



Online Self-Servicing

Web portals can empower borrowers to work with servicers.

2011 KICKED OFF WITH HOPEFUL MOMENTUM for a better mortgage year, but before we even got started, the unprecedented number of unresolved mortgages in default softened any momentum and has brought the economy to a crawl. Defaults are the big white elephant we all hoped would somehow go away by now, but they have come to roost and refuse to be overlooked.

The White House, Congress, regulatory agencies and Treasury have all applied their strategies to stimulate the economy through sometimes overbearing regulation and policies, without understanding the ripple effect created to adapt current default processes to new requirements. Recently, Treasury released a new set of rules for interacting with borrowers. The new rules can only be seen as an attempt to enable some velocity to the resolutions for borrowers in trouble. While some argue that may make good sense for borrowers, they will impose significant obstacles to the servicing industry.

Among the new requirements is that servicers must provide borrowers with a single contact who will be responsible for guiding them through the loss mitigation process. This may be the solution to remedy issues like lost paperwork, conflicting guidance and dual-tracking problems, but it will also require servicers to reconsider the capability of their staff and strategize to address the scale of the problem.

How borrowers want to interact

If you ask most Americans what they've experienced since the economy crashed, they'll say loss of control and trust. Consumers had no control over the events that led up to the crash or the government's attempts to mitigate the ensuing impacts. Borrowers have been left largely powerless, waiting, with many losing homes. Yet the industry still expects borrowers to be willing participants in the recovery.

Many borrowers, however, are unwilling, not engaged, have tuned out and are tired of feeling like they are just pawns in the game. The fallout has taught even good borrowers to think differently, to think like business people, to consider what was once considered unthinkable—turning in their keys and walking away. The industry has taught them to not trust the system and maybe they have taught us they've had the power all along.

How do we rekindle their motivation to engage? Maybe we need to consider how people communicate today. It's undeniable that during the same mortgage meltdown period, interactive social media companies have experienced explosive growth. It is consumer behavior that makes us consider what technology provides: a sense of power over one's life that is coveted most. Smart businesses worldwide have scrambled to include consumers access to social channels of their business.



There is no doubt we're on the edge, at a critical stage in the mortgage economy that requires bringing borrowers back to the table.

But are we ready to get in alignment with how borrowers want to engage? If not, then regulatory mandates handed down might just force us to do so. They include concepts like transparency, single point of contact, ease of use, clarity of disclosures and fair and honest advice on borrower options.

The new reality for servicers is that borrowers must be given more control over their financial lives. What this means is a new era of accountability. Regulators want to see audit trails that show where and why borrowers were charged fees. The servicer will also be expected to show what steps it has taken to actively educate borrowers about their rights.

At first glance from the servicer's standpoint, much of this is quite unrealistic. Or is it? What if we could leverage the lessons learned from interactive technology to bring borrowers back to the table to resolve their mortgage?

Delinquent borrowers want the same discretion and privacy they enjoy with other technologies. If borrowers feel like they are getting answers to their questions the industry will empower borrowers to make the decisions required to move forward, even when those decisions are difficult or painful.

By providing an online portal for borrower interaction, servicers can provide a number of beneficial services. A well-deployed portal can allow delinquent borrowers to accomplish almost everything they could with a human counselor.

They can access the loss mitigation website, complete a single assessment to determine workout qualifications, choose from a list of resulting options and view modified payments and then reach out, fully empowered to move forward, to their SPOC workout specialist.

Every step along this path is recorded so the servicer has an audit trail of its efforts to aid the borrower and the borrower's answers to all assessments.

Once the borrower makes contact, the portal serves as a central hub to send disclosures, loan details and notifications. It also serves as a method for the borrower to securely upload documents.

Borrowers learn through the portal who will be working with them and how to contact that person. In addition, they learn how they can file a complaint. The portal can be configured to allow servicers to decide when workout specialists reach out to borrowers and which are the designated SPOCs.

Such a solution can automatically apply workout guidelines, new payment calculations and even offer new programs. Meanwhile,

compliance reports capture dates and times of borrower interactions to demonstrate compliance. The portal reduces the servicer's operational costs as tasks normally handled by staff are transferred through technology to the borrower.

There are some technological and operational requirements for making this strategy work. The portal must make use of underlying technology that can take borrower input and calculate options with a high degree of accuracy. Offering solutions to borrowers that ultimately don't work will lead to complaints.

Secondly, the technology must be capable of keeping up with compliance changes in real time, making a business rules engine a requirement. Data security is a must, as well as the ability to quickly create new access for borrowers.

The portal must have the functionality of a lending website, as many workouts are a re-origination of the loan. This includes the ability to select products and pricing and track it from application to funding, while providing an audit trail.

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Finally, the portal must make file storage and sharing easy, with constant access to critical loan documentation in any desired format. And all of this must be easy for the borrower to use.

Interactive technology successes in other sectors indicate the timing is right for servicers and borrowers to go where mortgage originators have been trying to go for years—a mostly automated, self-service system for financial services. The borrower portal, used by mortgage servicers to communicate effectively with delinquent borrowers in accordance with government mandate, will open the door for this new way to lend.

For the first time, the borrower, the most important and least sophisticated party to the transaction, is finally willing and able to enter into a discussion that is directed by intelligent technology. This will allow the industry to work through its inventory of bad loans, disposing of them as makes the most sense for lender, investor, borrower and regulator.

It's likely the gap between the servicing and the origination sides of our business will be made significantly smaller by this development and that originators will learn from servicers how to deploy their own portals for new mortgage loan origination to stay competitive.

In the process, regulators will have the transparency they have been seeking, and borrowers, for their part, will become better educated, moving from portal to portal to select products that make the most sense for them, interacting in confidence and relative privacy until they decide to reach out to the originator for assistance.

Satisfaction will finally be a guest at the mortgage loan closing table and lenders will have a chance to build something our industry has never seen: brand loyalty. While it may be somewhat optimistic, if we ever hope to have a chance to create borrowers for life, now is the time to do it. **MT**

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