



**BSI FINANCIAL**

**ANALYTICS AND RECOMMENDATIONS**

**DECEMBER 2010**

## **Meeting Agenda**

**The Titusville Study**

**Recommendations**

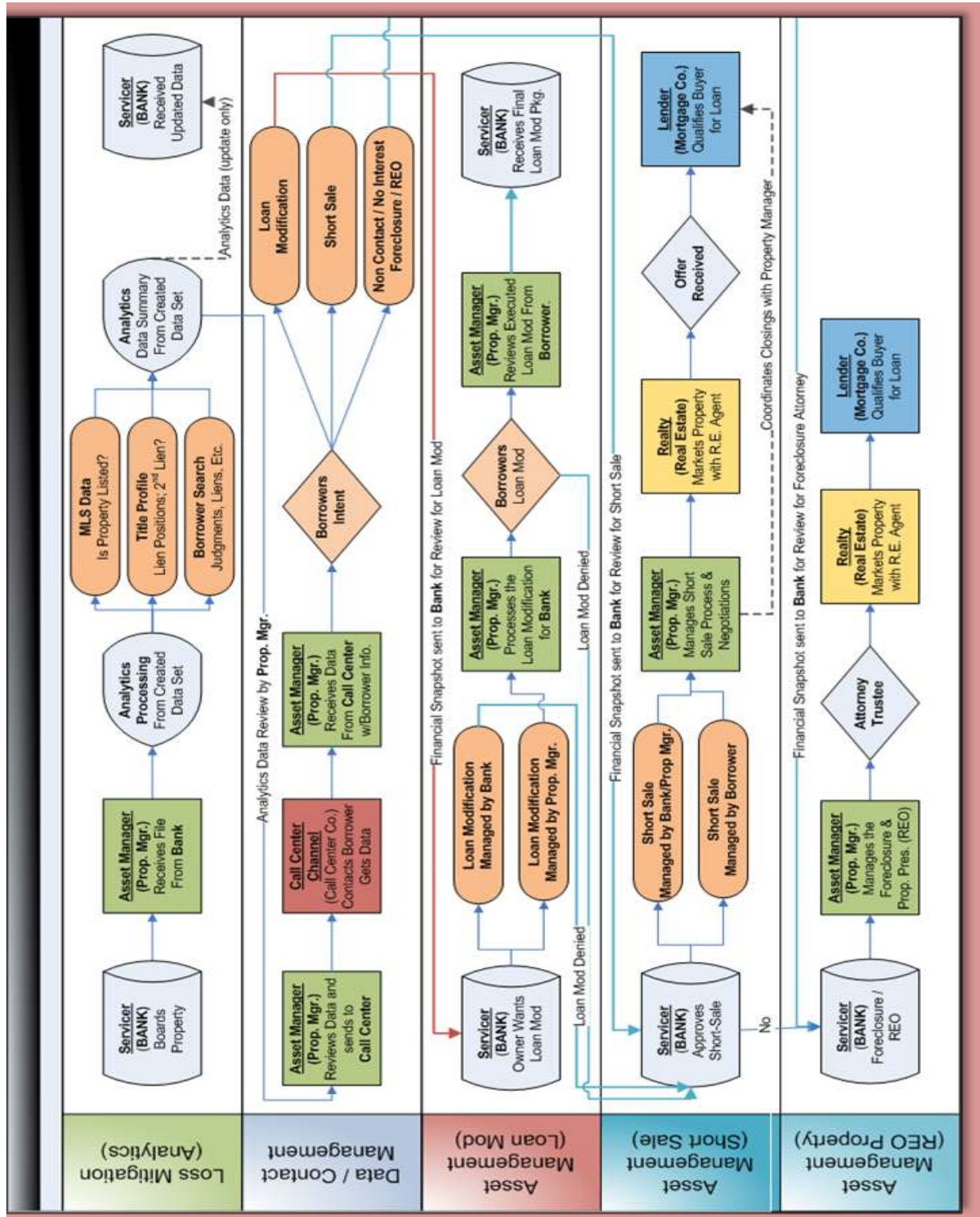
**Implementation plan**

**Milestones to be achieved**

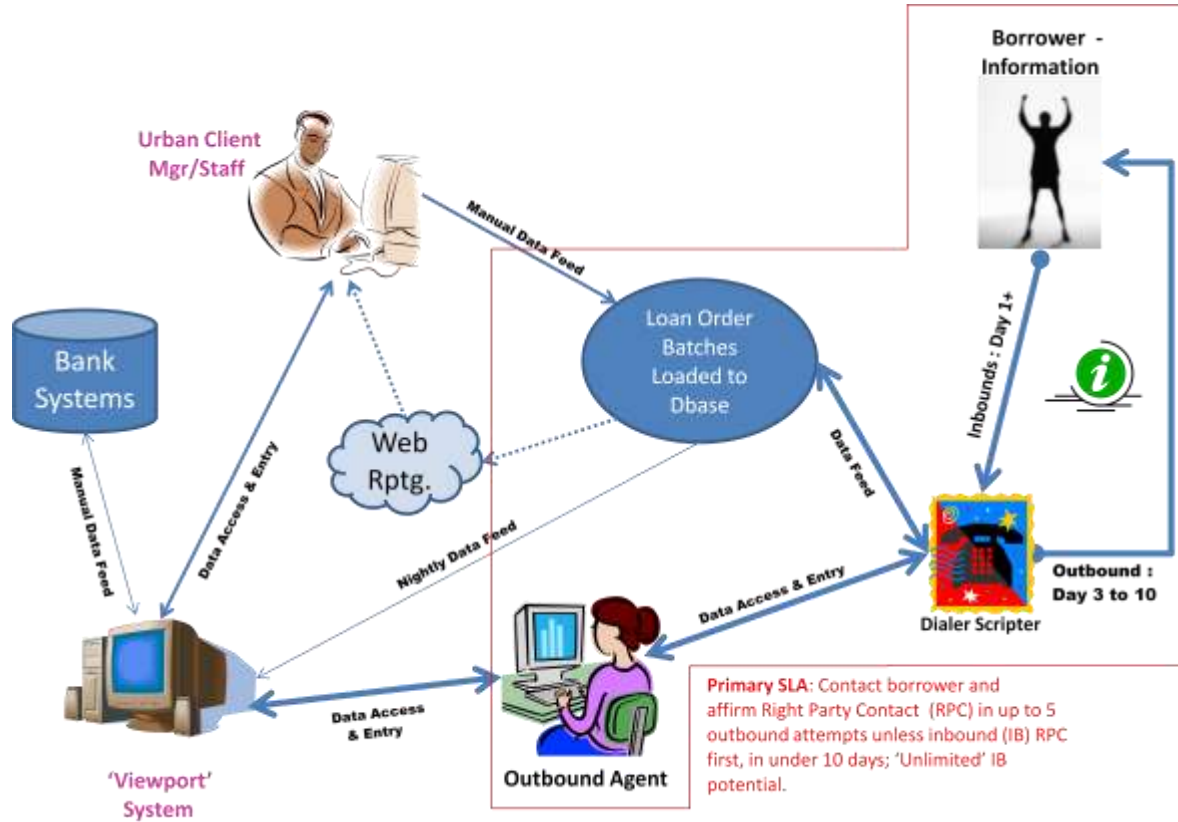
**Tasks and Assignments**

**Measurement for success matrix**

# The Default Services Process



# Process Flow



## **Conclusion**

**Pilot States**

**Volumes for each State**

**Pricing**

**Commencement date**

# Study and Analytics

Titusville, PA

November 2010



# The Titusville Study

## Table of Contents

|  |    |
|--|----|
| The Data.....                                    | 8  |
| Delinquent Borrowers Database: .....             | 8  |
| Borrower Types: .....                            | 8  |
| The Quiet Majority.....                          | 8  |
| Existing Processes .....                         | 9  |
| Borrower Outreach and Discovery Process:.....    | 9  |
| Loan Mod Process:.....                           | 9  |
| Loan Mods effectiveness: .....                   | 10 |
| Borrowers: .....                                 | 11 |
| Short Sale Process:.....                         | 11 |
| The Realtor Problem .....                        | 11 |
| Present Procedures Diagram .....                 | 13 |
| Existing Personnel.....                          | 14 |
| Staffing and Organization: .....                 | 14 |
| Recommendations.....                             | 15 |
| Borrower Outreach.....                           | 15 |
| Suggested Management & Training Procedures.....  | 15 |
| One Team: The Options Team .....                 | 16 |
| The Earliest Handoff to the Realtor .....        | 17 |
| Relationship with the Certified Realtors .....   | 17 |
| Diagram.....                                     | 18 |
