

MORTGAGE BANKERS ASSOCIATION

MBA'S NATIONAL MORTGAGE SERVICING CONFERENCE & EXPO 2009 / TAMPA

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Multi-Channel Customer Contact Strategies

Standard Contact Campaigns are not enough
in our new environment.

What additional touch points and strategies work?



- **Phil Cunningham, Executive Vice President, National City Mortgage, now a part of PNC**
- **Patrick Carey, CEO, Titanium, Inc**
- **Larry Gilmore, Director, HOPENOW**
- **Cecelia Raine, Vice President, LPS**

Why is customer contact so critical?

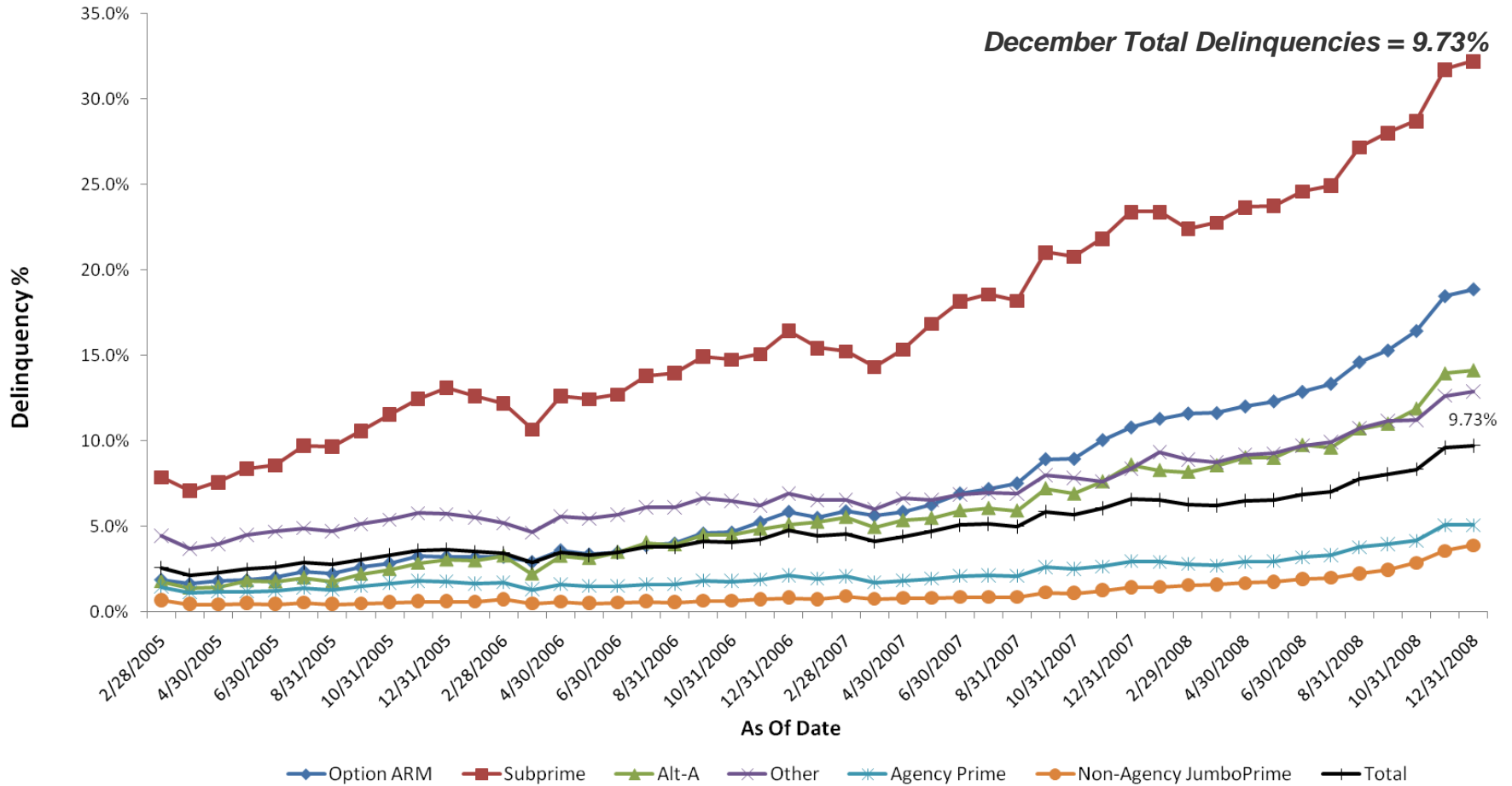
Goals for today's session

- We must be results oriented as an industry to monitor contact strategies that are successful, and use the lessons learned from our current situation going forward
