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

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From Reactive to Proactive:

Leveraging Technology for Process Improvements

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- James Iredale, Senior Vice President, Portfolio Solutions, Lender Processing Services
- Anthony Garritano, Editor, Mortgage Technology Magazine
- George FitzGerald, Senior Vice President, Product Strategy, Lender Processing Services

- Introductions and Approach for today
- Industry Overview
- Identifying Processes that Can Be Simplified
 - New Loan Set-Up
 - Document Control
 - Cash Management
 - Investor Reporting/Accounting
 - Escrow Administration
 - Customer Service
 - Special Servicing
 - Default Administration
 - Other Administration
- Evaluation Approach
- Implementation Approach
- Measuring Results



- Maximize Income
- Minimize Costs
- Reduce Risk
- Create Goodwill

NEARLY 10% DELINQUENT

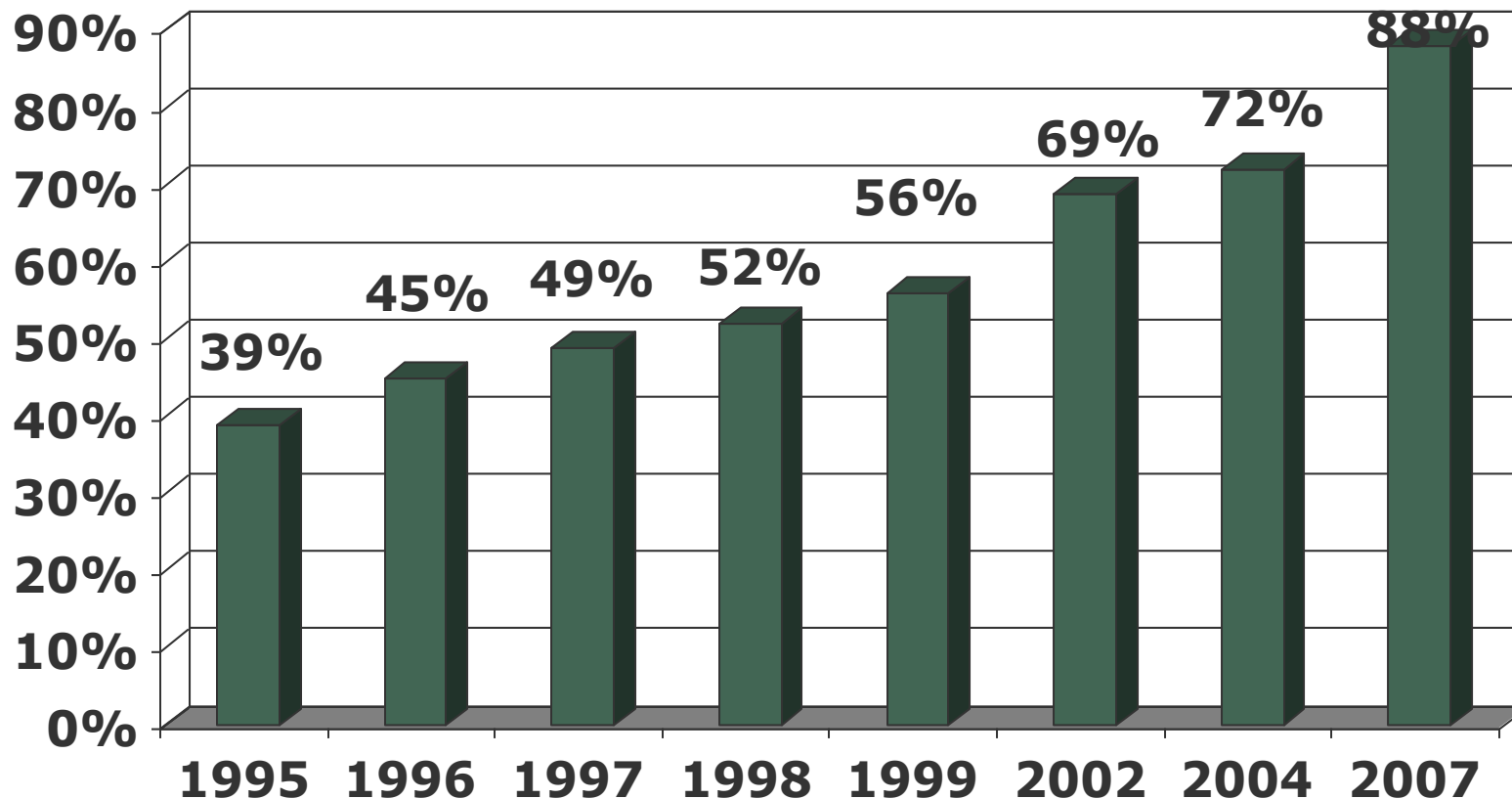
30 DAYS	3.39%
60 DAYS	1.40%
90-DAY-PLUS	2.20%
IN FORECLOSURE	2.97%
TOTAL PAST DUE	9.96%

