

# SERVICING MANAGEMENT®

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## Automation And Interface Advancements Aid Servicers

*Technology providers are racing to equip their clients with tools that may help alleviate a deluge of delinquent loans.*

“**B**etween a rock and a hard place” is a phrase that has been used liberally in recent months to describe the position in which mortgage servicers find themselves. In today’s unsteady economy, all businesses are examining ways to contain costs, and servicing shops are no exception. A key difference, however, is that while other industries may be slowing - allowing companies to simply cut resources - servicers are tasked with ever-increasing workloads.

Fortunately, some assistance may be found in the form of technology. In much the same way that servicers are ramping up their loss mitigation activities, technology providers are racing to equip their clients with tools that may help alleviate the cumbersome tasks with which servicers must contend.

An examination of core-platform vendors reveals, unsurprisingly, that companies have made greater investments in functionalities relating to handling defaulted loans and foreclosures.

Several systems feature improved flexibility in sculpting loan modifications and repayment plans, and the tech segment of the industry, as a whole, is continuously increasing systems’ interface capabilities. With an eye toward analytics and a desire to proactively catch potential delinquencies-to-be, servicers need their systems to be able to communicate with third parties with as little effort as possible on the servicers’ end.

Moreover, the need to eliminate time-wasting activities has never been

BY JOHN CLAPP

greater, and with that in mind, some system providers have overhauled the way their products handle simple, albeit monotonous and time-consuming, tasks. Collectors may now find improved queuing techniques at their disposal, and numerous platforms feature upgraded Web service add-ons that enable borrowers to input financial information on their own (meaning less of a burden on the servicers).



“We see [servicing shops] not reinventing the wheel, but reengineering the way they roll that wheel,” says Greg Hindson, vice president of systems development with Nortridge Software Inc. “We see them taking a better look at all the policies and practices and trying to cut the fat out, because there’s typically a lot of fat.”

### **Functionality**

A common response to this demand has been to allow for greater

manipulation of queuing parameters. The INTERLINQ Loan Servicing (ILS) platform offered by Harland Financial Solutions, for instance, enables users to build queues around borrowers’ payment habits.

“[Collectors] don’t want to waste their time calling borrowers who they know will make their payments every month on the tenth,” says Susan Robinson, the company’s product manager. By prioritizing calls this way, servicers are “focusing on a smaller segment of their loans at a given time,” she adds. In the process, they’re also gaining efficiency.

A greater reliance on Web service tools can result in similar gains. A goal of servicing shops has forever been to reduce the amount of time employees spend on the phone talking with borrowers.

But media and governmental scrutiny over the industry’s customer service practices has reached a fever pitch, causing shop managers to rethink the way they gather borrower information. The task of collecting such information has not gone away. Rather, it has grown larger, as more loans go the modification route.



Mouhalis

“One of the things we found is that in a collections and loss mitigation environment, the process to update borrowers’ financials is pretty labor-intensive,” notes Jeff Mouhalis, executive vice president of product

delivery for LPS. "A lot of times, the people don't have the exact information that they need to update us."

This is a common frustration for servicers, and as a result, LPS last year introduced an optional component to its MSP package called Customer CareNet. Through the Web portal, borrowers can update their financials from home at their convenience.

This functionality provides two benefits other than the time savings it affords servicers, Mouhalis explains. First, the information provided by borrowers will likely be more accurate than the estimate they may provide over the phone, as they can refer to actual receipts and bills. Second, it may relieve some of the anxiety borrowers have when it comes to disclosing such information.

"We don't want it to be a confession type of environment," he adds. "We want it to be the ability to update their financials."

Future direct-to-consumer portals may include a tool in which borrowers can be notified of an upcoming reset on their adjustable-rate mortgages, suggests William Adamowski, president of knowledge process outsourcing with LSAMS developer ISGN.

"The idea being, if you're sitting at your computer and your adjustable's going to adjust, is there a way to message it on your Web site so that it says, 'Now may be a good time to think about refinancing,'" he says. Again, the benefit of such a concept would be the decreased reliance of a borrower on a customer service representative. The old saying "time is money" holds true.