- Customer contact is **the initial critical step** for collections and loss mitigation effectiveness
- Contact is both a reactive tool and a proactive tool in the overall collection strategies
 - Reactive is traditional and stems from outbound campaigns and responses to written correspondence
 - Proactive will be critical in the future for imminent default and portfolio retention
 - Leveraging Analytics and segmenting portfolio by risk is crucial in contact strategies.

The State of the Industry

Delinquency Rates Increased Across All Products (MBA Methodology)

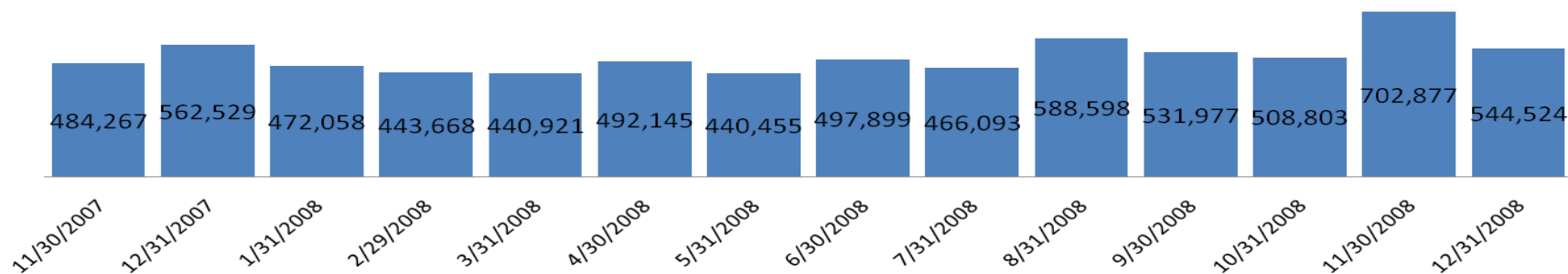
Total Delinquency % (Excluding Foreclosure) by Product Type



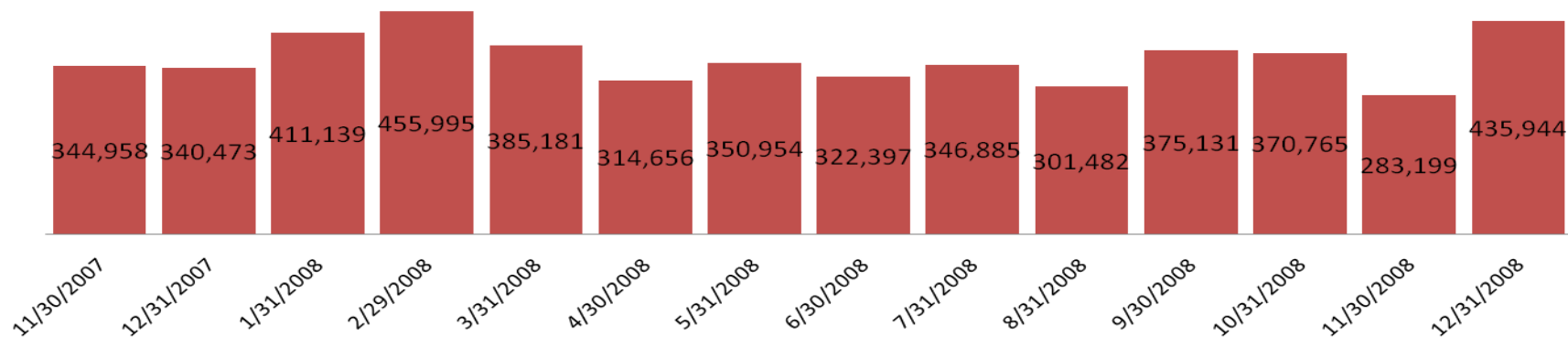
December had the second highest number of cures in 2008 – likely influenced by an increase in the number of loss mitigation related modifications.

