



SERVICING 10

MBA's NATIONAL MORTGAGE SERVICING
CONFERENCE & EXPO 2010
FEBRUARY 23-26, 2010, SAN DIEGO

Implementing Best Practices in Consumer Collections

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Missy Zakett

Dominic Baglio

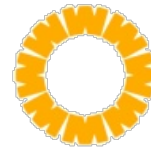
John Parres

Jason Spooner



global business payments

green tree



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green tree

Dominic Baglio
Senior Vice President
Default Services

A Proven Partner for Specialty Servicing



30 years experience working with credit sensitive loans and depreciating assets

Management averaging 23 years in industry, 10 years at Green Tree

725,000+ accounts currently being serviced - \$34B in assets; **242,000+ loans** converted from various platforms in last 12 months

Asset types first and second liens (Prime, Alt- A, Subprime), HELOC (open and closed end); consumer; installment and manufactured housing loans

35, 345 loss mitigation solutions completed in last 12 months - customized and large scale programs (FNMA, Treasury, Investor specific)

Performance on investor pools converted in past 18 months consistently outperforms industry benchmarks

Client partnerships – numerous strategic partners include GSEs, national and regional banks, hedge funds, major monolines, and over 250 securitized trusts – our investor reporting portal provides real-time surveillance and customized reports



Decentralized Model Ideally Suited for Credit-Sensitive Assets

- Multiple regional offices allow Green Tree to maximize performance and add capacity easily
- Gives management the flexibility to design and assign queues that facilitate customization and specialization where appropriate

31 Regional Offices – 625+ employees

- 30+ Collections
- Repossession/Disposition

Corporate / Other – 350+ employees

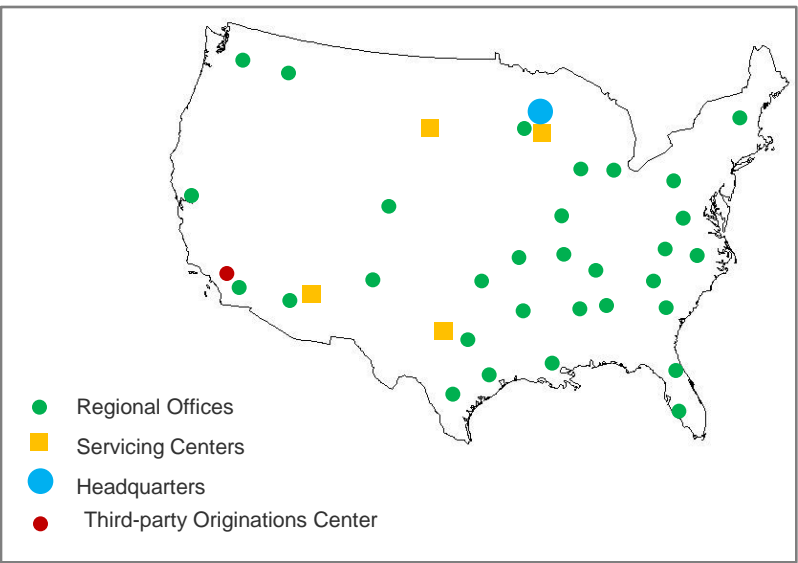
- Investment Management Business
- Insurance Agency Business
- Shared Services

Four Servicing Centers – 750+ employees

- Saint Paul, MN
- Rapid City, SD
- Fort Worth, TX
- Tempe, AZ

One Third-party Originations Center

- Tustin, CA



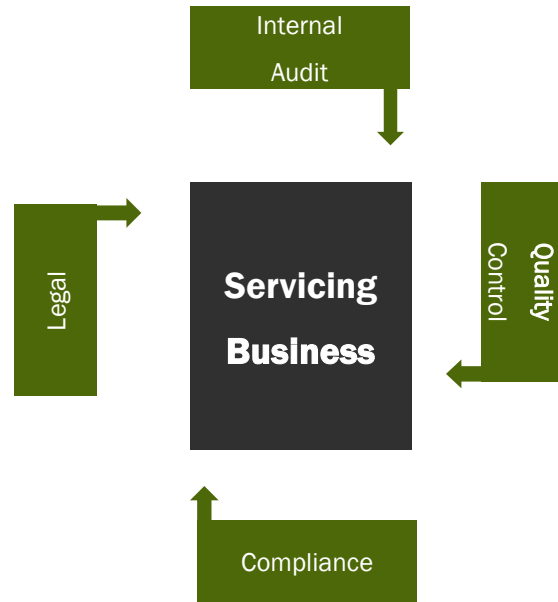
1,700+ employees
36 offices

Standard of Care for Borrowers

Independent controls and effective monitoring

- Significant post conversion/follow-up audit process
- Focus on high risk conversion elements

- Licensing
- Strong regulatory compliance skill sets
- Strong procedures for tracking and implementing new foreclosure laws

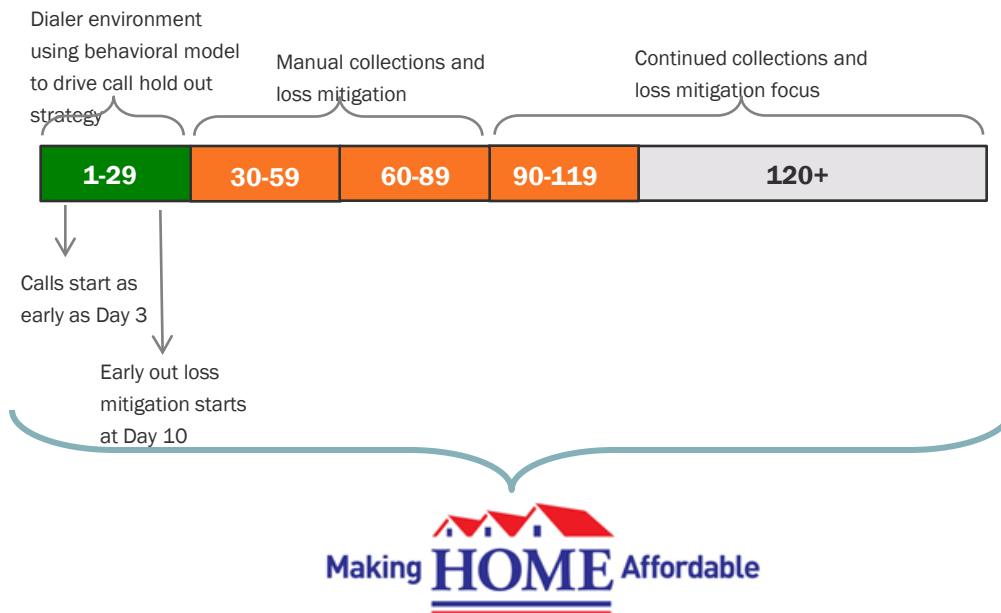


- Experienced Call monitoring
- Dedicated personnel
- HMP audit procedures
- Reg AB testing

