

# MBA'S NATIONAL MORTGAGE SERVICING

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## Evaluating BPO Providers February 2008

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- Moved Valuation Review into centralized Risk Management function (separate from Servicing.)
- Implemented software to order, review and report on BPOs
- RFP for BPO services

- Baselines for evaluation can be identified during the vendor selection process
  - What promises were made regarding turn time, QC, coverage and accuracy?
  - Are there any exclusions? (ie: rural properties)
  - Ask vendors how they would measure accuracy if they were the customer.
  - Contractual SLAs should focus on more than just turn times

- Measuring the precise accuracy of a single BPO is impossible because there is no irrefutable benchmark.
- Even when a subsequent property sale confirms the BPO value, we still do not know if the BPO was correct.
- This highlights the need for independence in the valuation review function.

# Property Value is a Matter of Opinion

## Property according to Origination Appraiser



# Property Value is a Matter of Opinion

Property according to Preforeclosure BPO



# Property Value is a Matter of Opinion

Property according to REO BPO



# Property Value is a Matter of Opinion

Property according to REO bidder.



- Complicating matters (at least for us) were system constraints that made data capture difficult for the data elements relevant to valuation review:
  - BPO provider – Reviewer
  - Review status – Subsequent values
- We therefore implemented a software system to facilitate BPO ordering, reviewing and reporting.

- ResCap assesses each of our vendor's performance on the following metrics
  - % of BPOs +/- 30% of REO Sales Price
    - (sale must occur within 4 months of valuation)
  - Deviation of BPO to internal review value
  - Deviation between pre-foreclosure BPO and REO BPO
  - Acceptability of vendor explanations
  - Turn time

# Vendor Measurements

	Vendor A		Vendor B	
	Interior	Exterior	Interior	Exterior
<b>Units</b>	1245	588	3984	1176
<b>Variance (Vend)</b>	7.06	5.15	8.40	4.89
<b>Variance (Cont)</b>	7.73	5.02	7.73	5.02
% Unacceptable Resolutions (Vend)	0.16%	0.34%	0.20%	0.41%
% Unacceptable Resolutions (Cont)	0.18%	0.36%	0.18%	0.36%
Turn Time (Vendor)	2.86	4.84	2.28	5.74
Turn Time (Cont)	3.00	5.00	3.00	5.00

- We can also assess accuracy by geography and price tier
- This data supports the need for BPO review or the acceptability of foregoing review.

- ResCap is testing two approaches to using data to assess BPO accuracy.
- Method 1 – Compare the BPO value to an index of the original appraised value
- Method 2 – Compare the BPO value to a distressed AVM

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