

EXTENDING



YOUR

Automation used to contact consumers has gotten better and better over time, and it may help servicers with their understaffed “high-touch” efforts.

Thanks to technological developments seen over time such as new versions of Java, AJAX, Adobe Flex, Flash and SMS, electronic customer contact has gotten better and better as it has extended beyond e-mail and static HTML pages into areas like mobile communications.

Advances in this area just keep on coming, and while mortgage market participants are generally not early adopters of this technology given other priorities, spending constraints and privacy rules, there are certain areas of the business where they may find them worth their while.

By Bonnie Sinnock

REACH

While the industry's in-house IT departments and outside vendors generally are not the first to adopt automation in this area, after influential technology players enter the game, they generally follow suit.

"I think most lending institutions are fast followers or followers of large business-to-consumer concerns such as Google, Microsoft or Yahoo," said Craig Focardi, senior research director, consumer lending, at consultancy Tower Group. That is probably because

back-office processing technology, according to Focardi. Electronic customer communication is generally "not as large a priority, with one exception, customer interaction technologies."

In today's market, one area where this kind of consumer-facing automation could make a difference is in meeting some recent servicing challenges, he said. Given that many servicers are finding it tough to provide the amount of customer contact needed to handle their workload, effective automated

is "better, faster and cheaper" for the lender or servicer, Focardi said. With the right technical support, there may be savings on live customer interaction calls, he said.


Automated contact is sometimes thought of as something that gets in the way of more direct, person-to-person contact with a borrower that has been emphasized by the industry recently. But used correctly it can encourage rather than discourage contact in efficient ways, said Chris Carlisle, a former GMAC servicing executive who is a mortgage solutions expert for Varolii, one of the vendors active in this area.

What those unfamiliar with automation in the space need to understand is that it doesn't have to involve a "blast" of rapid-fire and indiscriminate contact in potentially intrusive forms like e-mail spam or "robo-calls." But rather it can be welcome information where the content of the message is carefully crafted and delivered in more human tones to pertinent customers at what they are likely to see as appropriate times, Carlisle said.

Modifications in particular may be an area where these technological improvements have the most value to the industry because it tends to be an area where servicers perhaps need the most help with this type of contact with borrowers, said Focardi.

"Loan modifications have similarities to the origination process but they don't have the same level of automation," Carlisle said. "It was an exception process and it is now a highly scalable, mainstream process" which has created an interest on the part of servicers to add to electronic communications efforts in this area, he said.

The increased incentive for borrowers to speak to their servicers combined with servicers' recent staffing challenges, as well as a more selective and quality-oriented approach to automated assistance, typically result in a return on investment "within a few months," Carlisle said.



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—Craig Focardi, Tower Group

in the mortgage industry and other parts of the banking world, users generally believe "it's efficient to be on the leading edge and not on the bleeding edge," he said.

The extent to which individual mortgage companies and their technology partners should focus on advances in this area when they become available is related to how much it's going to enhance the goals of the particular company or its clients, Focardi said.

He said goals best served by these improvements in automation would typically be in terms of the usability of a website for the customer, the pull-through rate in terms of submitting a transaction or the ability to achieve efficiencies by addressing customers inquiries online instead of, for example, through a more expensive call center interaction.

For some, these can be worthy goals. But generally mortgage market participants and others in the banking business spend more of their IT dollars on

help with this task could be useful. This need is even more pressing given that data from RealtyTrac indicates that over one-third of at-risk loans are in the pre-foreclosure stage, meaning that it is possible that some of these borrowers can still be helped.

"Be it e-mail text, online chat or self-service websites, when it comes to loan collections and loan servicing, I think that growth in that area will certainly help lenders in terms of standard servicing communications and handling foreclosure alternatives," said Focardi.

"I think there was a large underinvestment in servicing and loan collection even until last year and now with the persistence and high level of loan delinquencies these types of technologies can dramatically reduce missing documents (etc.). It makes it easier for call center people, for example, to not drop the ball."

In short, the value of such improvements lies primarily in their ability to make customer contact in a way that

While Carlisle's shop focuses primarily on phone-related personal communications technologies, others are using new websites aimed at reaching consumers in this area.

For example, Loan Value Group, Rumson, N.J., in March found launching an informational consumer website helpful in handling the inquiries it was receiving about its Responsible Homeowner Reward program, a new strategic default deterrent that does not require any change to the existing loan or reduction of principal.