| Certified Foreclosure Alternative Realtors ..... | 18 |
| Scripts .....                                    | 20 |
| Suggested Tracking Format .....                  | 22 |

## The Data

### Delinquent Borrowers Database:

1850 delinquent accounts by the middle of the month.

This number changes from month to month, but when the total number of properties is constant, it moves little so this number is fairly consistent over time. *Standing delinquent.*

2400 At the beginning of the month: (576 get paid by the middle of the month)

1850 Standing Delinquent. 23% make the payment [576/2450]

1070 1-30 days = 60% of Standing Delinquent

260 31-60 Days = 14% of Standing Delinquent

520 >60 Days = 28% of Standing Delinquent [These go to NOD]

250-280 Active Loan Mods = 15% of total

Short Sale completed (YTD) = 15

Loan Mods complete (YTD) = 16

The properties in Loan Mod application are geographically concentrated.

73% are in four states: AZ, IL, CA, TX, FL

68% are in three states: CA, TX, FL

#### NOTE:

Short Sales listed: 26

Short Sale contracts: 28

(When they list it works)

### Borrower Types:

Pay as agreed

Habitually late (but pay before 60 days. Don't go to NOD)

Get 60 day letter

Go to NOD

Sheriff evicts

### The Quiet Majority

We are contacting and speaking with only a small percentage of the distressed borrowers. Many, if not most, quietly go to foreclosure sale and eviction and the properties become REO properties. The outbound calling is creating conversation with only 15% of the delinquent borrowers every month. Most of those calls are to the same people every month; leaving 85% of the population without any assistance.



## Existing Processes

|                      |   |
|----------------------|---|
| 16 <sup>th</sup> day | late notice is sent. Entered in the auto-dialer to call |
