

Mortgage Banking

High-Touch Servicing: Tool for Troubled Times

By Joe Bada

In today's market, servicers are under intense pressure to provide solutions to address the current avalanche of foreclosures plaguing the mortgage market. How big is the foreclosure problem? More than 1 million American households lost their homes to foreclosure in 2010, as lenders and servicers continue to work their way through a huge backlog of borrowers who have fallen behind on their loans.

In total, nearly 528,000 homes were foreclosed on by lenders in the first six months of 2010. Another statistic projects that in 2010, the yearly number will eclipse the more than 900,000 homes repossessed in 2009, according to a foreclosure-listing service.

The challenge for servicers is finding the time and resources required to develop high-touch solutions, especially in a manner that will produce the greatest returns possible. Nonetheless, the opportunities are there for servicers ready to seize them.

High-touch comes to mortgage servicing

In exploring how vendors can assist servicers, the focus is on solutions that enable high-touch processes. The current unprecedented mortgage default environment has created new challenges and a number of new opportunities for the application of high-touch principles.

Driving the search for high-touch servicing solutions is an explosive increase in nonperforming loans and new government-sponsored programs designed to mitigate home foreclosures. Additionally, there has been a growing realization that one-size-fits-all solutions are all too often both inefficient and ineffective. Beyond the fact that no two mortgages are exactly alike, there are various additional jurisdictional and situational issues to consider. Lenders and servicers are becoming increasingly aware of these factors and their limiting effect on high-volume mortgage servicing processes.

Before recent self-imposed moratoriums, many large servicers were looking at a year and a half from delinquency to foreclosure and sale before they could begin recovering revenue from problem loans. Now, as servicers review and refine foreclosure processes, that 18-month delay could be even longer, creating

millions of dollars in additional losses for servicers and investors.

Without added staffing and/or new technology to address administrative bottlenecks, lenders have little hope of speeding recovery timetables and few options for reaching out to homeowners who are unavailable or unresponsive. Enter high-touch servicing.

High-touch mortgage servicing is all about using personalized borrower contact to improve default-management results. History suggests that proactive servicer/borrower dialogue can lead to win-win solutions that:

- Put a human face on the lender, thereby reducing barriers, expediting processes and facilitating positive outcomes.
- Increase efficiency of loan modifications, foreclosures and similar multi-step, multi-party servicing processes. High-touch servicing models are based on the understanding that personalized customer service can be a key driver of business success.

New high-touch allies

While adopting high-touch servicing seems an easy call, time and staffing constraints can pose a formidable obstacle. In many instances, adding additional high-touch responsibilities to the full plates of already backlogged and overworked employees can be both impractical and counterproductive.

One solution: As lenders move to protect the value of their mortgage portfolios, they are teaming up with a potentially powerful, new, high-touch ally – property preservation firms. By working together, these independent partners give servicers the potential to extend the reach of high-touch servicing without adding staff or implementing new, more time-intensive processes. Potential gains are concentrated along three broad fronts:

- *Technology* – Lenders and servicers have been leveraging technology to free staff from costly, time-consuming manual work for many years. However, broad mortgage servicing platforms – as efficient as they may be – aren't enough. Today's highly regulated

mortgage environment demands more targeted solutions that meet new regulatory requirements and create added efficiencies solutions that innovative property preservation firms are uniquely positioned to offer.

- *Direct borrower contact* – Full-service property preservation firms provide high-touch opportunities through a range of traditional and expanded field service programs, such as door knocks; technology systems that structure and manage borrower contact; occupancy verification; and more. By working together to better leverage face-to-face borrower contact, lenders can expect significant improvements in servicing outcomes.
- *Supplemental staffing models* – Some lenders and servicers are finding they can utilize partner-provided staff to implement and manage property preservation tasks, thus freeing regular staff to focus on high-touch borrower contact.

Focus on the borrower

These three categories include a wide range of high-touch servicing solutions that can help maximize asset preservation while reducing costs, streamlining operations and optimizing borrower relationships.

One example: Some servicers are using on-site employees provided by property preservation firms to handle related property preservation duties – such as monitoring maintenance of problem properties; and tracking and documenting property preservation work, responses and results. This releases regular employees to focus on high-touch servicing tasks. Based on utilization of their property preservation partner's services, this arrangement has the further advantage of ensuring highly efficient, seamless coordination of property preservation services with single-source accountability.

On the technology side, new software solutions are being used to help optimize loan analytics; determine correct loan-modification parameters; and instantly generate cover letters, amortization schedules and loan documents. By implementing process-targeted software, servicers are able to dramatically reduce manual processing time and thus redirect resources to high-touch borrower contact.

One of the most effective applications of high-touch principles can be seen in a technology/service hybrid that speeds and simplifies preparation, delivery, notarizing and tracking of mortgage documents. The process combines automated document preparation with in-person document delivery and notarization through the property preservation firm's field service team. By combining technology with direct borrower contact and mobile notary services, this approach helps expedite crucial loan paperwork while easing administrative burdens associated with traditional document delivery methods. For example, at our firm we've experienced a 50 percent increase in the need for this type of service in the last six months.

Only professionals need apply

To deliver on the promise of high-touch servicing, lenders and their property preservation partners must exhibit the highest standards of professionalism and personal respect in all borrower interactions. This requires the partner to recruit, train and deploy exceptionally qualified personnel.

Partnering with an experienced and knowledgeable property preservation firm can go a long way toward optimizing the borrower experience and creating strong customer relationships based on trust and mutual understanding. Equally important, it can effectively short-stop the difficulties and potential problems that tend to arise at all stages of the servicing process.

Driving results

High-touch mortgage servicing won't solve the housing crisis. But it can provide an important edge in the battle to mitigate loan losses, preserve portfolio value and optimize borrower relationships. For many mortgage servicers, that's more than enough reason to jump on the high-touch bandwagon.

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