- Independent Collector call monitoring and discipline process
- 200+ compliance audits per year

A Legacy of Loss Mitigation Success

- Green Tree has a long history of avoiding foreclosure and keeping homeowners in homes through the extensive use of effective loan modification programs
- Green Tree’s Loss Mitigation discussions start at 30 days past due with 765 collector/loss mitigators and managers nationwide ready to assist customers.
- Collectors average 3 years at Green Tree and 9 years in the industry while managers average 7 years at Green Tree and 17 years in the industry.
- Collector/Loss Mitigators are trained an average of 43.8 hours per year.



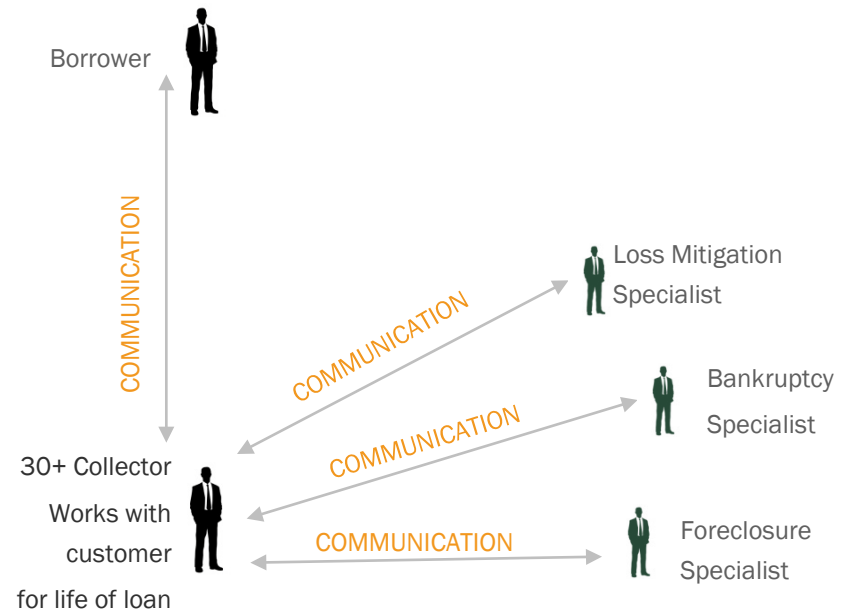
Ability to customize

- Seasoned practitioners use a portfolio of proactive loss mitigation tactics
- Payment modification (deferment)
- Rate modification (arm to fixed, or step fixed)
- Forbearance (long term hardship cases)
- Short sale (settlements)
- Deed in lieu (transfer ownership)
- Combo Principle Reduction and Rate Modification
- Refinance (equity or principle write down)
- Compliant with New Government Protocols: Home Affordable Modification Program and Refinances

Loss Mitigation in a Turbulent Economy

Because large numbers of mortgages have now become depreciating assets during the current economic downturn, it has become imperative for servicers to improve their operational scale, their capabilities and the speed with which they deliver such services

- Applying intensive and continuous loss mitigation strategies throughout the servicing process is a core attribute of Green Tree's "high-touch" standard of care for borrowers and clients
- The 30+ Collector who handles a loan account for its life is teamed with specialists to apply loan-specific solutions at each appropriate stage



HAMP Qualification

- Prequalification is completed systematically to determine eligibility using the following rules:
 - » Loan must be open
 - » Loan Contract date must be prior to January 01, 2009
 - » Must be a first lien
 - » Must not be in an active bankruptcy status
 - » Must not be in repossession
 - » Cannot have more than 4 units
 - » Product type must be MH or HE
 - » Principal balance of the loan must match the HMP guidelines for the number of units

- Qualification Survey questions

Survey

1) Are you the Borrower or Co-borrower?

2) Is the home Owner Occupied? Yes No

3) Is this your primary residence? Yes No

4) Is this an investment property? Yes No

5) Are you having trouble paying your mortgage? For example have you had a significant increase in your monthly expenses or a reduction in income since you got your current loan or have you suffered a hardship that has increased your expenses (like Medical Bills)? Yes No

6) What is the nature of your hardship?

7) Is your home taxed as real property? (EX: If the customer purchases annual license tags for the mobile home it is not considered real property. Or if the customer has a title for the mobile home it is not considered real property) Yes No

Customer Inquired about Loan Mod.

Strategies to get Customer Performing

Green Tree's loss-mitigation strategies and tactics rely on:

- **Predictive analytics** to identify target account pools of high-risk accounts
 - Proprietary loan performance database of 1.35 million loans supports credit risk models and drives execution of complex collection and loss mitigation strategies
 - Identified “at-risk” loans, regardless of delinquency status, would be queued to a 30+ Collector.
 - The advantage of these early-detection system is in addressing financial hardships much earlier in the delinquency cycle and improves the likelihood loss mitigation will achieve a positive outcome.

- **Accurate valuations** to support informed decisions to maximize return
 - Primary use of BPOs for first lien
 - In-house staff appraisal team for QC
 - Use of AVMs for HAMP and to supplement on other loss mitigation
 - HVE is preferred AVM in waterfall

- **Early Stage Focus** – Early contact with borrowers and problem identification in the first 30 day window enabling early problem resolution (‘can’t pays’ vs. ‘won’t pays’)
 - Raises conversion rate-percentage of borrower contacts that result in appropriate servicing outcome for borrow and investor

Risk Factors

- | | | | |
|------------------------|-----------------------|-----------------------------|-----------------------------|
| • Severe Delinquency | • Equity Position | • Broken Promises | • Vacant/Abandoned Property |
| • Reason for Default | • Property Condition | • ARM Reset | • Upcoming Foreclosure Sale |
| • Customer’s Intention | • Property State | • Interest Only Loan | |
| • Affordability | • Multiple Bankruptcy | • Third Party Involvement | |
| • Employment Type | • Failed Arrangements | • Tenant vs. Owner Occupied | |