(Number of newly delinquent loans improved from November's worst on record but still the third highest in '08.)

Count of Loans Migrating from Current Status to 1 Month Delinquent Status



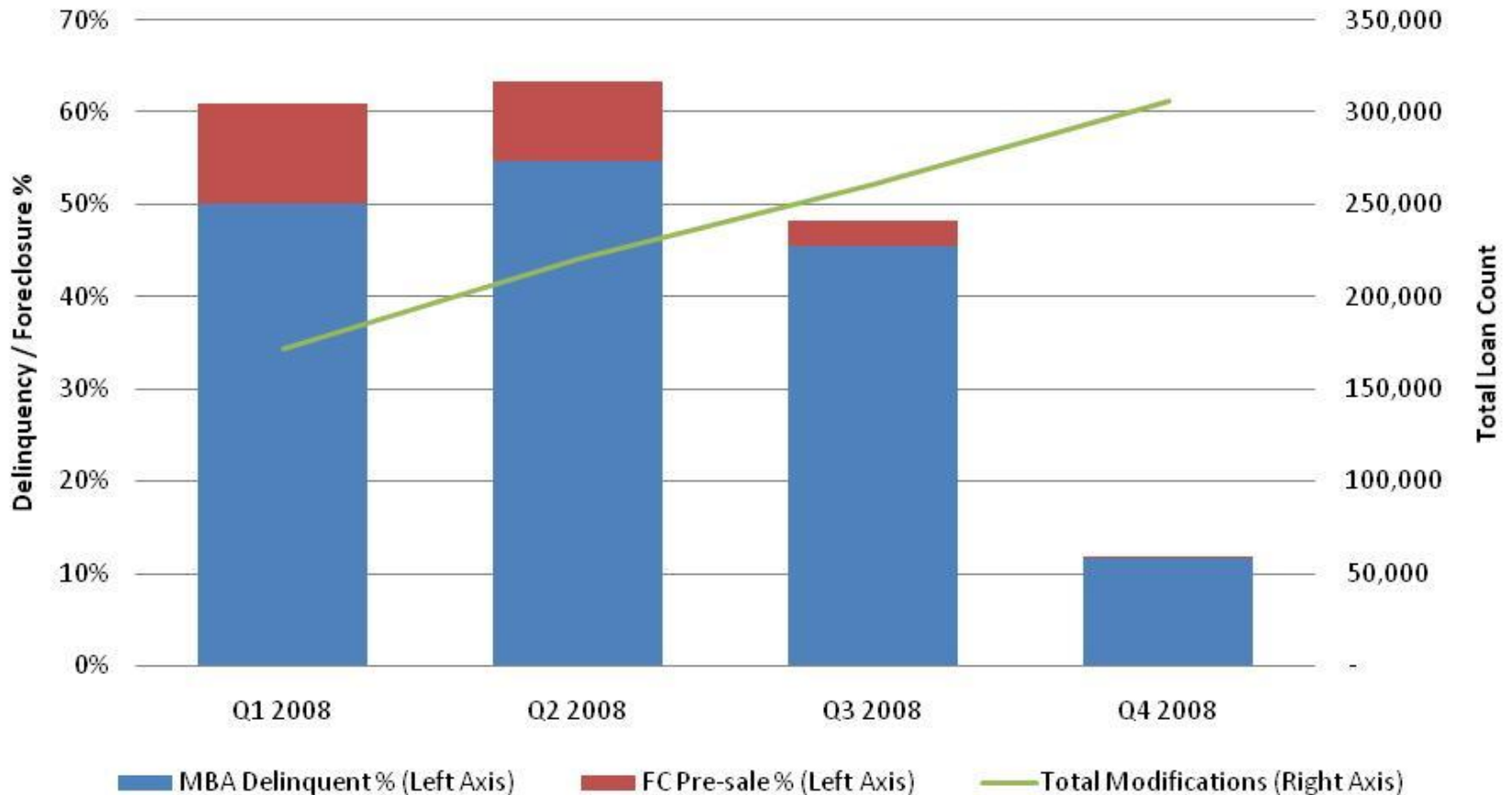
Count of Loans Migrating from Non-Current Status to Current Status



Loan counts are based on LPS Applied Analytics Servicing Database of over 34 million mortgages.

