

MORTGAGE BANKERS ASSOCIATION

# MBA'S NATIONAL MORTGAGE SERVICING CONFERENCE & EXPO 2009 / TAMPA

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## Lessons Learned from the Credit Crisis

How to Build a Sustainable Servicing Operation for the Future

*LoanCare Servicing Center*

Advanced Systems / Personalized Service

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President

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- Established in 1983, subservicing loans since 1991
- LoanCare's senior managers average more than 17 years experience
- Specializes in loss mitigation powered by BackInTheBlack®
- Utilizes the LPS MSP platform with additional propriety applications
- Ranked 7th among the largest subservicers nationwide; \$13.9 billion; 98K+ loans under management
- SAS 70 Type II report and is Reg AB & USAP compliant
- Top 25 places to work in Hampton Roads, VA 2 years running
- Member of Hope Now Alliance



- Need to control risk
- Importance of anticipating changing landscapes
- Quickly adapting to and managing delinquency volumes
- Need for increased granular portfolio reporting
- Managing current and near-term future liquidity
- Addressing third party demands for information (state, federal, Agencies, investors)

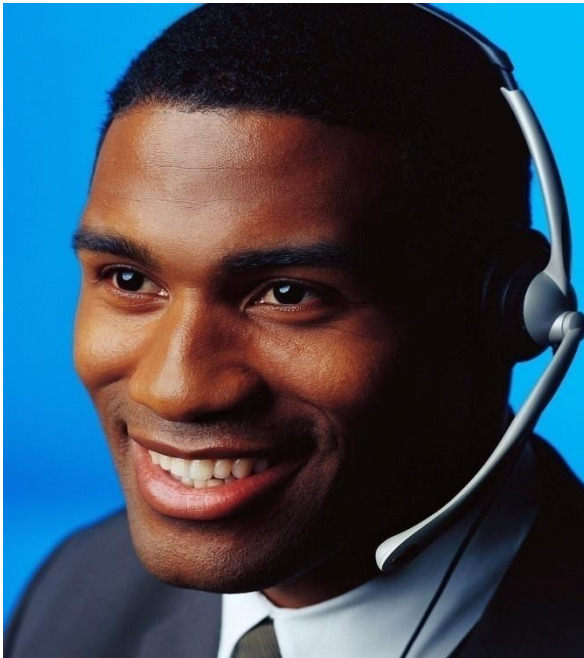
<u>Business Emphasis</u>	<u>Servicing</u>	<u>Subservicing</u>
Process improvement	yes	yes
Drive for cost efficiencies	yes	yes
Multiple clients with diverse R&R's	no	yes
Customer technology enhancements	yes	yes
Client technology enhancements	no	yes
Profit center focus	no	yes
Diverse Wall Street credit ratings	no/maybe	yes
Complex fee structure	no	yes
B to C orientation	yes	limited
SAS70 / Reg AB / USAP / Audit report requirements	no/maybe	yes



## Beyond the Fundamentals.....

- Expanded Hours
- Bi-Lingual Services
- Educating New Homeowners about their Mortgage Responsibilities – Welcome Call, Payment Reminder Calls
- Cross train Customer Service Representatives to be Home Retention Counselors
- Notifications on VRU and Website of Payment Receipt
- Website Enhancements
- Road Shows – joint counseling sessions
- Referrals and jointly working with Consumer Credit Counseling Agencies

**Technology alone cannot prevent foreclosures; the main component remains the skilled loan counselor who:**



- Can bridge the trust chasm with the borrower
- Knows the workout options that are available
- And who understands the authority invested in them in a variety of situations
- First call resolution through skills routing, training, etc.
- Scripting & pop-ups

## Employ Technological Tools

- ✓ Fully automated account queuing and borrower correspondence
- ✓ Predictive dialers
- ✓ Postal Tracking
- ✓ Voice Response Units
- ✓ Expanded Web Payment  
Functionality – pop-ups
- ✓ Skip Trace, Door Knocks, Inspections
- ✓ NPV Models
- ✓ Customizable management reporting
- ✓ Loan Resolution Application – Loss Mitigation Decision Tool
- ✓ Unique decision system including dynamic decision trees to determine the best workout solution



- Identify candidates for loss mitigation early in the delinquency stage – technology utilization
- Review current loans and determine whether they may require loss mitigation in the future – NPV modeling & behavior scoring
- Categorize risk profiles and borrower behavior – borrower payment predictability, modeling
- Early contact with borrowers with ARMs, Option ARMs, declining market HPA
- Rigorous & dynamic cash flow estimating



## With Efficient Default Management Approaches

- ✓ Proactive borrower contact
- ✓ Expanded working hours
- ✓ Most experienced default management personnel should focus on loss mitigation negotiations
- ✓ Longer payment plans and credit counseling
- ✓ Closely monitor forbearance breaks and roll rates
- ✓ Door knockers w/soft handoffs
- ✓ Create incentives for attorneys
- ✓ Delay first legal action on foreclosures, where permitted
- ✓ Competitive bidding strategies to encourage third party purchases and short sales
- ✓ Consumer incentives
- ✓ Pre-approved modification letters to consumer

## Types of Vendors

- Field Services
- Insurance Claims & Recovery
- Statement Rendering
- Valuations
- Information Technology
- Legal

## Accountability and Measurements

- What Gets Measured Gets Improved – SLA's, KPI's, Report Cards
- Reimbursement Procedures – Charge-Backs
- What Should Be Audited and How Frequent
- Disaster Recovery
- SAS70 Review
- On-Site vs. Off-Site Audit Visits

## Agreements – Points to Consider

- Reviewing
- Indemnification
- Information Privacy
- Insurance Coverage
- Financial Stability



