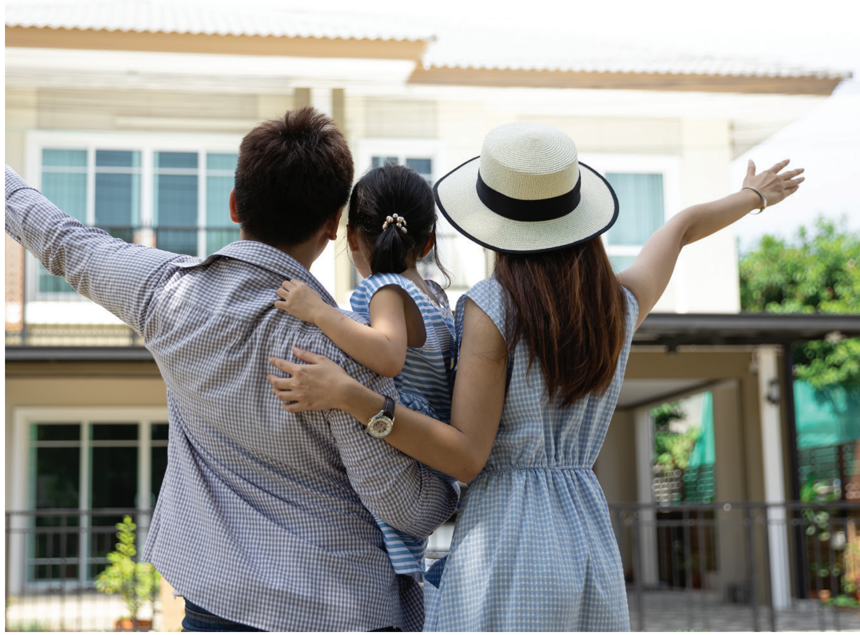
## Thriving amid turbulence:

# The next steps in Mortgage Servicing

# Executive Summary

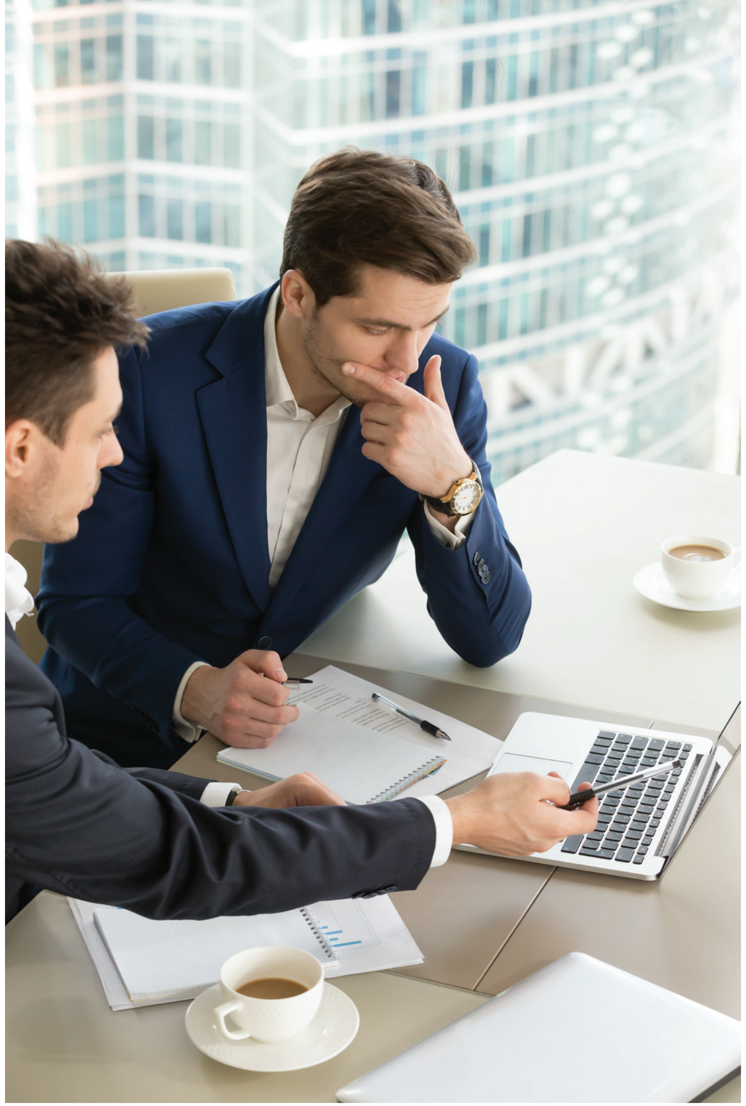
Mortgage servicing businesses are experiencing significant industry-wide challenges. As COVID-19 dulls recovery and unemployment stays at historically high levels, many households are struggling to make their mortgage payments. At the same time, new and complex issues continue to emerge: a new administration with a heightened sense of regulatory scrutiny, a new foreclosure moratorium, and forbearance moratorium extension through June 2021. All this while the industry continues to grapple with talent shortages and capacity constraints. What does all this mean for servicers?