Recidivism Rates And Total Volume of Loans Modified in 2008

Delinquency / Volume by Quarter Modified



Volume of Modifications based on data compiled by LPS Applied Analytics for the HOPE NOW Alliance.

Dialer -

- » **Inbound – Servicers and Counseling agencies are overwhelmed with unprecedented volumes**
- » **Outbound – Many Servicers are not making outbound in an effort to control inbound volume or due to staffing levels**

IVR – due to complicated nature of recent events, many borrowers want to speak to a representative

Mailing packages to borrowers

Door Knocks

Hope Now and Counseling Outreach

- » **Direct Borrower outreach venues by Servicers, Investors, Counseling Agencies via skilled Outreach Vendors**

Text Messaging

E-mail campaigns

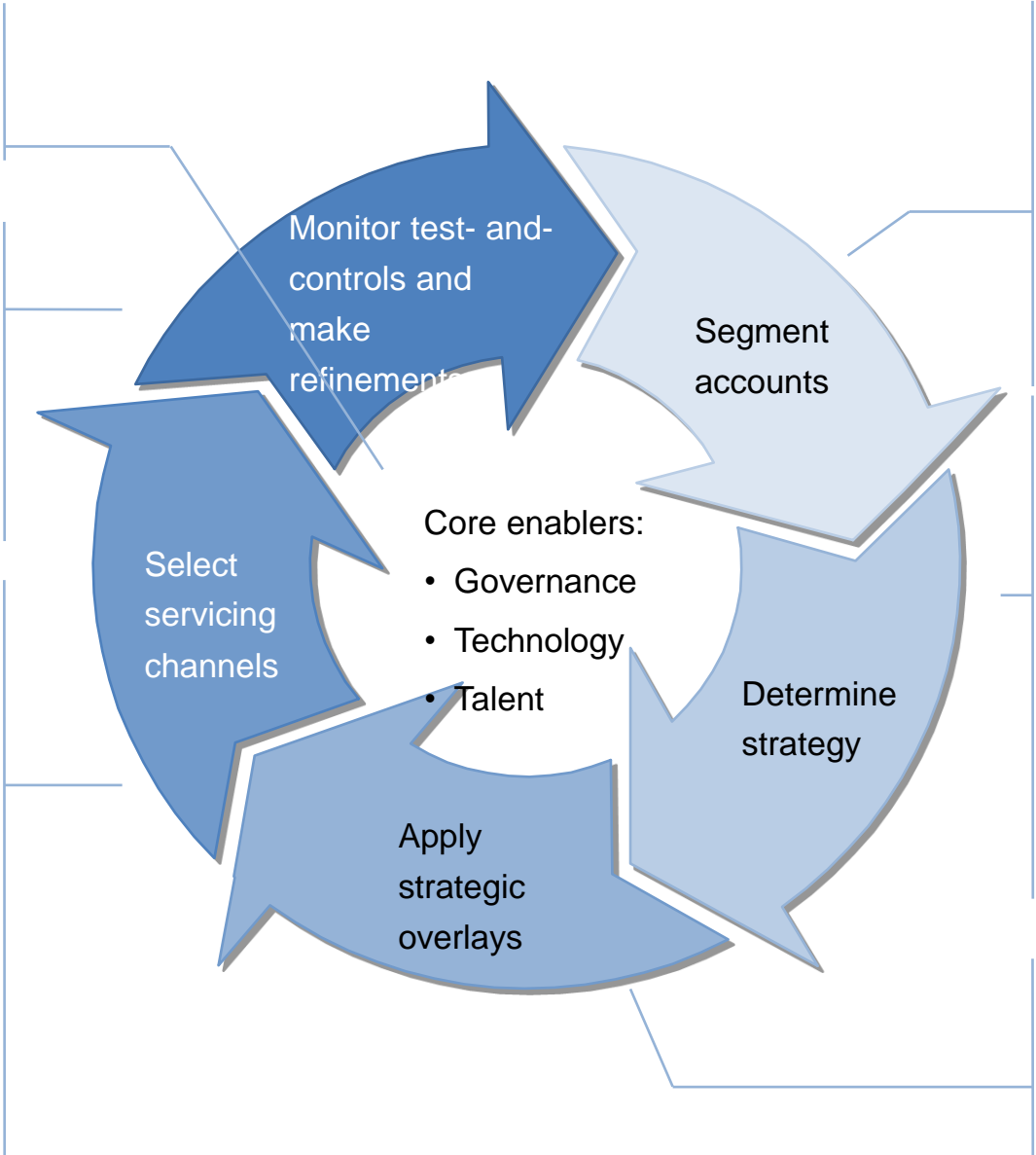
