

# HAMP Best Practices Guide The Way

The Treasury's guidance on HAMP has been uneven - vague in some instances, and very specific in other cases. Establishing best practices is of utmost importance.

by **Kaan Etem**

If there is anything that every participating servicer agrees on, it's that the Home Affordable Modification Program (HAMP) is a work in progress.

At press time, servicers are still largely working off draft servicing guidelines that were published by the U.S. Treasury Department months ago. At the same time, new requirements are being placed on HAMP servicers almost weekly.

This is on top of existing challenges that servicers face, including an ever-increasing volume of applications and inquiries; the need to service multiple loan modification programs introduced by local, state and federal agencies (each of which potentially adds to borrower confusion); a less-than-ideal announcement schedule, whereby programs are announced to servicers and to borrowers simultaneously; the need to hire and train - and constantly retrain - servicing staff to meet the needs of evolving modification programs; data-intensive tracking requirements; and cumbersome servicing and complaint-resolution guidelines recently described by a mortgage industry group as "manual, costly and time-consuming."

This situation is unprecedented for mortgage servicers, who are accustomed to a relatively predictable servicing process with manageable volumes and slowly evolving programs. The new reality calls for new thinking: more flexibility, quicker reaction times and an ability to deal with complexity. Those servicers

unable to adapt are at risk. Satisfied borrowers refer and recommend their servicers to others, but unsatisfied borrowers can tarnish a reputation (which may not mean much with currently captive borrowers but could have long-term repercussions). With no immediate relief in sight, no one to defend them and no one presenting objective facts, servicers must help themselves - which means reaching out to borrowers.

The Treasury does not clearly define "complaint" in its guidelines. It's clear that the complaint-resolution department must be separate from loss mitigation, that an escalation process must be established, and that servicers must log complaint calls and resolutions. But when does a complaint become a complaint? And what are the penalties for not addressing complaints "properly"?

These are gray areas, and until there is some official clarification, servicers must define it for themselves. One standard that has been proposed by an industry group responding to the Treasury's draft guidelines is that tracking should be limited to "(1) written complaints tracked to specific issues and sent to a specific address established by the servicer and (2) aggravated complaints stemming from call service."

In establishing a complaint-resolution process, it helps to break the task into components. One approach is to ask the basic questions: who, what, why, where, how and when?

- Who is complaining - borrowers who qualify for HAMP or those who don't?

- What are they complaining about - being wrongly denied a modification for which they qualify, or HAMP's general structure not meeting their needs?

- Why are they complaining (this is different from "what")? Are they complaining because servicing staff lost the borrower's paperwork three times in four months or because they can't get a straight answer to a question?

- Where are they complaining? Are borrowers complaining directly to servicers or are they going through other channels, such as community groups, consumer affairs agencies, online discussion boards, etc.?

- How are they complaining? Do they communicate by phone, fax, e-mail, letter, or in person?

- At what point are borrowers complaining? Does the complaint arrive when the foreclosure is impending, immediately after a borrower's layoff or when the borrower has dealt with uninformed servicing staff one time too many?

Once you have thought through the broad parameters of the problem, it is easier to establish procedures for dealing with the details.

While no one has a magic bullet for managing the complaint-resolution process, we can learn from experienced professionals, which, in the case of HAMP, denotes less than a year's seasoning. From their experience, certain best practices are beginning to emerge.

The best way to deal with complaints is to prevent them. In August, J.D. Power and Associates released the results of its 2009 Primary Mortgage Servicer Study, which concluded, among other things, that mortgage servicers currently have a unique opportunity to create lifelong re-

relationships with their borrowers through proactive, assertive communication.

The survey noted that satisfaction is higher among those borrowers whose mortgage servicer contacts them first, especially if contact is made before the borrower's situation becomes acute. To use a medical analogy, don't wait for your borrowers to come to your emergency room; maintain their health through preventive care.

Servicers must also understand their borrowers. After asking the who, what, why, where, how and when questions, servicers can identify their at-risk borrowers, categorize them appropriately and develop a plan for preemptively engaging each category.

Managing expectations is a chief responsibility for HAMP servicers, as a large portion of complaints stems from misinformation and/or misunderstanding about the program. The servicer's job is to educate borrowers, not just directly through phone calls, letters, Web sites and seminars, but also indirectly, through third parties.

Servicers should work closely with community groups, such as HOPE NOW and the Neighborhood Assistance Corp. of America, which - like it or not - have a higher level of trust than servicers. Such groups can do more for servicers than one might expect. A servicer may engage a local community group to contact borrowers directly when they have not provided sufficient information in their applications. Promoting and participating in joint community outreach programs, including face-to-face meetings with borrowers, can also be a key component.

Obviously, holding face-to-face meetings with hundreds of thousands of borrowers is not feasible. But it's also not necessary, because network effects take hold, and educated borrowers pass the word around. For maximum payback, servicers should organize their outreach programs around their largest

borrower populations, by geography. Once that is done, servicers must also recognize that these groups are not perfect, and they should help to keep the groups informed, volunteering resources whenever possible.

HAMP servicers might also consider creating a task force to scope out the issues. Such a task force could reach across the enterprise to get a 360-degree perspective on the impact of HAMP on different departments. Members of the task force should understand the shop's current loan modification and loss mitigation processes, recognize that HAMP has special requirements (that are usually more restrictive) and establish a complaint-resolution process, including escalation procedures.

The complaint-resolution process should be put in writing and made easily accessible so that everyone in a servicing shop knows where to find it. As HAMP guidelines change regularly, servicers are advised to create a mechanism for updating the complaint-resolution process. Similarly, servicers need to have a way to disseminate program updates, including HAMP's latest policies and procedures.

Cost efficiencies can be realized by outsourcing certain non-core sub-processes. When it comes to HAMP, the highest and best use of servicing staff is, arguably, to negotiate with borrowers. Many other sub-processes, like initial information gathering, financial qualification and document fulfillment, are non-mission-critical and can be outsourced to specialists. Such specialists can usually perform these processes more effectively and economically, reducing the strain on a servicer's overburdened internal staff. Ensuring outsource partners are updated with the latest HAMP changes is a crucial concern here.

A common complaint about servicing operations is that borrowers' calls are routed to different departments and different personnel, which sometimes

leads to borrowers' receiving conflicting information. To solve this dilemma, servicers should establish a single point of contact. The Treasury's supplemental directive 09-06 instructs servicers to send notices to borrowers who have not been offered a trial plan or official HAMP modification, or who are at risk of losing eligibility because they failed to provide required documentation. Among the items to be listed in said notices is a toll-free number that borrowers can use to contact a servicer representative.

Another valuable approach is to assign a customer advocate to each borrower. Preferably, this would be done once a borrower is determined to be eligible for a loan modification, but at a minimum, it should occur when a complaint is lodged. An advocate could, for example, provide updates, help steer a borrower's modification application through the organization and simplify tracking. Servicers should be sure to assign backups for each advocate.

Automation through technology provides many benefits, as well. Most of the aforementioned tasks can be accelerated, automated or otherwise improved through the intelligent use of technology. For instance, check with your servicing system vendor to see if it has released modules designed specifically to deal with HAMP. Servicers should work with their IT group to adapt their loan modification database to the needs of HAMP. Process deficiencies can be identified through the use of a robust quality control system, and posting information online can keep servicers' staff up-to-date. **SM**



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