This paper throws light on the emerging challenges in mortgage servicing and default management. It also suggests technology-based solutions that servicers can deploy to not only become more resilient in the near term but also steer their businesses to a profitable future.



# Servicing and default management in the new reality: Top 3 servicer concerns

With forbearance and foreclosure moratoriums due to end in June 2021 and unemployment levels remaining significantly higher than before the pandemic, servicers expect high volumes of borrower queries and requests pertaining to loan modifications and delinquencies. At a time when the industry is already facing severe capacity constraints, the lack of standardized loan modification processes at most servicers could stress the system even further.



## As servicers look to navigate these complex challenges, here are three of their top-of-mind concerns:

1

Establishing a meaningful connection with borrowers: Many borrowers who find themselves in default or delinquency in the post-pandemic world are used to making regular payments and now find themselves in a situation they have never been in before. Scared and confused, they are looking for information and solutions, be it loss mitigation or loan modification, to address their unique situation. For servicers, ensuring transparency and visibility and clearly communicating the options and the next steps to borrowers is more critical now than ever before. And they must do all this with an empathetic human touch.

2

Ensuring compliance and governance: The evolving COVID-related regulatory guidance adds to the compliance burden of servicers. Given the increased risk in the operating environment, conducting timely investigations, building audit trails and enabling accurate reporting to regulatory bodies, such as the CFPB, is critical. Servicers need holistic and near real-time reporting with actionable insights to enhance compliance, decision making and

3

Boosting efficiency, agility and scale: In addition to the high default servicing volumes, new home sales volumes are also expected to outpace 2020 volumes by 6.2%. Fannie Mae's latest projections call for $2.72 trillion in mortgage loan volume for 2021. As demand forecasting becomes hard in this environment, continued reliance on manual and paper-based processes can hurt servicers by heightening risks such as increased errors, cycle time and compliance challenges.

# Reimagining servicing: Meshing digital-first solutions with the human touch

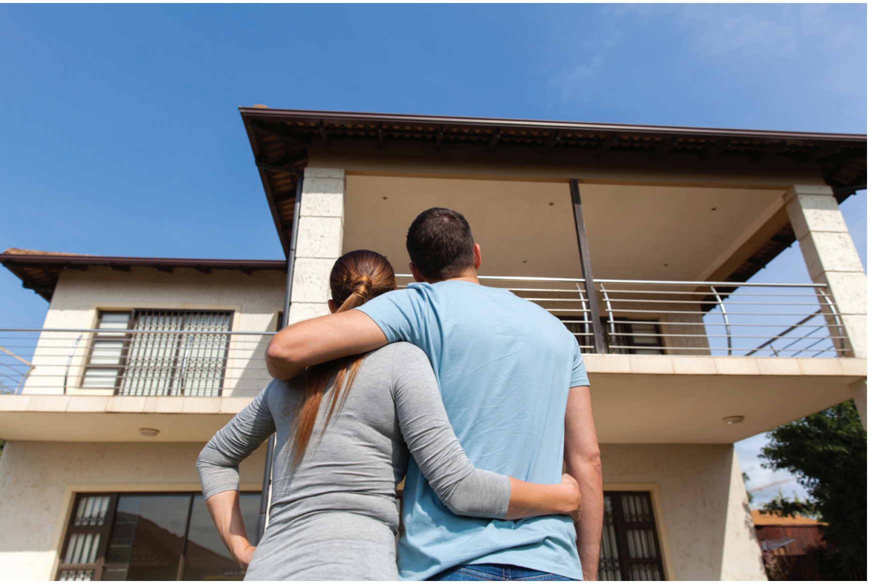
Default servicing and loss mitigation processes are still heavily paper-based. Many servicers also lack technology-based solutions that can help them connect with borrowers across multiple channels in a seamless and transparent manner. This is prompting servicers to ask where and how they can use technology to improve borrower and business outcomes. In the case of servicers who have already made investments in legacy technology systems that continue to deliver some value, it's important to identify right-fit solutions that can enhance outcomes both in the near and the long term. So, what should servicers consider while making technology investments?