Borrower Web portals

- » **Input hardship information**
- » **Input financials**

New ways to approach contacts

A systematic process should be followed to make value-optimizing decisions, including customer contact strategies

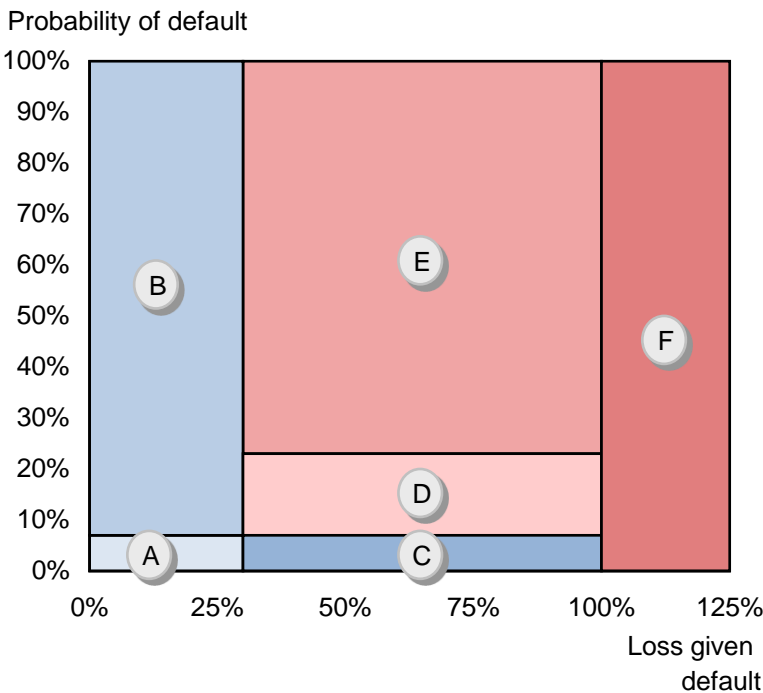
- Ensure the right governance and management model is in place to drive successful implementation
- Strategies should be dynamic based on constant test-and-control monitoring
- Key questions:
 - Are we using optimal contact strategies within each segment?
- For each strategy-overlay combination, select the best servicing options and implement through a champion-challenger model
- Key questions:
 - Trade-off may be cash now versus value later – where do we land on that continuum?
 - Which segments should be serviced internally vs. externally?