Early Stage

- IVR Technology
- Behavioral Modeling
- Supplemental Efforts
- Champion / Challenger Approach
- Imaging Support / Technology
- Quality Monitoring



30+ Collections

- Account Ownership
- Technology Support
- Product Focus
- Regional Focus
- Process Focus
- Imaging Support / Technology
- Quality Monitoring

Early Stage

- IVR
- Modeling
- ECM / Aspect
- Scheduling
- Coverage / Penetration
- System support for contact
 - ANI
 - Imaging
 - Credit Bureau and locate sites

30+ Collections / Loss Mitigation

- Regional structure
- Best time to call
- Management controlled queue strategy
- Mail delivery variety
- Vendor field contacts
- System support for contact
 - ANI
 - Imaging
 - Credit Bureau and locate sites

- Simplify the process for the borrower
- Good operational structure to assist in ability to contact
- Creative approach
- Champion / challenger analysis

Success!



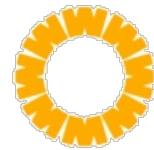
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IndyMac Mortgage Services a division of OneWest Bank

John Parres

First Vice President

Customer Service & Collections



OneWest Bank™

The Birth of the Enterprise Call Center - 2008

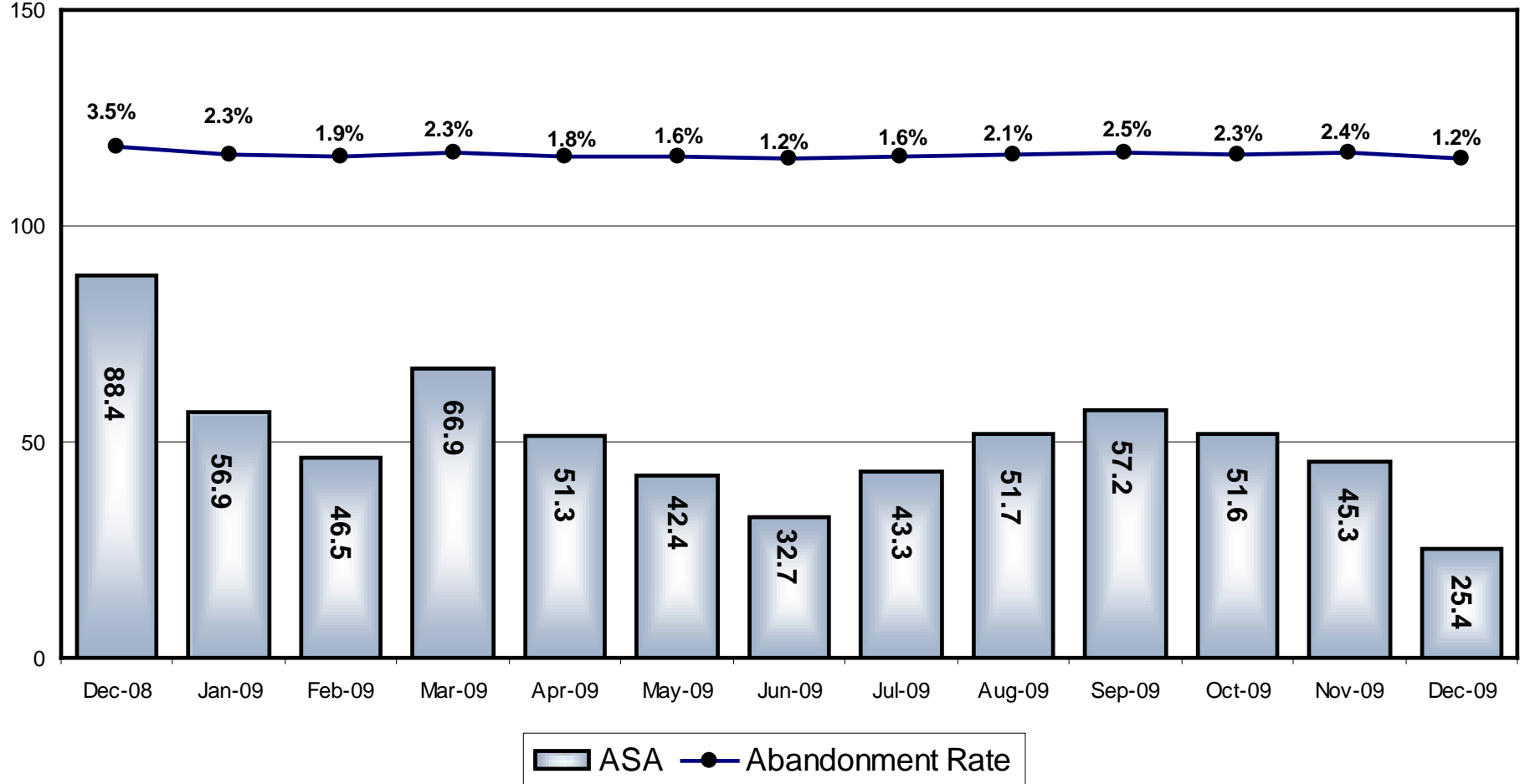
- » Created Q4 2008 as part of Indymac Federal Bank
- » Migrate all call center activities into a single operation with the goal of:
 - Supporting the FDIC Modification Program
 - Addressing rising delinquencies
 - Stabilizing service levels
 - Maximizing employee efficiency – pooling principle
- » Consolidated multiple processes to support creation of ECC
 - Training of non-default agents
 - Modified new hire training curriculum
 - Consolidated P&P manual
 - Realigned KPIs & compensation plans
 - Departmental communication process
 - Align technology and reporting



Enterprise Abandonment Rate and ASA



Enterprise Abandonment Rate and ASA December 08 - December 09



- » Migration from generalist hybrid agents to specialized agents
- » Primary focus to provide service related to:
 - HAMP & other Loss Mit consideration/resolutions
 - Foreclosure Review
 - Investor based early stage delinquency management
- » Other considerations for success
 - IVR programming and call routing – get customers to the right place
 - Web based solutions – increase self-service
 - Extensive upfront/continuous agent training requirements
 - Communication processes
 - › Smaller targeted groups and more details required
 - Function based incentive/comp plans & career path
 - › Multiple plans based on function agent provides
 - › Clear career path for advancement required

