

# SERVICING MANAGEMENT®

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## New Technology Is The Key To Sustaining Effective Default Servicing

*Current servicing technology streamlines the entire default process, from the first collection call to the notice of default.*

According to nearly every financial report, defaults are on the rise, particularly in the western region. The bigger picture now is impossible to ignore. We will soon begin to see more homeowners struggling to keep up with their mortgage payments.

In California alone, current reports indicate that over 22,000 notices of default went out to delinquent borrowers this year. This number certainly points to a dangerous, looming trend that is beginning to unfold.

Whether the specifics of loan agreements were clear to borrowers will become irrelevant. Borrowers with adjustable-rate mortgages will experience some form of payment change in the near future, and many of these borrowers will become clients in default servicing departments all over the country.

The default servicing process usually begins with the borrower's information being loaded in a dialer. A borrower is contacted by a collection agent to check on the borrower's status and ascertain why a payment has not been made on the account.

If the borrower can be reached, the agent will obtain the reason for default, get updated contact information, verify the addresses, probe for any additional information, offer possible payment arrangements and note the system. If the borrower wants to try qualifying for a formal or informal forbearance plan, the agent will need to open a new system

BY VICTOR MERRITT

and ask a whole new batch of income-qualifying questions.

Once the questions are finished, the agent will then try to pre-qualify the borrower. The borrower would then need to send in all this information to another specialist, who will verify the documents against what was told to the original agent.

Hopefully, if this process is successful, the borrower will make a promise to make up delinquent payments and prevent any further collection activity.



### Time and errors

However, the problem with this process is the propensity for human error and the inherent wasting of precious time. The agent working each call may forget to ask certain questions. Or, because of the constant calls, an agent may develop his own way of omitting important steps in the loss mitigation process.

In fact, most agents would probably agree that if they did not develop

a formula for getting the job done without following every step, their call times would never be in compliance with company policy. Also, the demands on managers to push agents to wrap calls faster, increase productivity and build revenue can lead to a work environment not conducive to productivity.

After years of dealing with these methods and scattered technology tools, default servicers began to offer constructive criticism and viable solutions for the problems at hand.

Historically, default servicing required hours of wasted time manually updating systems, changing account status and other tasks. Within older technology systems, taking an action is one step, and then the user must go to a tracking system - which is no more than an electronic checklist - and note that the action has been taken.

But today's systems automate workflow within the platform, so the steps are completed with little or no manual intervention. In fact, functionality and tracking are seamlessly connected in most of the better systems available today.

Employing a single solution allows servicers to achieve substantial savings through infrastructure consolidation and process efficiencies. With an in-

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telligent, Web-based system, problem loans can be underwritten for an appropriate loss mitigation result at any time and at any point during the default servicing process - even if the loan is in foreclosure.

This new approach led to developmental decisions encompassing functionality that has brought major exponential process improvements. These improvements include reduced call times, increased productivity and a much-improved work environment.

### **Web systems**

Web programs provide seamless workflow automation that simplifies the servicing process. For example, credit reports are fully integrated into the servicing functions. A collector or loss mitigation specialist who is at the approval point in a session can order a credit report while taking financial information from a delinquent borrower without exiting the main application.

Moreover, the raw credit data are translated into actionable information - itemized monthly payments for mortgages. The monthly pay-

ment information feeds directly into a cash flow analyzer, so workout affordability may be determined in seconds.

This improvement is invaluable to servicers with borrowers who are chronic delinquents and attempt to beat the system, or with borrowers who are in denial about their financial situations.

It also removes the need for the specialist to play around with the numbers or lead the customer through the process because the facts are at his fingertips in seconds. This improvement alone can save countless hours of wasted negotiation time with borrowers who ultimately will not qualify for any workout solution and must consider other options. The saved time can then be used to either work additional loans in the portfolio or concentrate on special projects directed at improving the servicing process.

Another great feature of the new Web-based systems is the ability to receive continuous application enhancements. These updates usually take place overnight and will load at startup the next day. This feature is tru-

ly a time saver: no over-stressed servicing center has the time to wait even five minutes for updates to be installed. Moreover, servicing centers really cannot tolerate downtime, so maintenance and other daily offline functions are also completed overnight and seamlessly downloaded in the morning.

Most times, the agent will never know that the system received crucial updates overnight. The common theme, again, is integrated automation - keeping your systems up to date without interfering with the process and workflow.

Over time, these new systems will eventually revolutionize the default servicing industry. Almost certainly, defaults in this country will continue the well-charted upward/downward trend following interest rates and the global economy.

The quantifying factor for default servicers will be how well they move into the future: how well servicers implement the new technology that is available to them and how well we all stay ahead of the ever-complicated products that continually enter the servicing market. **SM**