- Develop enhanced risk based segmentation to form the basis contact and treatment decisions
- Key questions:
 - Include pre-delinquency?
 - Include other portfolios/relationships?
- Determine optimal strategy for each specific segment, e.g., classic collections, loss mitigation, liquidation / debt reclamation, foreclosure
- Key questions:
 - How do contact strategies vary by segment and account status?
 - How should we think about timing?
- Apply select overlays (e.g., geography, relationship, contact) to bifurcate strategies for optimal servicing

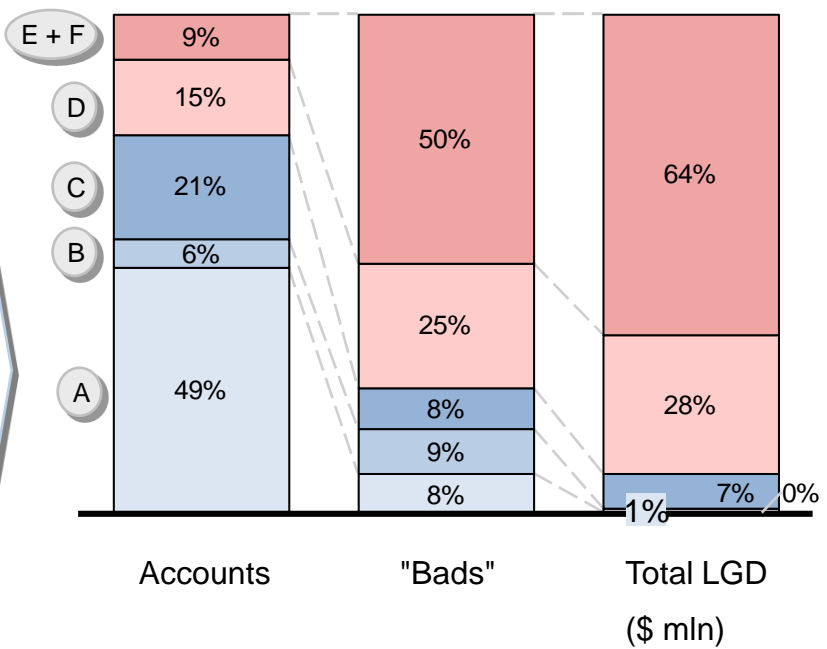
Step 1: Develop a value-at-risk segmentation model for troubled assets. Contact strategy (and cost) can vary for given segments.

The segmentation of customers by PD together with the distribution of LGD across accounts. . .



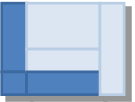
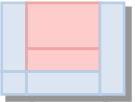
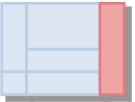
- PD / LGD model requires historical bureau data, collections performance data, performance on other products, macro economic forecasts, etc

. . . demonstrates a significant concentration of losses



- Best in class collections models are able to separate the 24% of accounts that result in 92% of losses for targeted focus or bad portfolio separation
- Impact potential of these models can be tremendous

Step 2: Apply strategies to specific segments across the collections and loss mitigation time-line.

Segments	1 (1-29 DPD)	2 (30-59 DPD)	3 (60-89 DPD)	4 (90-119 DPD)	5 (120-149 DPD)	6+ (150-179 DPD)	Post C/O (180+ DPD)
Low value at risk 	Classic collections (i.e., core collections) <ul style="list-style-type: none"> Objective: to capture payments Dialer based (with sub-segment hold-outs for self cures) Limited palette without modifications Low cost communication strategies Leverage service opportunities/points of service 						Recoveries
Underwater and at risk 	Loss Mitigation (i.e., loss mit / collections hybrid) <ul style="list-style-type: none"> Objective: to cure customers (potentially with mods) Improved call-level strategy and penetration (outbound and inbound calling) Early stage palette plus rationalized set of modifications Focused and continuous communication through all channels Borrower outreach 						
Deeply underwater 	Debt reclamation (i.e., liquidation collectors) <ul style="list-style-type: none"> Objective: to maximize value of incurable accounts or to build willingness Outbound and inbound calling Loss mitigation palette plus liquidation options (e.g., settlements, principal reduction with upside sharing) Contact specialists 						
Specialist groups <ul style="list-style-type: none"> Micro-segment owners developing contact, communication and treatment strategies. Foreclosure – foreclosure strategy run in parallel to other strategies. Mod processing – back office support function to review and approve only. No customer contact. Short sale group – engages with customers and realtors undergoing a short sale or deed-in-lieu. Back office skip group. 							

