



PROCESS IMPROVEMENT - By TONY GARRITANO

We Can Do It

Data supports the fact that foreclosures in 2011 dropped as compared to 2010, but more work needs to be done.

As we all look back to the mortgage meltdown, we can all acknowledge that a lot of borrowers got loans that probably shouldn't have. That fact compounded with high unemployment means that foreclosures will remain high. Nonetheless, improvement is being made.

CoreLogic released its first national Foreclosure Report which provides monthly data on completed foreclosures, foreclosure inventory and 90+ delinquency rates. Completed foreclosures for all of 2011 totaled 830,000 compared with 1.1 million in 2010. In December 2011 there was a month-over-month decrease in completed foreclosures to 55,000 from 57,000 in November 2011. The December 2011 completed foreclosures figure was also down from one year ago when it stood at 67,000. From the start of the financial crisis in September 2008, there have been approximately 3.2 million completed foreclosures. Here's what this means to the mortgage industry:

The new data from CoreLogic also shows that nationally 1.4 million homes, or 3.4 percent of all homes with a mortgage, were in the foreclosure inventory as of December 2011. The foreclosure inventory is the stock of homes in the foreclosure process. A property moves into the foreclosure inventory when the mortgage servicer places the property into the foreclosure process after serious delinquency is reached and remains there until the foreclosure is completed. The foreclosure inventory is measured only against homes with an outstanding mortgage, rather than against all homes. Nationwide, roughly one-third of homeowners own their homes outright.

Nationally, the number of loans in the foreclosure inventory decreased 8.4 percent in December 2011 compared to December 2010, a decline of 130,000 properties nationwide. The number of loans in the foreclosure inventory decreased by 5.3 percent in November 2011 compared to November 2010 as well.

The share of borrowers nationally that were 90 days or more delinquent on their mortgage payments, classified as seriously delinquent, improved to 7.3 percent in December 2011 compared to 7.8 percent in December 2010.

According to CoreLogic, servicers nationwide stepped up the rate at which they were able to process distressed assets—the distressed clearing ratio—in December 2011. The distressed clearing ratio is calculated by dividing the number of REO sales by completed foreclosures. The higher the ratio, the faster the REO inventory is clearing. The distressed clearing ratio was 1.03, up from 0.94 in November 2011.

“The inventory of foreclosed properties has begun to shrink, and the pace at which properties are entering foreclosure is slowing. While foreclosure filings are being curtailed by a variety of judicial and regulatory constraints, mortgage servicers are completing REO sales faster than they are completing foreclosures,” said Mark Fleming, chief economist with CoreLogic. “This is the first time in a year that REO sales have outpaced completed foreclosures, and part of the reason for the decrease in the foreclosure inventory.”

Highlights of the CoreLogic research include:

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>>> The percent of homeowners nationally who were more than 90 days late on their mortgage payment, including homes in foreclosure and REO, was 7.3 percent for December 2011 compared to 7.8 percent for December 2010, and 7.2 percent in November 2011.

>>> The five states with the highest foreclosure inventory were: Florida (11.9 percent), New Jersey (6.4 percent), Illinois (5.4 percent), Nevada (5.3 percent) and New York (4.6 percent).

>>> The five states with the lowest foreclosure inventory were: Wyoming (0.7 percent), Alaska (0.8 percent), North Dakota (0.8 percent), Nebraska (1.0 percent) and Washington (1.3 percent).

>>> Of the top 100 markets, measured by Core Based Statistical Areas (CBSAs) population, 34 are showing an increase in the foreclosure inventory in December 2011 compared to a year ago, an improvement from November 2011 when 46 of the top CBSAs were showing an increase in the foreclosure inventory compared to a year ago.

At the same time, as we talk about improvement, we all know that the government has and will again come into our space with programs to avert even more foreclosures. I would assert that some foreclosure will and have to happen regardless of the

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government's good intentions. Instead of pushing plans on servicers, the real foreclosure fix is to empower servicers to work with these borrowers in a more meaningful way so workouts last and foreclosures that are inevitable happen and clear the way for faster recovery.

How do you do this? You look to technology. For example, PROGRESS in Lending has learned that IndiSoft has released enhancements to its RxOffice Premium Counselor Edition. The enhanced version of the company's module gives counseling agencies a tool to better manage internal business operations including various kinds of counseling offered and

the day-to-day activities at the agency. The module also features the ability to electronically post data to the HUD Housing Counselor System. Here's the scoop:

The surge in the number of homeowners needing counseling to make informed housing decisions has increased exponentially during the last two years. RxOffice Premium Counselor Edition can be used by any HUD-approved agency participating in HUD's Housing Counseling Program. These agencies are required to use a client management system to track their counseling activities and any information or data provided. By using the RxOffice module, agencies have an automated means of collecting, storing and transmitting HUD required information.

"Timely reporting to HUD in their specific format is an essential part of a counseling agency's day-to-day process," said Sanjeev Dahiwadkar, CEO of IndiSoft. "RxOffice Premium Counselor Edition takes this time-intensive process and gives agencies the tool they need to quickly and efficiently manage the unprecedented number of consumers who need assistance."

RxOffice Premium Counselor Edition is a Web-based case management tool that is highly scalable and flexible. The module features a secured, proprietary messaging system to send to and receive messages from other users and can be integrated with email software to auto-file inbound/outbound e-mails with associated cases.

In my view we need more technology and less one-size-fits-all government plans to get us back on the road to prosperity. ❖



Tony Garritano is Chairman and Founder of PROGRESS in Lending. As a speaker Tony has worked hard to inform executives about how technology should be a tool used to further business objectives. For over 10 years he has worked as a journalist, researcher and speaker. He can be reached via e-mail at tony@progressinlending.com.