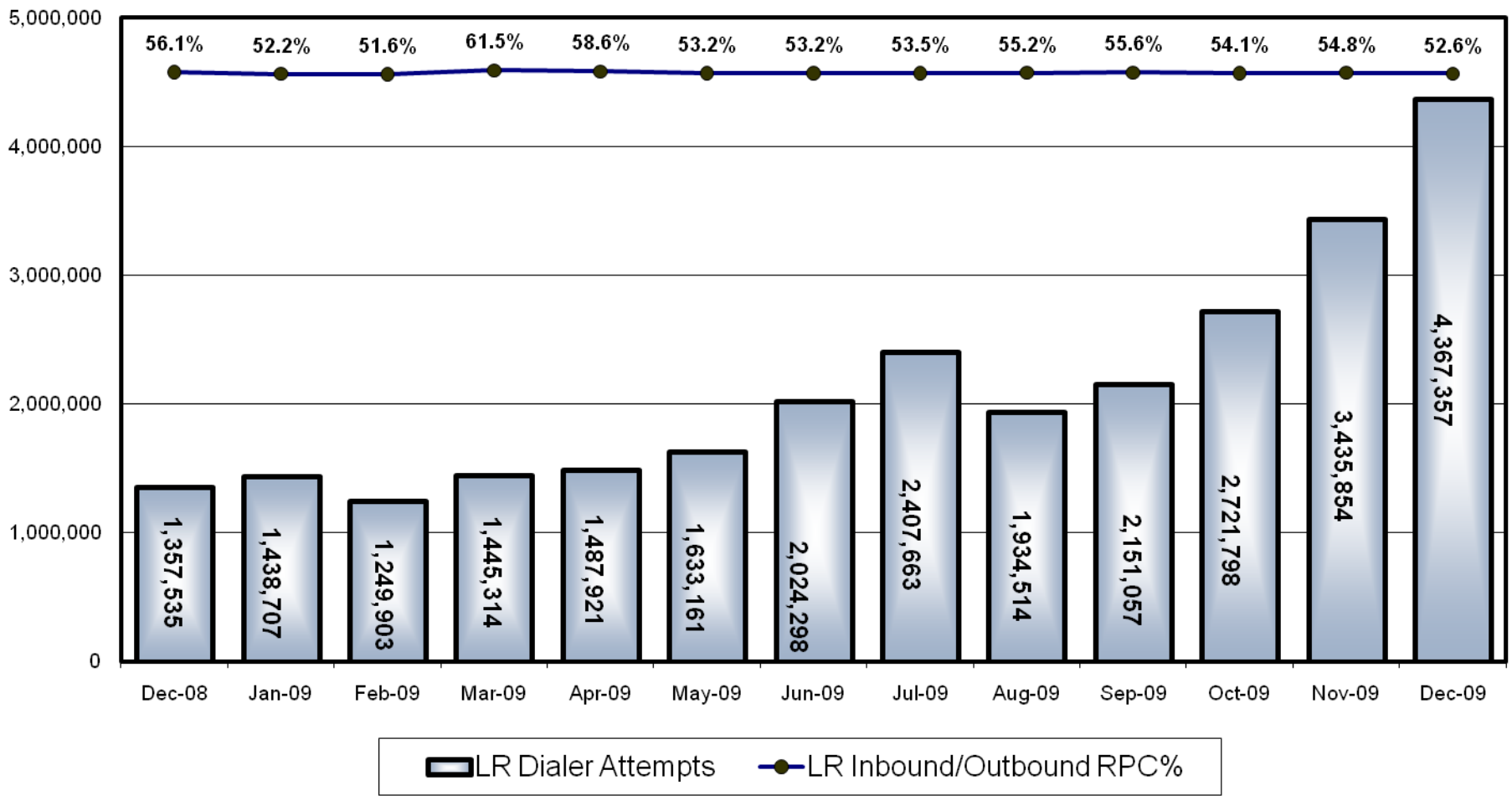


- » Specific focus on early stage delinquency
 - Keep them from becoming delinquent
 - Team dedicated to managing our 0-29 day outbound collections
 - Team dedicated to managing our 30+ outbound collections
 - Specific campaigns to establish RPCs and determine customers intentions
- » Support of HAMP Program
 - Document chasing efforts for incomplete applications
 - Soft-collection/reminder efforts focused on trial payment collections
 - Specific efforts on EPDs of modified loans
 - Dedicated teams focused on collecting outstanding mod offers

Dialer Attempts and RPC Percentage



Loan Resolutions Outbound Dialer Attempts and Inbound/Outbound RPC%
December 08 - December 09



Conclusion

- Not a one size fits all approach
 - Understand your customer
 - Know your portfolio
 - Know your products
 - Embrace your employees
 - Leverage technology



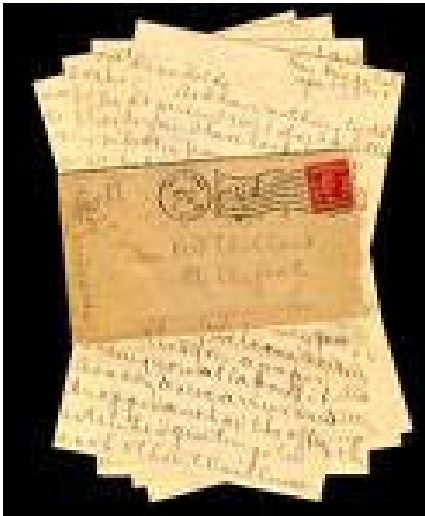


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Use Marketing To Enhance your Default/Loss Mitigation Success

Jason Spooner
Senior Vice President
Default Services





Back in the days of business as usual (prior to 2008), default client communications were all pretty much the same.



But, faced with a situation where clients who most needed to speak with us failed to read, or even open the letters we sent them, we knew we had to change our methods.



That's when we asked Marketing to get involved.

How Marketing Can Help

Marketing's mission was to get clients to open the mail we sent

- The first thing Marketing did was determine why clients weren't responding
 - » Discussions with seasoned collectors and Loss Mit negotiators identified that clients were *nervous and ashamed* 
 - » Marketing listened in on calls with clients and learned that they often *didn't believe they could make a change in their situations* 
- They applied this learning and came up with new messages
 - » You're not alone – we've helped others like you
 - » One phone call could save your home
 - » We don't want to take your home. We want you to keep it.



