

SERVICING MANAGEMENT[®]

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Core Systems Ready For Action

As the demands on loan servicing operations have expanded, so have the technology tools available for your shop.

BY MICHAEL BATES

The real estate finance and loan servicing industries are beginning to wade through a new environment, and the professionals who help provide and maintain homeownership will be looking to technology to navigate business changes in 2005.

It's evident that the refinance boom is over, and many industry participants suggest that origination volumes will be moderate in coming quarters. For the loan servicing arena, this means that lending institutions will look inward, betting on the back office to bolster profitability.

"Attention will be sharpened on where the next level of profitability is going to come from on the servicing side," says Joe Filoleta, vice president of industry and product strategy for Harland Financial Solutions' Mortgage Solutions Group, provider of the INTERLINQ Loan Servicing system.

"The industry is now adjusting to a new financial climate, with servicers determining what policy and procedural changes to implement to retain a profitable operation," adds Dawn Gibbs, president and chief executive officer of Financial Industry



Gibbs

Computer Systems Inc. (FICS).

Policies and procedures are vitally important, but at the core of every servicing shop is its loan servicing

platform. This fundamental tool - and how servicers use it - profoundly affects your shop's performance. It also contributes to your ability to service a wide variety of products.

For instance, consider the preponderance of home equity lines of credit (HELOCs), a product that has risen in favor with borrowers recently.

Jack Pearce, senior vice president of business strategy for Fidelity Information Services' (FIS) Mortgage Division, notes that HELOCs are popular and flexible products that are more consumer-friendly than traditional first mortgages. With that popularity has come large volumes, and servicers have had to meet that demand.

"The 'holy grail' is the ability to provide a single servicing platform for all loan types," including HELOCs, Pearce says. To achieve this goal, FIS' Mortgage Servicing Package solution was recently enhanced to offer more robust HELOC functionality.

Pearce also notes that many lenders have been expanding their first-mortgage offerings, originating a higher number of non-prime loans. This certainly increases a lending institution's bandwidth, but it also opens up lenders to more risk. At the back end, servicers are called upon to manage that risk.

John Tenuta, division president with Fiserv Lending Solutions - which offers the MortgageServ platform - has noticed the focus on non-prime

loans: "[Lenders are] looking for different channels and opportunities to bring [these] loans to the table," he says.

Additionally, Freddie Mac and Fannie Mae consistently roll out new products designed for borrowers across the economic and credit spectrums, but many servicing systems haven't proven their ability to handle these products.

"The production folks may want to embrace a new investor program that is difficult - at best - and potentially questionable in terms of whether or not it makes sense to change the system overall to accommodate this product," Filoleta says.

The tools are ready

All of the preceding contribute to a dynamic loan servicing environment, rife with potential to cause significant bottlenecks in your shop. However, the tools embedded in many servicing platforms help manage life-of-loan processes.

"One of the biggest challenges servicers have is customer service," says Glenn Liebowitz, president and chief executive officer of GCC Servicing Systems.

He notes that Web capabilities form a strong foundation to enhance a borrower's experience. Customer service inquiries should be met 24 hours a day so borrowers can gather routine information at their discretion.

Also, it's important that technology



Filoleta



Pearce



Liebowitz

enables servicers and borrowers to effect transactions online, rather than simply gathering information. Making electronic payments, receiving statement copies and accessing payoff quotes are just a few of the tasks that can be automated, Liebowitz says.

An intuitive design and ease-of-use are also components that can make a servicing platform more customer-service oriented, according to Fred Melgaard, vice president of loan servicing products at Harland Financial Solutions.

"The tools that it brings to a relatively novice user immediately boosts their productivity," he notes, adding that loan servicing personnel who have access to all borrower data - as well as archived documents - are able to expeditiously fulfill borrower requests.



Melgaard

"Most borrower requests are for simple pieces of information about their loan - like date of last payment, loan balance or interest rate," Gibbs adds. This was taxing her clients' customer service capabilities, so FICS developed a tool to complement its Mortgage Servicer system that gives borrowers the ability to access loan information and submit payment themselves.

Take advantage

What's interesting to most of these experts is that many of their clients do not know about - or take advantage of - the many functionalities inherent in their systems.

According to Melgaard, the INTERLINQ platform features several automated tools that can help a servicer

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interface with all of its vendors.

"We've put our e-business platform alongside our default servicing capabilities - providing those types of services electronically," Filoseta adds. Credit reports, flood zone determinations, property updates, title policies and other related services are available from origination through default.

"I believe that many servicers are unaware of all the tools available to them through their systems," Gibbs says. "In the midst of a refinance boom, for example, servicers react as quickly and efficiently as possible to daily demands, but are often unable to focus on any new enhancements and functionality recently added to their systems," she explains.

Now that the servicing climate is changing, Gibbs says, this is an opportune time for servicers to compare their systems' functions against their perceived future servicing needs.

Today, the focus of major servicing platform providers is helping their clients streamline operations to reduce expenses and increase profits. A significant portion of that tactic is being met by integrating sophisticated rules- and workflow-based solutions.

"What you've seen over the years is people coming to market with built-in

workflow tools and rules-oriented engines to auto-decision," Tenuta says. Servicers are continually seeking to minimize human intervention, which translates into fewer costly mistakes.

"I believe when servicers begin leveraging imaging, rules and workflow technologies, many manual processes will be eliminated, and servicers will become more efficient," Pearce notes.

"For those companies that have not yet adopted these technologies, I believe they have developed 'stop gap' solutions that may resolve an immediate issue, but result in other problems down the road," he adds.

"In these systems - on an intra-platform basis - giving lenders the capability to define rules to service is so important," Tenuta explains. "You have to have that workflow built in."

Overall, the goal of all servicing platform providers is largely the same: To develop and refine systems that servicers can put to hearty and efficient use in their shops.

"A servicer and its vendor must be willing to address any unanswered needs to determine what alternative solutions can be derived to assist the servicer in optimal use of the system," Gibbs says.

"In the future, I believe technology vendors will convert their legacy systems to either a browser-based or Web-enabled platform to communicate more effectively with third-party partners, outsourcers and branch offices," she adds.

"I do believe that servicing technology is heading in the direction that servicers want, need and expect it to go," Pearce says.

After all, Liebowitz concludes, "A good servicing platform makes every servicing operation better." **SM**