## How you invest in technology is as important as where you invest

The first step is to identify the best fit processes for automation, depending on your needs and priorities. At the same time, you must consider how to establish a technology baseline for reimagining the future of servicing. While investing in Artificial Intelligence (AI), Natural Language Processing (NLP) may not pay dividends right away, they will offer sustainable returns over the long term across the value chain – creating a bigger bang for the buck. For instance, one area to consider investing in the near term is Digital Intake. As default servicing volumes go up, automating data extraction using Robotic Process Automation (RPA) and Optical Character Recognition (OCR) technologies can considerably improve accuracy while cutting processing time for loss mitigation documents.

Identify opportunities for big bang adoption – over near, mid, and long term

Begin by assessing your core operations – your core systems of record and platforms. Where do you see the need for efficiency, agility and scale? Can you fully digitize certain processes such as loss mitigation and forbearance or at least some key parts of the process such as enabling Remote Online Notarization (RON)? Who are your key stakeholders who can be impacted positively using digital initiatives?



Ask how you can make your human workforce more productive using automation for routine, repetitive tasks and empowering them with the right training systems. Could you use bots – Digital Mortgage Assistants – to fetch relevant information from multiple systems – providing your associates with the right information at the right time so they can better assist borrowers? Can you use speech analytics in real-time to assess the emotional state of borrowers calling in, enabling empathetic and productive associate-customer interactions?

Take a look at your User Interface (UI) both internally and externally. How can you provide a powerful UI at the closest point of customer contact to deliver frictionless experiences? Deploying Digitally Empowered Contact Center (DECC), for instance, can help you deliver seamless omnichannel experiences by creating a Unified Omnichannel Desktop and provide Next Best Actions that enable your frontline associates to personalize interactions. Similarly, as homeowners become increasingly tech-savvy, enabling self-serve through mobile apps and IVR is a great way to meet evolving customer expectations.

Assess your governance systems such as call quality monitoring and testing. Are your current systems delivering to your expectations? Are they representative of your operations? How can you gain actionable insights for greater impact?

Depending on the technological maturity of your organization and your business goals, you can choose to make short-term investments in governance and training systems, medium-term investments in UI related initiatives and long-term investments in overhauling your core systems.

# The future of servicing: Elevating the human experience

As technology continues to advance rapidly, it opens multiple opportunities for servicers to invest in rapid ROI projects through grounds-up innovation. Citizen Development initiatives empower workers on the frontlines to design and develop automation solutions that address their biggest needs, making them more efficient and productive in serving borrowers. As consumers get into long term mortgage products, creating efficiencies using technology-based solutions can help elevate their experience and deepen their relationship with servicers. Supplementing technology investments with effective staff training and robust change management is key to success. Mortgage servicers who use technology with a human-first mindset – empowering their human workforce to better serve borrowers and enhance compliance will outperform in the new reality.

# Final Word

Steve Schachter
EVP and Market Leader - Sourcepoint

"There is more risk in the operating environment now but some things are not changing for servicers. For instance, expectations around CX. It's got to be timely, accurate and transparent – regardless of the administration in place. So also, expectations around servicers being knowledgeable about changing regulations and making that information easily accessible to borrowers, be it through contact centers or websites. Finally, there are expectations around clear reporting, especially in light of the regulatory changes. Technology investments in four broad areas can help servicers transform their businesses – core systems of record; training systems to empower associate-borrower interactions; user interface at the point closest to customer interaction; and governance and reporting systems."

Sundara Sukavanam
Chief Digital Officer - Firstsource

"Choose technology investments that not only solve a problem now and provide sort term returns but also establish a base for the future of servicing. Look at investing in solutions that build horizontal capabilities across the entire mortgage value chain. You will then start to see a bigger bang for your buck. This is one area where we help our clients make better investment decisions. The second area to consider is – who are my critical stakeholders and how can I empower them with technology-based solutions? For instance, how can I make the associates in my contact center more efficient and productive using bots? How can I delight customers by enabling seamless omnichannel engagement?"

If you would like to discuss any aspect of this paper or how Sourcepoint can help, click here.

## Providing customer-centric transformation solutions across the mortgage value chain

Sourcepoint is a premier provider of expertly crafted products and services to the US mortgage industry. For more than 25 years, we have helped leading mortgage companies sharpen their competitive edge. Our technology-based business process solutions, together with our right shore delivery model, help mortgage companies improve agility, cycle time and the borrower experience.

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