Marketing developed some innovative ways to get clients to open their mail.

- » Program: Package loan modification documents in a U.S. Mailbox and deliver via FedEx so that no SunTrust Mortgage identification shows on the mailing carton.
 - Audience: Three mailings totaling 315 homeowners who were more than 120 days late with payments – zero contact
 - Issue: Difficulty in getting homeowners to open mail from or contact SunTrust Mortgage
 - Offer: Loan modification that reduces monthly mortgage payment amount

The Mailbox Campaign



Did it work? Yes!



Yielded a 17% response rate among hardcore non-responder clients who otherwise would have gone into foreclosure. Tactics included:

- Positive, reassuring tone of voice - *Relax*
- Interruptive and unusual packaging – a *mailbox*
- Unexpected and convincing message – *save your home*
- Return envelope (FedEx) for modification documents (inside mailbox)

So we did it again



- » Program: This mailing occurred just before Halloween. To capture the attention of the recipient, SunTrust Mortgage packaged its offer of the Visa Gift card with a solar powered resin pumpkin and sent it in a box with no SunTrust Mortgage identification on the package.
 - Audience: SunTrust Mortgage clients who were more than 90 days late with their payments and who had not responded to prior attempts to get them to call for help.
 - Offer: A \$200 Visa Gift Card for calling SunTrust Mortgage to discuss the issue of their past-due payments. The gift card was sent when clients made contact with the Collections Department and provided counselors with their financial information.

The Pumpkin Campaign



Did it work? Yes!



- SunTrust Mortgage mailed colorful and seasonal pumpkin packages
- Yielded an 11% response rate from clients who would otherwise have proceeded toward foreclosure



So we did it again

- » Program: The goal of this incentive program is to convince clients who are facing foreclosure to agree to deed in lieu of foreclosure.
 - Audience: Investor and non-owner occupied borrowers that were 180 dpd but not more than 360 dpd and whose loans are in foreclosure
 - Offer: Statement that client is valued to STM and we want to help client look ahead instead of dealing with current problem
 - › Making this call could be your first step back onto the path of financial solidity
 - › You can stop your foreclosure by agreeing to deed in lieu
 - › You will have your shortfall waived
 - › Explain the program in general terms – nothing technical
 - › There is no reason not to call



Did it work? Yes!



- We packaged an attractive compass in a box that also contained a letter and mailed to the prospective borrowers.
- The letter was customized to each client: name, address, property address
- We received responses from 30% of the targeted population and converted 50% of those responses successfully

What we learned

- We learned that although these are different times, people are people:
 - They respond to a kind, hopeful tone better than they do to a stern threat
 - They are curious
 - Most often they want to do the right thing
 - They are embarrassed to ask for help
- We default guys are good at what we do, but we would never have thought of doing these things.
- Use your company's resources to do what they do best. Reach out to your marketing department for help.



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global business payments

Missy Zakett
Vice President
Vertical Sales

The Western Union® Global Business Payments Money Mindset Index

- Research Objectives
 - » To understand and track how current economic conditions have changed consumer behavior regarding bill payment and other Western Union® service offerings
 - » Identify specific attitudes, preferences and behaviors unique to the respondents that are sufficiently affected by current economic conditions
 - Examples of behavior changes include:
 - › Default on mortgage
 - › Deliberate late payment of bills
 - › Deliberate non-payment of certain bills
 - › Reduced value placed on credit rating and current situation