Step 3: Apply a set of overlays to select the optimal message, treatment and execution channel for debt servicing



- **Strategic segmentation**
 - Serves as the foundational element to identify channel specific strategic pathways
- Contact / no contact
 - Depending on servicer's ability to contact customers in early stage buckets, different approaches to servicing should be considered
- Complete customer financial situation
 - Other relationships with institution
 - Other assets or high ability to pay
 - Success in early buckets
- Geography
 - The location of the collateral may require an alternative servicing approach

Document Delivery:

Hand deliver documents in cases where prior mailings have gone unanswered

Warm Transfer:

Make contact and enact a warm transfer back to the servicer's shop

Signature Service:

Hand deliver documents that were previously mailed with no response and obtain signature and return executed documents to servicer

Gathering Financial Information:

Complete financial information form, validate and obtain POI and communicate back to servicer – manually or electronically



Pre-Qualifying Homeowner for Workout:

Once all financials are obtained and entered,

- pre-qualify homeowner for workout based on investor guidelines,
- obtain approval from servicer overnight and
- deliver and obtain signatures the next day to homeowner

Short Sale Management & Disposition:

Ability to manage end-to-end short sale process on behalf of servicer, using realtor network (delegated or non-delegated)

Community Outreach:

Utilize local representatives to attend community outreach events with servicer's staff

- » Reduces cost to servicer
- » Increase the capacity to attend more events

Fraud Detection:

Verify occupancy status on newly originated loans for audit purposes



Servicer Outreach Letters -

- » Letters sent by servicers on HOPE NOW Letterhead

- » All 60+ Delinquent Borrowers

- » Results:
 - Averaging over 200,000 letters per month
 - Over 3 million letters sent since November 2007
 - Average monthly response rate of 20%

2008 Outreach Strategies: Homeownership Preservation Workshops

Borrowers at risk of foreclosure can meet face-to-face with their mortgage servicer and/or a local counselor

Mortgage Servicers have direct mail campaign to delinquent borrowers and massive radio and print marketing campaign initiated

Over 20,000 counseled in 10 months

Collaborative between servicers and counselors; NeighborWorks America has been a key partner

Other key partners have included Governors, Legislators, Federal Reserve Banks, State AG Offices, etc.

HOPE NOW 2009 Multi-pronged Outreach Approach

Outreach Events

30 Events
Partner with Federal Reserve
Focus on 500 or greater attendance per event

Standard Letter Campaign

New letter in 2009
Continued focus on 60+ no contact customers
Results continue to be reported monthly

Celebrity Tour

Phase I begins last week of January
Newark, Atlanta, Miami and Cleveland are the targets
Phase II TBD

Reach Out Campaign

Servicers mail letters promoting Non Profits
Phase I begins February 1st
Targeted states are Wisconsin, South Carolina and New Jersey

Phone A Thons

Part of Celebrity Tour
Radio promotes the HOPE Hotline to drive more calls to servicers
Logistics to be worked out in January

How will HOPE NOW measure our success?

Outreach Events

Event attendance is > than 500

% of customers who attend versus are invited

% of customers performing better six months after the event

Standard Letter Campaign

Response rate north of 20%

More than 10% of respondents engaged in a work out plan two months after receiving the letter

100% of servicers mailing letters every month

Celebrity Tour

Attendance at Town Hall Meetings

Response to phone blasts

Attendance at face to face events is greater than 7% of those invited

Reach Out Campaign

of customers helped per state

% of customers who respond to the letter campaign

Feedback from our non profit partners

Phone A Thons

Number of calls to ports of entry for targeted cities

At least 80% of those who call get some sort of workout plan

Call volume to HPF from targeted cities versus other MSAs

Reporting Improves Across the Board

Industry Collaboration – Counselors, Servicers, Investors, MI Companies, Government Agencies (Federal Reserve Banks, HUD, State Housing Agencies, Local/County Municipalities, etc.)

Target Marketing – Mostly all marketing directly targeting borrowers delinquent or in imminent risk of default

Multiple Options for Assistance – HOPE Hotline (telecounseling), Local Counseling Organizations (by appointment), Face-to-Face outreach events, etc.