"The consumer has really sort of taken to the Internet to see what options are available," said Frank Pallotta, executive vice president and managing partner at LVG. "I think it's important if they can't get hold of a [live person]."

By offering a program that gives a financial incentive to good borrowers that keep paying on underwater loans, LVG's program was in so much demand with consumers that—like many servicers trying to handle requests for modifications—LVG was finding it a challenge to keep up with the inquiries.

The company found launching a consumer website to be useful in fielding them. Using the site the company also has been able to collect data within the bounds of privacy laws on the number of inquiries in by ZIP code that are customers of a particular institution, as well as their loan-to-value ratios and lien positions. The data, in turn, helped the company market the program to institutional clients.

Some financial institutions also have been using consumer websites to help with modifications, but the need for effective third-party vendor support may lie more in the area of telephone and mobile communications, Carlisle pointed out. These can work in conjunction with these websites, directing customers there but he said this is not common.

Carlisle indicated Varolii, which held its user conference in March, would

like to do more in terms of helping servicers communicate with borrowers via SMS because of technological advances in that area and also because it is proving to be an effective way of reaching consumers. But privacy laws make it challenging. Companies generally need consumer permission to text cell phones and while cell phone numbers can be captured during the origination process, if they were not captured at that time, servicers need permission to use them. One may have to factor in necessary permissions when dealing with e-mail as well, but e-mail is "less common and less effective" than mobile communications, he said. Even without SMS, a lot can be done with carefully done and placed automated phone calls that integrate well with live agents and/or other forms of automated borrower contact, Carlisle said.

One lender/servicer said that his company, SunTrust, has had some success with the phone-related technology. In a Varolii case study last year SunTrust attributed a 62% reduction in its early-payment defaults between the fourth quarter of 2007 and the first quarter of 2008 to the automation. Its 30-day delinquency rate in the fourth quarter of 2007 was 1.22% but it had dropped to 0.46% by the end of the first quarter of 2008.

What made the difference was a "welcome call" that the company placed to borrowers of both in-house and third-party originated loans a couple days before first payments were due. In this prerecorded call, the company (through Varolii) explained to the borrowers how "new homeowner packets" worked and when associated paperwork had to be

submitted as well as providing options for paying by phone or speaking to a loan counselor.

"Varolii's technology has allowed our customers to self-serve, enhancing their experience and significantly reducing the high-cost of processing inbound calls," said Tony Chambers, vice president, SunTrust Banks Inc., in the case study. SunTrust pegged its average cost of processing for inbound calls through its call center at about \$8 to \$25 per call. Efforts to reach a representative of SunTrust for more updated data on its use of the technology had not been successful at press time.

The cost of Varolii's automation generally includes implementation and then time-based usage fees that can be recorded as a professional services line item by the company and that are "extremely favorable compared to a live agent," according to Carlisle.

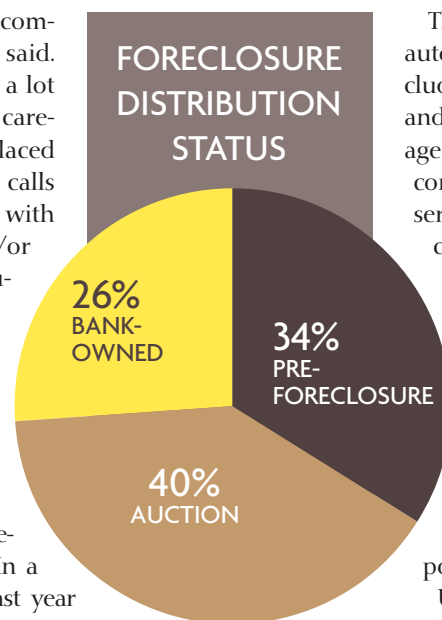
Deployment time for a new customer is usually six to eight weeks "soup to nuts," he pointed out.

Unlike traditional so-called predictive dialers, Varolii uses interactive voice response and has automated ways of authenticating calls, Carlisle said.

The company can also customize messages recorded by a "media specialist" so that there is proper messaging in terms of both inflection and tone rather than a robotic-sounding voice, he said.

Carlisle said the system can be used to "reach back out" to customers in the loan modification process.

"In 24 hours, we reach out and confirm the request for a loan mod workout," he concluded. **MT**



Source: RealtyTrac.