10 Worst-Performing States by Appreciation Rate

State	3-Month HPI Change	1-Year HPI Change
California	-7.58	-29.85
Nevada	-6.28	-24.99
Arizona	-6.96	-21.09
Florida	-4.83	-17.54
Rhode Island	-5.00	-14.96
Hawaii	-0.80	-14.30
Minnesota	-0.83	-9.71
Wyoming	2.19	-8.92
Washington	-3.27	-8.80
Michigan	-0.48	-8.01

Source: Mortgage Banking Magazine
 Single Family Detached (September 2008 Data)

Top 30 Servicers Share of Market



Source: National Mortgage News – Quarterly Data Report

- Loan Modifications
 - FNMA Homesaver
 - FDIC
 - Hope Now / FHFA – Streamlined Modification Program
- Reporting
 - VALERI
 - HUD SFDMS
 - GNMA RFS
 - OTS Call Report Changes
- FDIC Changes
- Potential Bankruptcy “Cramdowns”



"The hard hats? In case of falling interest rates."

Identifying Processes that Can Be Improved with Technology

- System Automation/Interface
 - Escrow Data
 - Initial Escrow Statements
 - ARM Data
- Quality Control / Audit
- Payment Media
- Fluctuating Volumes
- You have one opportunity to make a first impression!

- Storage: Hard copy, image
- Document Security
- Inbound loose documents
- Deal with fluctuating volumes
- Retention requirements





- Corporate Advance Tracking and Recovery
- Lockbox processing
- Drafting
 - One time
 - Recurring
- Payment Exceptions
- Suspense Accounts
- Returned Checks
- Payoffs
 - Prepayment penalties
- Transfer \$ to appropriate custodial accounts

- Automated report generation
- Automated report delivery
- Data access
 - Private Investors
 - REMICs
 - Housing Authorities
- Investor Account Reconciliation

- Outsource – monitoring the efficiency
- In-source
 - Working the exceptions
 - Delinquency notices
 - Non-escrows
- Data Integrity
 - Loan Boarding
 - On-going audits
- Tax Line Set Up



- **Outsource Insurance – Monitoring the vendor**
- **In-source Insurance**
 - Escrow Set Up
 - Working the exceptions
 - Paper intensive
 - Forced coverage (set up and removal)
- **Loss Drafts**
- **Flood**
 - Flood zone tracking
 - Borrower notifications
 - Forced flood
- **PMI/MIP**
 - PMI Cancellations
 - Disbursement/reconciliation processes

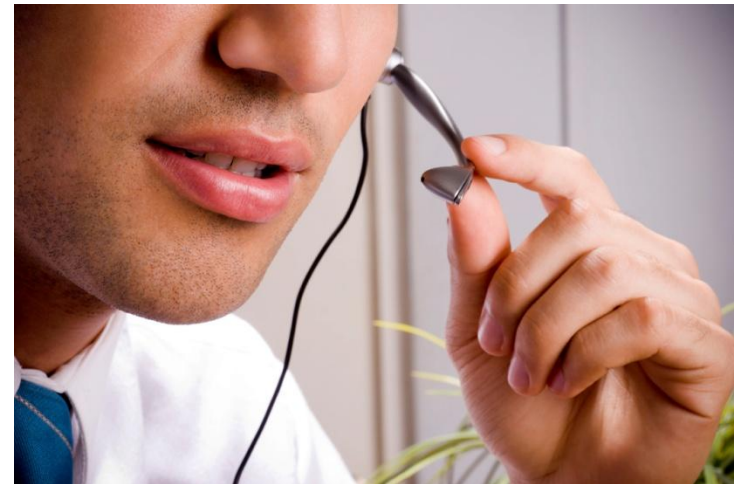


- Mass Analysis
 - Working the exceptions
 - Timing
 - Distribution of work
 - Pro-active versus re-active

- Borrower Reaction
 - Extended shortage spreads
 - Individual analysis
 - Payment shock

- Maximizing Escrow Float
 - Escrow line set up
 - Cushions
 - Timing of the analysis

- Retaining the customer
- Cross selling
- Control event-triggering calls
- Manage Inquiries:
 - Telephone
 - Internet
 - Written correspondence
- Balance call talk time with quality service
- Language, Cultural and Time Zone Barriers
- Common tools
 - Websites
 - Call Distributors
 - Voice Response Units
- Spikes in volume





"I'd like a no-interest loan, since I have no interest in paying it back."