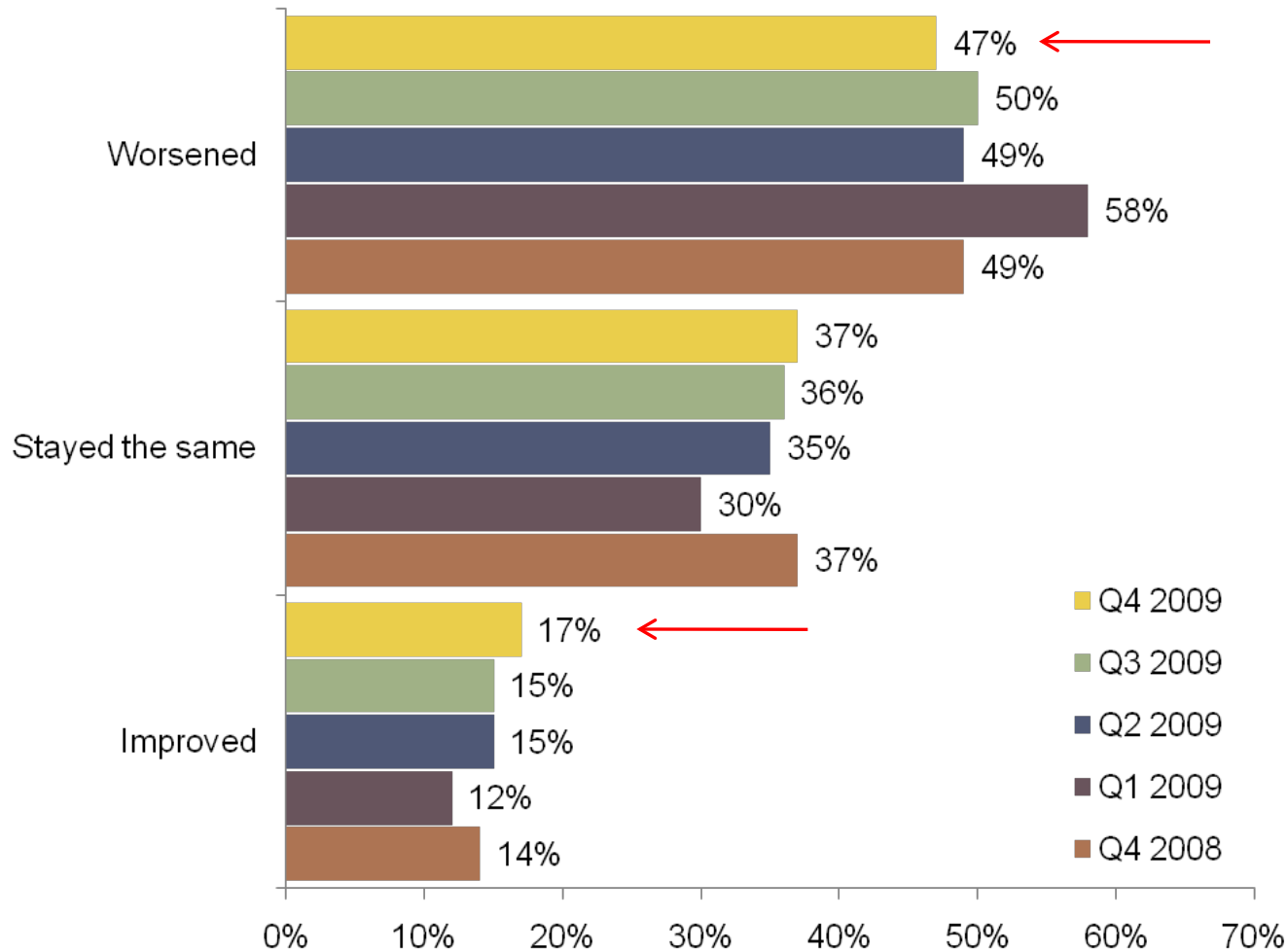
- **Methodology**

- » The survey was conducted online in November, 2009 from a random sample of 3,002 respondents in the US
- » Longitudinal analysis is based on a survey with identical methodologies of:
 - 3,367 respondents conducted in August Q4 2008
 - 3,009 in March 2009 (Q1 2009)
 - 3,003 in June 2009 (Q2 2009)
 - 3,002 in August 2009 (Q3 2009)
- » This survey targeted respondents based on representative proportions of geography, gender, age, income, and ethnicity as compared to the overall US population.

Summary Findings

- Although consumers indicate they believe the worst of the economic crisis is behind them, the financial impact on consumers is a lagging indicator and has driven them to adopt a protective stance until conditions significantly improve
 - » In response to financial pressures, in the next 6 months more consumers plan to:
 - Pay more bills after the due date (15 percent)
 - Default on their bills (10 percent)
 - Prioritize which bills get paid first differently (38 percent)
- Q4 saw the highest percentages of consumers
 - » Considering bankruptcy (10 percent)
 - » Defaulting on debt (8 percent)
 - » Finding new payment options for bills (23 percent) to help improve their financial situation
- 46 percent of consumers spend the majority of their paycheck on housing
- 43 percent of consumers would prefer to spend their paycheck on recreation

Fewer Consumers Say Their Financial Situation Has Worsened

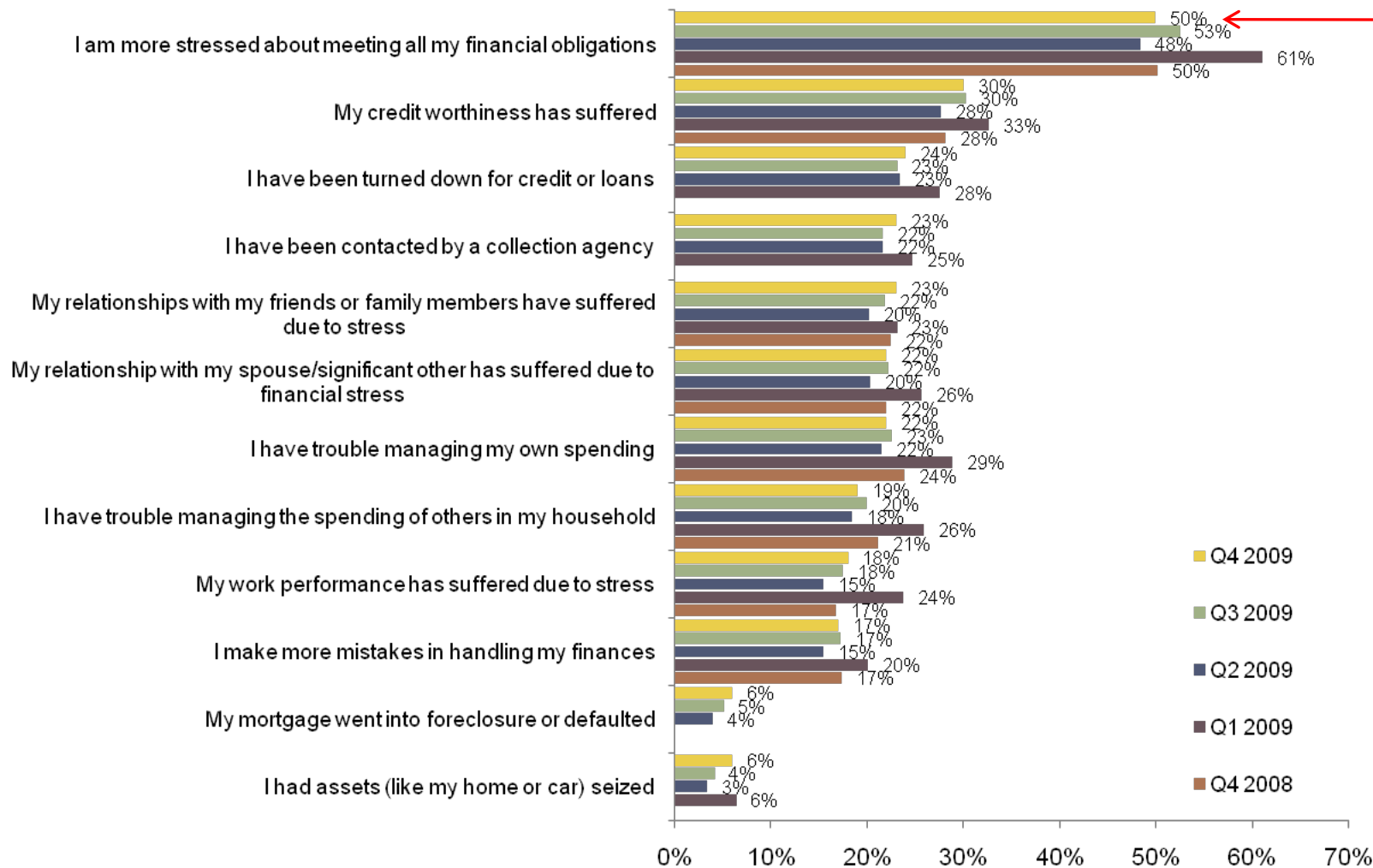


Q6: In the last 6 months, has your financial situation improved or worsened? On a scale of 1 to 7, let 1 represent "worsened greatly" and let 7 represent "improved greatly".