Another area in which core systems have complemented Web tools is imaging, as it provides both borrowers and investors access to im-

portant documents. Financial Industry Computer Systems Inc., which Vice President of Sales Barry Malone terms an "a la carte vendor," bundled an imaging component into its Mortgage Servicer system within the last two years. The piece had originally been optional, but interest in the product as a standard feature grew.

Orders eventually rose, prompting the company to offer a version of Mortgage Servicer with the imaging functionality embedded. Malone admits that he does not know if the uptick should be attributed to increased environmental awareness or efficiency gains. Either way, "It's done really well," he says.

#### Automation

As expected, several tech providers have also boosted the level of automation in their systems. Harland's ILS platform - whose 2008 spring and fall

**S**ervicers are not reinventing the wheel. They are reengineering the way they roll that wheel.

releases "focused a lot more on default," according to Robinson - features overhauled bankruptcy and repayment plan processing. Pre- and post-petition bankruptcy dates have been synched, she notes, which eases the sometimes tedious duty of following up with courts and attorneys to make sure borrowers stay on track with bankruptcy payments.

"In the past, sometimes the bankruptcy payments didn't always come in from the courts as fast as they could, and it wasn't that easy to follow up with them," Robinson says.

Additionally, Nortridge plans to involve more automation in future upgrades. Hindson says those changes will have to do with more tightly integrating the system with predictive

dialers and should enable more intelligent collection processes. He notes, "Loss mitigation is definitely on top of the radar for pretty much all of our clients."

Continual customization improvements and the building out of interface capability have become priorities for all platform vendors. As default and foreclosure rates skyrocket, servicing managers are striving to identify future problematic loans, and a core system's interface proficiency is a key ingredient in the science of prescience. Allowing a system's database to communicate with consultative third parties enhances any shop's analytical processes.

Interface ability is also a necessity for operations that shop out certain tasks, such as insurance, appraisals and property inspections. GCC Servicing Systems President Glenn Liebowitz says the company's platform does not automatically connect to outside modules, but such customization is "there for the asking." As an example, he notes that, prior to hurricane season, he has received insurance-related requests from servicers asking to segment their portfolios by region.

"They want to look at all the states they're likely to have hurricanes in and do some reviews in partnership with their insurance outsourcing vendors," Liebowitz says.

All vendors interviewed agree that higher numbers of loan modifications will necessitate further customization. Harland's Robinson notes the company's system can build dialer campaigns based on ZIP codes, enabling users to focus on particularly delinquency-stricken areas.

George Fitzgerald, LPS' senior vice president of product delivery for MSP, says clients are increasingly retooling



Adamowski



Malone



Liebowitz



Fitzgerald

their shop- and agency-specific work-out programs.

"I think as we get further into [the Federal Housing Administration's] HOPE for Homeowners, we can get specifics of what the feds want servicers to do, and some of that will flatten itself out," he notes. "Right now, we see a lot of clients coming to us wanting access to additional data, being able to do some sort of modification program and asking us to do customization around that."

To better handle programs like HOPE for Homeowners, system providers require servicers' input, says ISGN's Adamowski.

"From a core standpoint, we'd like to get feedback on what we should do," he says. "We need specifics. What specific changes do we need to do to make it better or more effective?"

And while the push for loan modi-

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fications has altered tech providers' approaches to system design, fundamental tools - such as tracking cashflow - remains an important consideration. On this end, Fiserv Loan Servicing, which is building out its system horizontally so that it can support not only mortgages, but also different personal lines of credit, plans to make

all cash-related processes rules-driven.

This functionality will allow users to have "greater flexibility in defining just how they want that cash to flow through the system - whether it be payments or debits - and how it feeds to the general ledger," says Tom Gorman, president.



**Gorman**

Yet another development that may arrive in the future, as Adamowski sees it, is a tool that allows users to indicate which loans - pre-default - require extra attention from servicers. A capability of this type would help servicers justify higher servicing fees. Whereas now, "When you're doing these proactive elements, how can you track how much is being done on those loans?" he asks. **SM**