| 30 <sup>th</sup> day | strong letter sent                                      |
| 45 <sup>th</sup> day | 15 days to start of foreclosure letter sent             |
| 60 <sup>th</sup> day | Notice of Default is filed                              |

16<sup>th</sup> day: The borrower is put into the call queue to be called by the C/S team.

### **Borrower Outreach and Discovery Process:**

Sample size: 6 days Weekdays only, approx 8AM – 6PM

Average of 15.8% of connections become talk-to conversations.

The rest are voice mail or leave message with someone else.

About 50% either promise to pay or actually pay on the phone. That is consistent with the drop from 60% of the delinquent to 14% in the second 30 pays.

No data on time-of-day effectiveness.

No calling on weekends

Calls are made by auto-dialer, the Inbound customer service waits for a call to show up on the screen. There is no delay.

The Customer Service rep leaves a message, “This is [name] with BSI Financial, please call at [#]”

There is no indication of wanting to help or provide options.

When the contact is made, they ask about when to expect a payment, regardless of the historical situation. There is no confrontation or suggestion that there may be a problem or options other than continued non-payment and slide into foreclosure.

If the customer initiates the conversation, they will talk about other options. They don’t put it on the table.

The conversation and interaction with the borrower is passive from the standpoint of discovering loan mods and short sale potential.

### **Loan Mod Process:**

When a borrower is discovered who wants to consider a loan mod in order to keep their property, they are referred to the Loan Mod negotiator who is associated with their

account. They are also sent a package with the necessary information to provide to the investor.

