

## Web Services Key to Recovery

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**A**s the mortgage industry maneuvers to regain the confidence of market forces supporting homeownership, the demand for real-time data has never been greater. The heightened interest in real time data access and deployment is motivated by a sense of urgency to keep performing loans on the books, contain operating costs and better prepare for the future with analytical tools and predictive modeling. In the near term, real-time data access is especially critical as lenders restructure or refinance thousands of adjustable-rate mortgages that might otherwise result in foreclosure.

The mortgage industry is under tremendous pressure to increase the pace of loan restructuring as economists warn that the housing downturn is “the most significant current risk to our economy”, a view held by U.S. Treasury secretary Henry Paulson and Federal Reserve chairman Ben Bernanke. As loss mitigation teams work around the clock to handle the increasing number of homeowners facing possible foreclosure, Web services technology is helping to unlock the flow of essential data and collapse processes into more streamlined operations.

Fortunately, most servicers have already created the connection points and infrastructure required to leverage Web services. With connections made linking servicers with investors and third-party service and data providers, those with a vested interest in the mortgage can take immediate steps – both reactively and proactively, to stay ahead of the foreclosure curve. As Web services work behind the scenes to determine the author-

### POINT OF VIEW



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ity of users requesting data and unleash the needed data elements in real time, servicers and their partners can work methodically and with unprecedented flexibility and speed to keep loans performing and allow borrowers to stay in their homes.

In addition to benefits like automated ordering for services such as property valuations or inspections, lenders can minimize internal and external transaction delays through real time data access enabled with

Web services. Lenders can deploy automated business rules to call up fraud detection or risk mitigation Web services, or access detailed loan-level data for decisioning or analytics. To keep the data secure as it moves between systems and departments or partners, multiple layers of back-end security can be deployed, including encryption and digital certificates.

Web services technology enables servicers and other vested parties to adapt to market pressures that have led to rapidly evolving products, credit policies, regulatory measures and investor requirements. In the wake of the recent downturn and the profound ripple effect touching every segment across the mortgage industry, it is evident that we must work faster, smarter and with more agility than has ever been required of us to this point.

The advantages of Web services are tremendously important to financial organizations in today’s environment of near constant change and uncertainty. Some legislators are advocating that lenders simply switch all current ARM loans to fixed rate loans without going through the underwriting process, while lenders insist that their fiduciary responsibility to investors requires them to evaluate the conditions of each loan before modifying the terms. Meanwhile, more than 2 million homeowners were behind in their mortgage payments as of mid-October of this year, and 2 million more subprime borrowers have adjustable-rate mortgages due to reset next year.

With defaulted loans at unprecedented levels, Web services can play a vital role al-

lowing servicers to tailor solutions unique to each borrower, engage investors in approval of loss mitigation strategies and outsource processing to default service providers at a fraction of the time otherwise required. Since the same data can feed multiple channels simultaneously, dynamic changes to mortgage data can be routed to integrated systems automatically and just in time.

Web services technology has enabled overburdened servicers to seamlessly shift some of their loss mitigation and default volume to outsource providers. By giving trusted partners seamless access to specific loan information needed to support them, servicers have found welcome relief without the need for proprietary websites to connect with third parties or direct dial ups into pro-

prietary systems. Instead, the use of Web services provides direct access to the data that business partners need to efficiently handle the overflow.

Web services and SOA can help servicers navigate this “perfect storm” of regulatory and public pressure from which an insatiable appetite for data has emerged. The technology allows multiple disparate systems to make use of the same data sources, tailored to the individual tasks at hand. It also allows financial institutions to aggregate Web services so that results from one service can inform other services, creating a series of cascading, rules-driven events that determine next steps. As a result, resource-stretched organizations can completely eliminate

some of the processes that were previously handled by staff members, allowing them to focus on the most complex default-related challenges that require their attention.

The road to recovery for the mortgage industry may be fraught with potholes, a few breakdowns and some changes in direction over the coming months. No one expects it to be easy going, but that doesn’t mean technology can’t help smooth the way. Web services technology has tremendous power to deliver time and cost reductions for key processes, eliminate others to increase speed and security and deliver critical data when and where it is needed. Especially in today’s environment, nothing could be more important.