those properties and the neighborhoods and communities around them - and to minimize the financial and reputational risk that mortgage servicers face.

Various studies over the years have noted that the presence of a vacant

property in a neighborhood can negatively impact surrounding home values by tens of thousands of dollars - not to mention the cost to communities resulting from reduced tax valuations, and the added burden on city services to address crime and nuisances associated with vacant properties.

Additionally, mortgage servicers and the government-sponsored enterprises (GSEs) that back mortgage loans are more focused than ever on compliance with municipal and state vacant-property ordinances, regulatory requirements and

guidelines. Failure to secure and maintain vacant and abandoned properties in a timely manner increasingly results in significant fines and penalties and harm to an institution's reputation in the community.

Finding excellent vendor partners, evaluating their capabilities, training them on regulatory guidelines and industry procedures, monitoring their work to assure quality and compliance, and providing them with industry-leading tools to perform their jobs at the highest levels of quality and professionalism are critical to a property preservation firm's success in protecting properties, neighborhoods and communities.

What follows are proven methods for building a trained and qualified vendor network, based on our company's experience.

## Recruiting and screening

The overall system of vendor management, while utilizing tools, technologies and the most effective business processes, ultimately relies on people and relationships. The best source for identifying and recruiting new vendors is a property preservation company's existing vendor network.

Property preservation companies are wise to encourage organic growth within their vendor networks. Vendors who perform at the highest levels of quality and timeliness and who understand what it takes to be successful in the field are the best referrals for recruiting new



vendor companies - and the best candidates for expanding their own businesses across larger regions.

Key to this strategy is clearly communicating the opportunities, providing a thorough and clear business application process, and utilizing capable professionals to work with vendor companies to develop an effective business plan for expanding their operations.

Outreach to recruit prospective vendors also is critical, as relying on organic growth may not be sufficient to meet the demands for inspecting and maintaining properties in every geographical region. Maintaining an active profile and presence on social media sites such as Facebook and LinkedIn can be an effective tool to identify prospective vendors. Also effective are traditional business networking activities through local chambers of commerce and Better Business Bureau offices to generate potential leads.

Another important component in the recruitment process is diversity, because a network that reflects and is sensitive to the diversity of the community in which vendors work will be more successful and effective. Therefore, we seek to identify vendor companies that demonstrate diversity in ethnicity and gender, as well as provide opportunities for military veterans and people with disabilities.

Regardless of their origin, every lead must be carefully and completely screened. A rigorous and thorough screening protocol based on characteristics of the most successful vendors provides a strong benchmark to predict likely success in prospective vendors. Among these are the vendors' experience in the field service industry, the manner in which they perform their own internal quality controls, their track record in delivering a quality product and their levels of capital to sustain them through the business cycle.

The majority of leads do not make it through this screening process. Candidate companies that pass the initial screening move to the next step: the qualification process.

#### **Vendor qualification**

After an initial screening, qualification experts more thoroughly review

each vendor candidate to better understand the vendor's business processes, organizational structure, operation, staffing, experience and quality control procedures to assure that they have the depth, business knowledge, equipment, people and experience to meet timelines and quality standards.

At this point, background checks are performed on the principals and any individuals within the vendor company who sign required documents.

To qualify as a network vendor, companies also must carry appropriate insurance coverage. Those lacking sufficient coverage are referred to brokers who can help vendors understand the unique insurance requirements of the field service industry and help them obtain appropriate coverage to protect their own companies, their clients and their field service partners in the event of an issue.

#### **Onboarding and training**

Once vendor companies have demonstrated their qualifications, passed required background checks, and met insurance and other requirements, they can begin the onboarding process. This consists of classroom training and field training to become credentialed.

The onboarding process utilizes an eLearning platform developed by local universities. Principals of the vendor company must complete a curriculum that begins with an understanding of the work-order process, including how work orders are received, updated and submitted in a work-order submission portal. Access to the learning portal also is given to a vendor's quality control leaders, crew leads and any other individuals at the vendor company who wish to complete the curriculum.

