



MBA's COMMERCIAL/MULTIFAMILY
Servicing and Technology

CONFERENCE

08



OUTSOURCING SERVICING FUNCTIONS

Wednesday May 14, 2008



What?

Traditional

Lock Box

UCCs

Tax Service

Inspections

Insurance

New Wave

Financial Statements

New Loan Setup

Why?

Traditional

Cost

Expertise

New Wave

BPO

Time

- Statistics based on responses from primary servicers

S&P's SEAM Report Results (2nd Half 2007)

- 42% Mortgage Finance Companies
 - 35% Banks
 - 23% Life Companies
-
- Responding primary servicers characteristics
 - Aggregate UPB -- \$1.3 trillion
 - Aggregate number of loans --- 180,000
 - FTEs -- 2,832
 - Aggregate New Loans (2nd half 2007) – 16,000

Hits, Runs and Errors

- 96% of responding companies use a LockBox service.
- 77% of responding companies use a tax service.
- 69% of servicers responding outsource property inspections
- 65% of responding companies use a UCC service
- 35% of companies responding outsource financial statements
- 15% of companies responding outsource loan boarding
- Insurance reviews are split; 46% utilize a consultant & 54% don't.

Hits, Runs and Errors – continued

- Of the 77% that use a tax service, 70% paid tax penalties & 30% incurred no penalties.
- Of the 15% respondents that outsource loan boarding, 75% also paid tax penalties.
- Of the 85% not outsourcing loan boarding, 55% also paid tax penalties.
- Of the 23% not using a tax service, 17% had tax penalties.

- Companies using a tax service report tax payments averaging 1,800 loans per FTE versus 365 per FTE where no tax service is used
- Where loan boarding is outsourced, servicers report 451 loans boarded per FTE versus 60 loans boarded per FTE without outsourcing
- Financial analysis of more than 800 loan per FTE are achieved with outsourcing versus 500 without outsourcing
- The use of insurance consultants allows for processing of nearly 1,200 loans per employee versus 600 per FTE where insurance is reviewed in house

TOP TEN REASONS

FOR OUTSOURCING

(AS REPORTED BY STAFF)

NUMBER 10

COST & KNOWLEDGE ARBITRAGE

Economies Of Scale

NUMBER 9

Thou Shalt Not Outsource Any
Function Before Its Time

Be Rational – That's The Way We Always Did It?

NUMBER 8

Someone Else Does The Work

You Still Have The ?

1. Responsibility
2. Headache
3. Praise
4. Profit

NUMBER 7

Extra Practice Using Your

“Out of Office Message Assistant”

NUMBER 6

Uncomfortable Employee Reviews

Replaced by

Uncomfortable Vendor Reviews

NUMBER 5

Will The Real Reg. AB
Vendor Please Stand Up!

NUMBER 4

PROBLEMS NOW
AVAILABLE 24/7...

NOBODY SLEEPS

NUMBER 3

Murphy's Law

(PLAN B)

HAVE AN EXIT STRATEGY

NUMBER 2

NO NUMBER 2 – WRITERS TOO BUSY COMING UP WITH THE
NUMBER ONE REASON

NUMBER 1

ALL EXPENSE PAID TRIPS TO EXOTIC LOCATIONS

(INDIA, NORTH CAROLINA, COLORADO,
CALIFORNIA, ILLINOIS & 46 OTHER STATES)*

*vaccinations may be required