



Mortgage Lenders Need a Tech Workout

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By John Adams

While details of the Federal government's latest financial rescue package will be emerging for some time, attempts to put a floor under the mortgage market will likely increase the volume of workouts, or loans whose terms are reworked to prevent foreclosure. That will likely result in a slew of tech upgrades as lenders and servicers rush to automate processes connected to workouts, such as loan records, databases, call center technology, and general bookkeeping.

"Most of the banks that I talk to or know of are behind the curve in adopting this kind of technology," says Dain Ehring, CEO of Dorado, a tech firm based in San Mateo, Ca.

Ehring says that since workouts have traditionally been a very small component of an originator's book of business, usually less than 10 percent, the supporting technology often lags that of other financial products. "A lot of the loan information still isn't digitized. You may have the servicing information, but not the original loan information."

And at some lenders, the "good" and "bad" loans—the workout candidates—are still catalogued together. "The bad loans have to be separated out," Ehring says. Ehring says many banks will have to examine their processes, and adopt tech platforms that can allow lenders to easily track, identify and process loans that are being modified. He says this technology will also need to be deployed quickly, as the rescue plan swings into action in the coming months. "This is an area where [Software as a Service] could come in handy," he says. "A system that isn't going to be fully deployed until next year isn't going to work."

The industrywide focus on keeping workouts from overwhelming mortgage players is also apparent at Freddie Mac, where a new "Workout Strategy for High Risk Loans" has been introduced to help services cope with unprecedented call volume. Under a pilot that includes Ocwen Financial Corp, teams of specially trained counselors will be deployed to handle inquiries into Freddie Mac's delinquent high risk mortgages to minimize wait times, put borrowers in touch with live personnel faster and implement the GSE's foreclosure reduction policies. Access to tech platforms to aid in workouts is also an important part of the pilot.

"Our strategy for high risk loans is designed to help servicers cope with today's unprecedented call volume by directing calls to a specialist with specific staff and technical resources for handling a high volume of borrows with these types of mortgages," said Ingrid Beckles, Freddie Mac's svp of default asset management, in a written statement.

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