Top 3 box scores: Improved
Bottom 3 box scores: Worsened

October 2009, n = 3002,3002,3003,3009,3367
Base: All consumers.
© 2009 Javelin Strategy & Research

Consumers Reported Less Stress Related To Finances



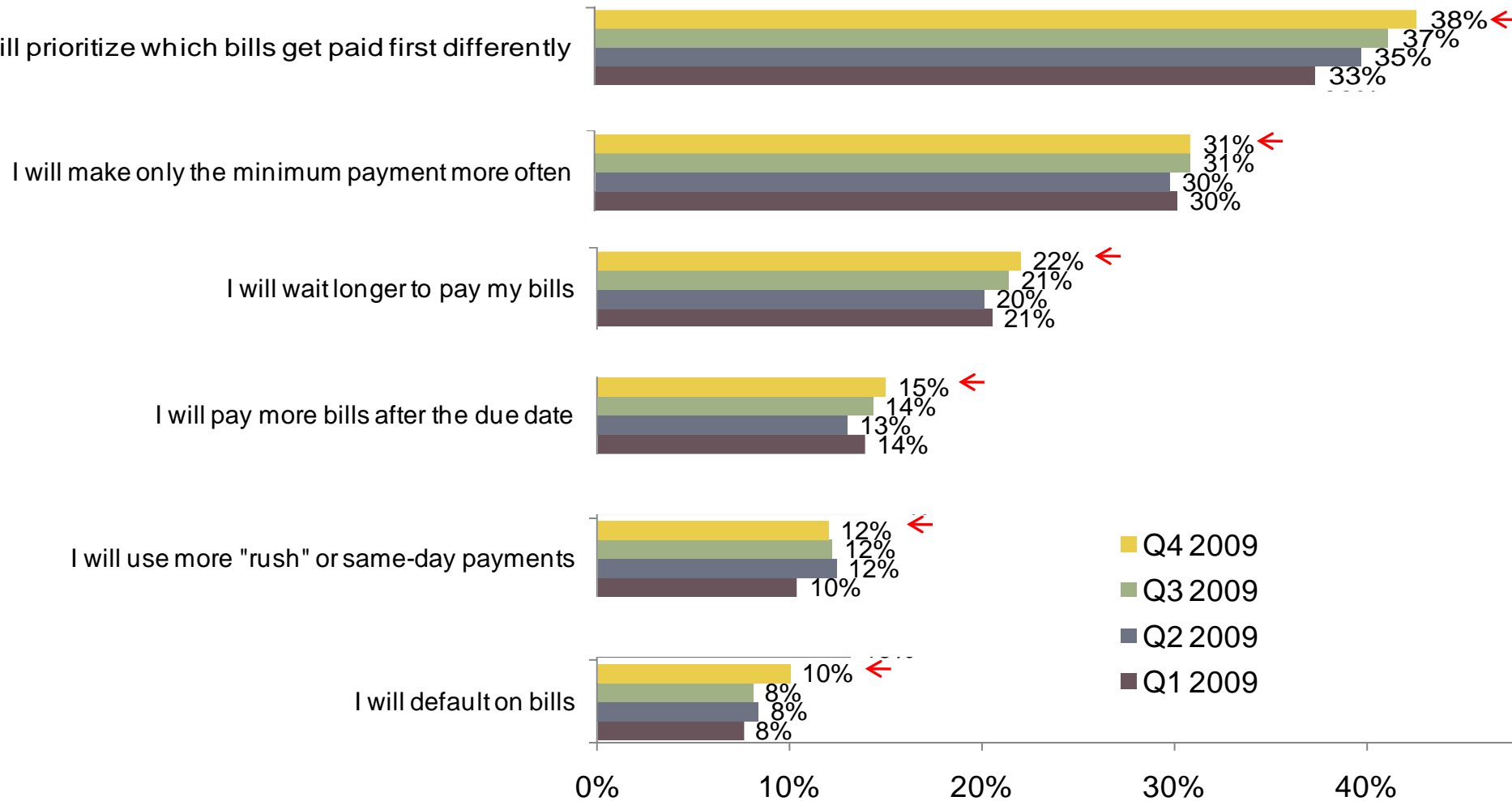
Q7: In the last 6 months, have you been impacted in any of the following ways by changes in your financial situation?

October 2009, n = 3002,3002,3003,3009,3367

Base: All consumers.

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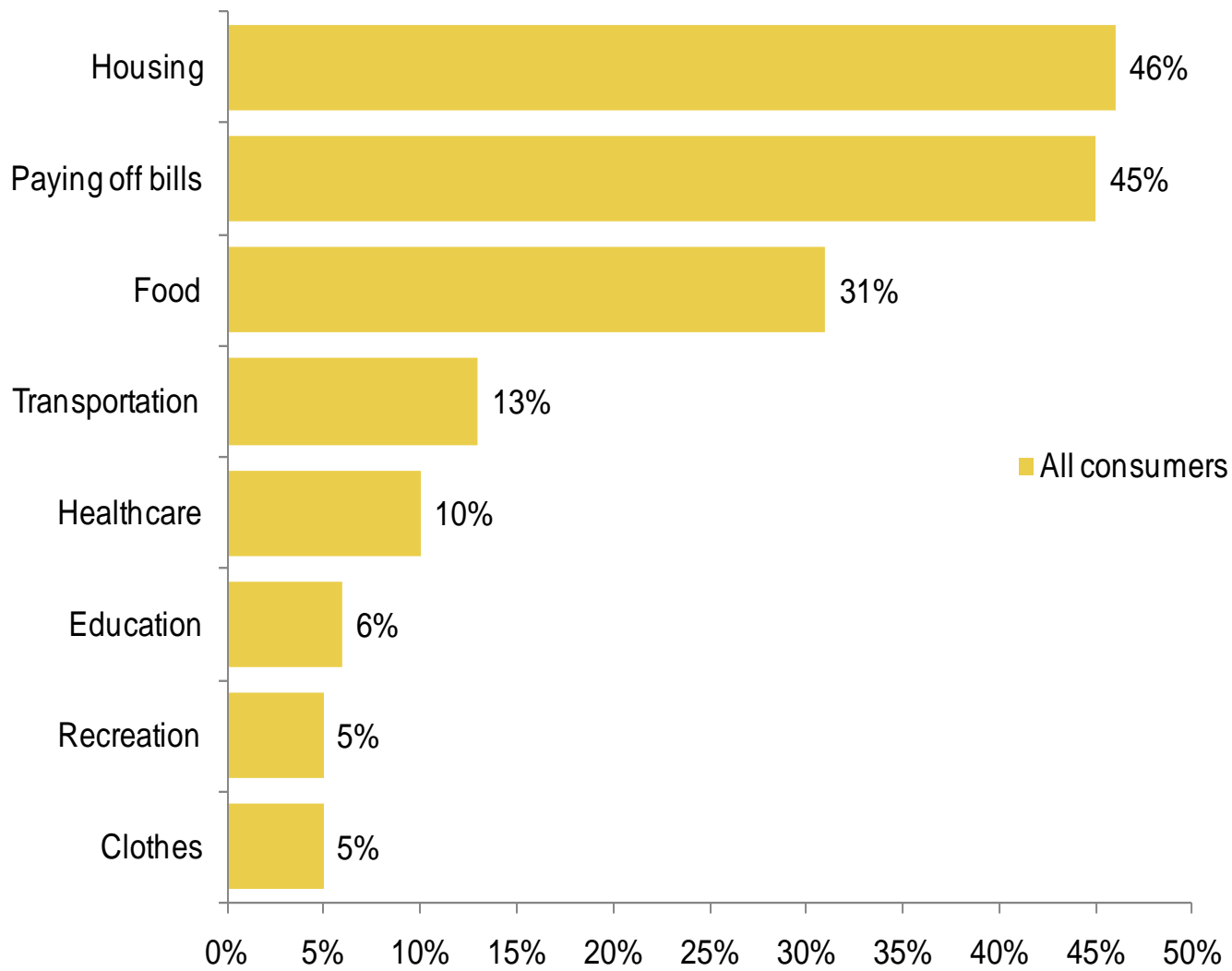
More Consumers Plan to Default on Bills and Pay After Due Date



