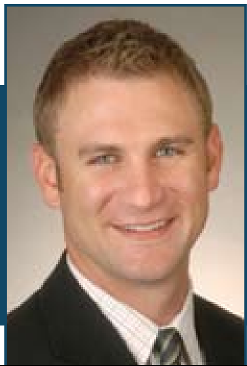

Your Voice - By Tyler Sherman

Servicers Need Help, Too

Certainly there is much talk about originations and originators have much to be concerned about, but so do mortgage servicers. We cannot forget that if we as an industry don't deal with the record defaults coming our way, industry recovery will be continue to be far off. And these distressed properties are causing a lot of issues for our industry to work through.

Specifically, according to numbers compiled by CoreLogic, distressed sales remain a source of significant risk. It is estimated that unrealized recoveries on suspicious short sale transactions may be costing lenders as much as $375 million per year.

CoreLogic goes on to say that unscrupulous investors, unethical real estate agents and other fraudulent loan actors in the mortgage application process are targeting distressed borrowers and arranging same day flips through the foreclosure and short sale processes.

With the volumes of distressed real estate and rate of suspicious flip transactions continuing at near-record levels, lenders are being forced to cope with more of these risky transactions where information related to other potential offers is intentionally withheld. Most of the suspicious flip transactions appear to be well executed events with investment company buyers responsible for a disproportionate percentage of these risky transactions.

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On top of this, the government is placing new rules on servicers that make it even harder for them to work through their distressed inventory. For example, Mortgage servicers must provide a single relationship manager to borrowers being evaluated for a Home Affordable Modification Program trial by Sept. 1, according to guidance released by the Treasury Department Wednesday.

The guideline is required of the 20 largest servicers participating in HAMP, and it is one of the largest adjustments to the program since its inception in March 2009. Since then, more than 670,000 borrowers received a permanent loan modification, and more than 1.8 million trials have been extended.

Servicers need help dealing with the big issues of the day. Well, help is out there. In order for servicers to better deal with their inventory of loans and best serve the borrower in a compliant fashion, they need total visibility into their operation. Business intelligence technology can go a long way in helping inundated servicers today.

There is an infinite amount of data available to servicers today, but managing that data and turning it into actionable information can be a difficult task for any company. Business Intelligence tools combine the data from your collective systems and allow users to instantly access relevant information and apply powerful analytics for use in forecasting and performance monitoring. These tools also provide real-time access to key performance indicators, scorecards, executive and employee dashboards, and on-demand dynamic reporting for mortgage servicers, originators, and vendors supporting the mortgage community. The goal is to shift the culture of servicers from being reactive to being more proactive.

Here are just a few ways that business intelligence technology can greatly benefit mortgage servicers:

Default Management Analytics - Servicers and their originator partners can view default management analytics in real time and across multiple dimensions (in other words by investor, loan purpose, county or zip code, default status, loan type, special loan criteria bond program, 1st time borrower program, etc.).

Fannie and Freddie Reporting – Although some servicers are still doing this reporting manually, reporting to Fannie and Freddie can be automated through a good business intelligence tool. Servicers are required to report on their different programs to discuss possible disposition, including loan mods and then the lender is rated on whether or not they salvage the loan. Business intelligence tools provide the ability to self-monitor the overall activities of the servicing in comparison to the guidelines outlined by the GSEs, thereby basically creating an internal scorecard to align with the requirements of the agencies.

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Data Management – Business intelligence technology underscores the importance of data intelligence, transparency and accountability. Through the use of this technology servicers can better understand how loans are performing and find themselves well equipped to measure that performance. There are massive amounts of data to manage so managing by exception is the most efficient and effective means of evaluating this data.

Managing All Stakeholders – Managing vendor and investor relationships doesn't have to be difficult. Vendors that servicers interact with may include attorneys, property management (renovations, preservation, inspections and maintenance), AVM vendors, realtor relationships, appraisers, etc. Business intelligence technology can proactively alert all stakeholders with status updates, exception reports, trending analysis, and monthly report cards to keep all parties on the same page. Managing all of these parties without a good tool can be next to impossible.

Combining Disparate Systems - Connecting to multiple data sources is critical, and there is a glaring need in the industry to connect the LOS with the servicing system. By using historical default metrics, a lender can proactively predict the default risk factors of a newly originated loan. Tying origination and servicing systems together to ensure that the lender has a complete perspective of each borrower and to anticipate early default is made possible with business intelligence technology.

Risk Management - Servicers also need insight and foresight into risk. They need the ability to be proactive rather than reactive after the fact. Being able to predict and anticipate loan performance creates a significant market advantage and this technology provides that ability.

Delinquency Reporting - Business intelligence technology enables servicers to manage delinquency through specialized reporting that includes trend analysis, regional focus, special mortgage counseling initiatives, and other dimensions to assist in a proactive approach to handling delinquency trends. Servicers can also manage expectations and levels of work (SLAs) within departments (handling escrow analysis, managing customer service call levels, boarding and transfer of loan servicing rights), through the use of reporting automation.

Servicer Performance - Let's also not forget that servicers are judged on their performance by the investors and good business intelligence can help them proactively measure their performance real time and report accordingly. Servicers can allow investor access to their scorecards, dashboards, and reports to proactively communicate loan status and updates.

In the end, the ability to visualize real-time data in a succinct manner to evaluate the overall portfolio performance by the various dimensions can make all the difference. Servicers need a complete view of their loans by loan type, programs, investor, state, county, MLS, origination date, origination channel, etc.

Business intelligence technology enables servicers to tie loan performance with pool performance. Servicers also now have the ability to tie loan performance to accounting disbursements (Actual/Actual, Scheduled/Scheduled and Actual/Scheduled) in order to manage funds and disbursements.

The point of this discussion in a nutshell is to say that with originations at a 15-year low this year, the focus should include servicing. The good news is that business intelligence technology can bridge the information gap between originators and servicers and can be used by both to solve many problems that we as an industry face today. ❖

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