The learning curriculum is broad and deep. It includes videos on virtually every aspect of inspection and maintenance in the field, from how to determine the occupancy status of a property - to the proper procedures to perform a lock change, winterize plumbing or secure a fence. Offering training through a distributed eLearning platform has enhanced the quality and participation levels among vendors, as it allows vendors and their crew members the flexibility to take the classes to meet their

schedules. It also provides an audit trail so that the field service company can track and monitor participation levels to assure that all training is completed.

After the completion of the onboarding training curriculum, new vendors move to the field work phase to receive credentialing. This is a probationary period during which each work order given to the vendor is monitored by a member of the vendor management team with expertise in credentialing. Credentialing experts offer comprehensive hands-on training and work with vendors one-on-one to assure that they understand the entire work-order process, from reading and understanding the work order, to updating it in the system and submitting final invoices. Vendors must demonstrate that they have completed a set number of work orders correctly before they can become fully credentialed.

An important component of credentialing is that it is "event-based," not "time-based." Depending on the geography and volumes, vendors may meet their requirements to complete work orders to expected standards in weeks or months.

As part of the credentialing process, quality and performance goals are also established, and each vendor must meet these goals to successfully graduate from the credentialing program. Once the vendor graduates, the field quality representative in charge of the vendor's area will be notified. That field quality representative will continue to inspect a sampling of the vendor's completed work orders, meet with vendors at their offices and continue to review their business processes, particularly quality control procedures.

Field quality representatives have ultimate responsibility for the quality of vendors in their areas. They are assessed using a scorecard that measures their vendors' compliance with work orders and the quality of the properties they worked on.

#### **Quality assurance**

Training does not end when a vendor becomes a credentialed member of the network. Rather, it is ongoing. Vendors and their crews have continuous access to the eLearning curriculum to review

training materials and best practices and receive updates to requirements, processes and procedures.

Additionally, on an almost-weekly basis, field quality representatives conduct field training sessions in their areas on best practices for services such as landscape maintenance, winterizations and monthly interior inspections to identify active water leaks and other potential issues.

In fact, the field quality leaders in each of the 64 geographical regions are critical to assuring that vendors meet specifications and standards. They own the quality results delivered by vendors and collectively perform thousands of quality inspections each month to assure that vendors are performing to required standards. These include accompanied field visits with vendors; unaccompanied property visits to check up on work performed; and discussions with owners, crew leads and quality control leaders at vendor companies. Vendors are audited, as well, on their compliance with company policies and procedures,

such as those requiring that all vendors perform background checks on their work crews - both employees and subcontractors who perform work at properties. Scorecards and "heat maps" are developed to evaluate and visually plot the performance of vendors in each market, reflecting trends in quality both for vendors and the field quality representative responsible for a particular area.

Extending the reach of the field quality control team is a separate team of 20 analysts who utilize a property inspection network to conduct third-party reviews of work completed. These analysts compare the results of the inspector with those submitted by the contractor who performed the service. If discrepancies or inconsistencies are found, appropriate actions and follow-up are taken. These can include anything from requiring additional training, to taking disciplinary action. Each month, thousands of third-party follow-up inspections are performed. The results of these inspections, as well, are con-

solidated into scorecards and heat maps, so that vendor performance can be monitored and improved on an ongoing basis.

Orchestrating a comprehensive vendor recruitment, training and management process delivers value, not only to the organization, but to the mortgage servicing industry and the communities in which vacant, defaulted and foreclosed properties exist. A strong focus on compliance and quality control procedures helps to assure that all parties involved - vendors, property preservation companies, mortgage servicers and investors - comply with all regulations and ordinances. This protects the condition and value of vacant and abandoned properties, upholds the value and integrity of surrounding properties and neighborhoods, and protects the most fragile communities from expanding urban blight. **SM**

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