Q30: In the next 6 months, do you believe your bill payment practices will change in any of the following ways?

October 2009, n = 2800,2842,2838,2857
 Base: All consumers.
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Consumers Spend Most of Their Paycheck On Housing, Bills & Food

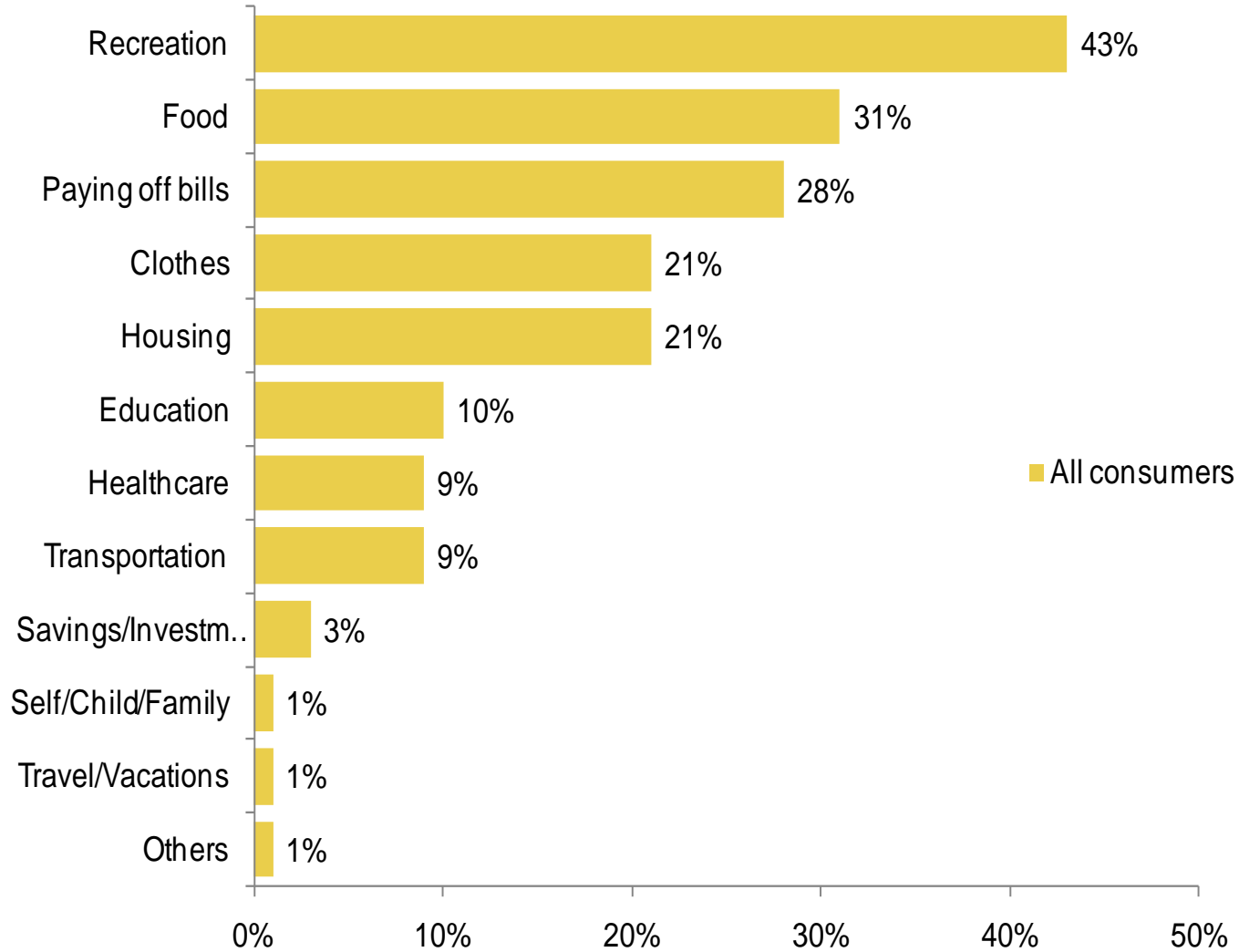


Q45: Which of the following do you spend the greatest amount of your paycheck on?

October 2009, n = 3002
Base: All Consumers.
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Consumers Prefer To Spend On Recreation, Food, & Paying off Bills



- Understand What Works for Your Organization
- Use All Resources Available
- Be Creative
- Make Sure to Think Differently

FIND YOUR BEST PRACTICE!



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Questions?

Missy Zakett

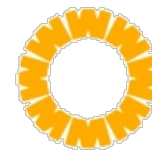
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Thank You!