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Are Your Loss Mitigation Requests Backlogged?

Perspectives by Nathan Lind

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If the answer is yes, automated technology can help.

The mortgage servicing industry has taken a lot of heat over the last 18 months for reacting slowly to the foreclosure crisis and rightly so. Except perhaps for the S&L crisis of the early 1990's, never before has the spotlight shined so brightly on mortgage servicing practices in the United States. The Treasury Department has taken a keen interest on the activity from the Home Affordable Modification Program and is poised to berate or reward based on the nation's top servicers on the number of homeowners transitioned from temporary to permanent loan modifications through the current HAMP initiatives.

The critical component in resolving this foreclosure crisis is the servicing industry's ability to respond to all the calls and the reams of paper spilling out of fax machines with hardship letters and pleas for assistance.

Training Is Not the Solution

One way the industry has responded to the crisis is by hiring low-wage personnel to sort, review and respond to the requests for loan modifications and short sales. Training new staff in an industry that is notorious for a high turnover rate is not the best solution to resolve this problem in the long or short term and does not eliminate the ongoing capacity issue currently affecting the servicing industry. The answer lies in cutting edge servicing platforms that provide servicing managers the power to automate and digitally archive requests in an efficient manner that allows more work from less employees.

Automation and Digitization

Many servicing shops have no document repository for loss mitigation requests and end up printing 20-50 pages of documentation that sits in folders, and gets lost or forgotten as the requests pile up. There are specialized servicing systems that provide servicing managers the ability to synchronize on a daily basis with internal departments or to store all critical data. These systems also allow the security owners and investors the ability to monitor delegated servicing shops and provide the ability to react to delinquency activity in a proactive manner. Some of these sophisticated systems also provide advanced loss mitigation workflow and automated standard business rules to be applied through a series of customizable modules designed specifically to assist analysts in resolving short sales, loan modifications and foreclosure bidding functions. Any potential upgrade should first consider a core evaluation of available applications that fit the requirements prior to implementation.

Benefits of Upgraded Technology Infrastructure

Rather than depending on lengthy training sessions and ramp up time for new employees, whose valuable experience is lost when they leave the company, servicing shops, investment banks and credit unions should consider the benefits that upgraded technology infrastructure would offer. The primary goal of new technology solutions should be to optimize the time and knowledge of the management team responsible for addressing the balance sheets of their investors. The secondary goal is to reduce reactionary time needed to adjust to fluctuations in the housing market. The final goal is to reduce operating cost while setting new standards for operational efficiency. Many of the software packages available in this space have very little upfront costs and short setup periods. Some packages will even offer free evaluation periods similar to what is regularly offered in the consumer market. For managers interested in minimal internal policy change, a common practice is the ASP (application service provider) model that allows software developers to charge on a per-user or per-loan basis to access the application, which is hosted off site in a secure location.

Considering the turnover of personnel in the mortgage industry's servicing departments, and critical nature of the crisis, the only practical and long-term solution to the problem is upgrading infrastructure. The turnover of personnel in the mortgage servicing departments adversely impacts their ability to quickly and effectively modify loans. The best practice solution to the problem requires a practical and long term approach such as evaluating software options and intelligently upgrading servicing system infrastructures that in turn, will allow flexibility in the coming years to achieve the goals set by the Treasury Department and returns demanded by investors.

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