- ARM Loans
 - New Loan Set-up
 - Index loading
 - Calculations
 - Notice generation
 - Exception Processing
- Other Special Loans
 - Buydowns
 - GPM's
 - SCRA (Servicemembers Civil Relief Act)
 - HELOCs
 - SHELOCs
 - Credit Card Access

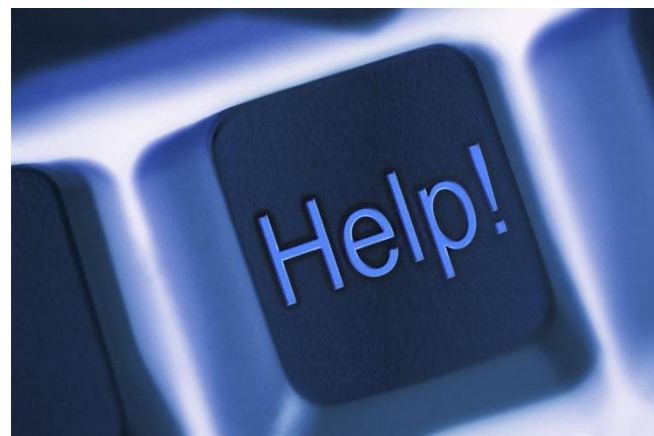




- Prioritization of collection efforts
 - Borrower history
 - Analytics
 - Credit scores
 - Loss Severity
- Delinquency Notices
- Late charge income
- “One-Time Drafts”
- Property Inspections



- Collecting borrower financial data
- Repayment plans and forbearance agreements
- Loan Modifications
 - Identification
 - Analytics
 - Tax/Title Search
 - Optimization (What solution is most likely to succeed?)
 - Solicitation (Outreach programs)
 - Fulfillment (Making the changes)
 - Tracking the results
- Deed in Lieu
- Short Sales



- Borrower notifications
- Investor Requirements
- PMI Companies

- Filing the claim
- Processing the cash
 - Pre-petition
 - Post-petition
 - Special loan types
- Motion for relief



- Tracking the various requirements
 - State, county requirements
 - Loan type
 - Investor
- Attorney referrals
 - Tracking the attorney
 - Paying the fees and expenses
- Right of Redemption
- Claims

- Year End
 - IRS Reporting
 - Borrower Notices
 - Due Diligence
- Servicing sales and acquisitions
- Portfolio management and hedging
- Management reporting
- Training

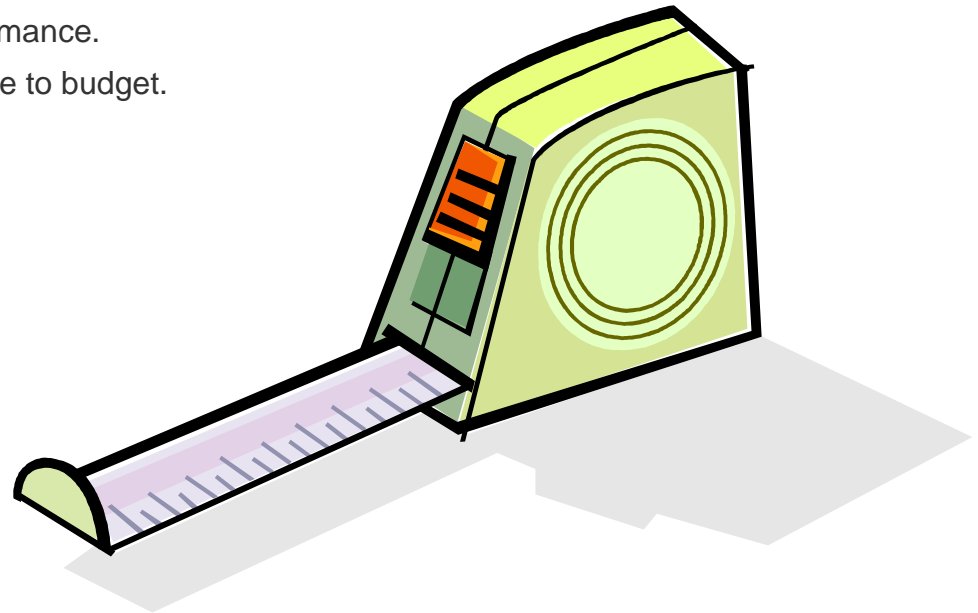
- Understand the objectives (human and automated workflow).
- Understand the business process(es) and are they repeatable and defined.
- Where is the expense?
- Where is the time being spent?
- What work in the process is dependent upon third parties?
- What are the current technology implications and dependencies?
- What is the impact to the customer and associated costs?
- What is the impact to our non-customer partners?
- What skills do we need to conduct the evaluation?



- Phased approach
 - Can pieces of the process and/or solution be implemented in phases?
 - What to start with (labor intensive, lowest risk...)?
 - What's the cost to support?
 - Impact on technology partners and vendors.
- Parallel approach
 - Can multiple technologies run in parallel?
 - Decide on which metrics decide success?
 - What's the cost to support?
 - Impact on technology partners and vendors.
- Mitigating the impact to your current operations
 - Test groups
 - Training
 - Exception management



- Before Implementation
 - Define what results (objective and subjective) to measure.
 - Budget.
 - Gather current state measures and results (time, quality, etc.).
- Post Implementation
 - Focus on “Outcomes” rather than “Design”.
 - Service Level Agreement needs and performance.
 - Determine actual costs to implement relative to budget.
 - User feedback.
 - Measure process improvement.
 - Simplification.
 - Reduction in external dependencies.
 - Quality: Was the process really improved?





**“Opportunity paged me, beeped me, linked me,
e-mailed me, faxed me, and spammed me.
But I was expecting it to knock!”**

Questions?