This includes:

- Request for Financial information
- Hardship Letter

When the material is returned, it is put into the Loan Mod Calculator. The results are sent to the investor for approval. The loan mod negotiators do not have any designated authority to make an approval.

The approval is usually forthcoming within a couple of days.

When a mod is denied, the loan mod negotiator calls to inform the borrower that it has been declined and the reason. A denial letter is sent out as well.

There is no hand-off to a Realtor at any point in the process.

The options for short Sale, Deed in Lieu of Foreclosure are spoken of, but not well articulated since they are fairly complicated and hard to really make clear over the phone or in a letter.

**Loan Mod effectiveness:**

Approve about 3 per month.

Active in Loan Mod: 253 [=14% of the standing delinquent]

|                       |     |
|-----------------------|-----|
| Approved:             | 19% |
| DTI <31%              | 45% |
| Excessive Obligations | 19% |
| Too much Surplus:     | 12% |
| Other:                | 4%  |

Approving about 1% of the active loan mods per month.

Reasons for Denial: (% of Denied applications)

- 15.0% Too much surplus (can make the payment, just hoping to get a rate reduction)
- 55.4% DTI < 31% (These are already at the loan mod levels)
- 23.5% Excessive Obligations (Even with reduction, too many bills)
- 5.8% Odds and ends reasons

Approximately 19% of the loan mods are granted trials, but half of those fail to complete the trial.

## **Borrowers:**

Fall into these categories

- Habitually Late (in the delinquent list, but don't go to NOD)
- Looking for Loan mod or other option
- Short Sale/ DiL potential
- Quietly to Foreclosure (no contact ever made)

## **Short Sale Process:**

Almost all of them are uncovered when the Realtor calls for information, with an offer, etc. wanting to negotiate a short sale contract.

Title is not ordered immediately so can get blind-sided by junior liens, homeowner associations, IRS liens etc.

An external BPO is ordered as well as an interior BPO from an REO agent under contract to provide BPO. The Listing agent doesn't provide comparative or competitive information.

There is no proactive, planned re-appraisal of the listing price unless requested externally, say from the listing agent.

Since these properties are owned by a non-HAFA signatory, the approval always includes a 5% commission paid to the Realtors. There is no requirement as to distribution of the commission.

When the contract is 90% of the BPO it is generally approved. There is no way of knowing if any other offers are available to be considered. The process is not transparent, but the information controlled and filtered by the listing agent.

Borrowers are not always pre-*approved* by legitimate lender. Not real buyers, just the agent shopping for the lowest available price.

The loan negotiator has no designated authority. Every approval is submitted to the lender for approval. This takes two days or so.

## **The Realtor Problem**

If a Realtor is suggested, they are from a list of agents who have an Equator account. They are not vetted in any way, just three from Equator who service the zip code. There is a low bar to having an Equator account.

Most Realtors handling Short Sales today have little real training in the process. They do not understand the HAFA and HAMP programs. They have found themselves in the

position of taking a listing which doesn't have the equity needed to close. They then begin to learn the process and requirements for short sale approval.

There is also a great opportunity for dishonesty and manipulation in the way things are handled.

By way of example; the listing agent has complete control over what information flows to the lender. If the agent doesn't want to tell the lender there are other, more beneficial offers, they can manipulate the flow of information. They can tell other brokers that the property is sold. They can delay presenting the other offers. It is sometime done for profit and other times for convenience.

Another example; The Realtor is not interested in financing any marketing efforts. The Seller is getting nothing out of the deal and is not interested in getting the best offer available. As a result, the offers that come in are thrown at the lender. Many of them are later shown to be bogus offers, just finding out what is the lowest the lender will take.

The agents involved very seldom ever deal with the same company, much less the same negotiator again, so the process is very tedious and time-consuming from their point of view. They have no relationship with the lender and are not concerned with creating the best outcome.

### **Proceed to Foreclosure**

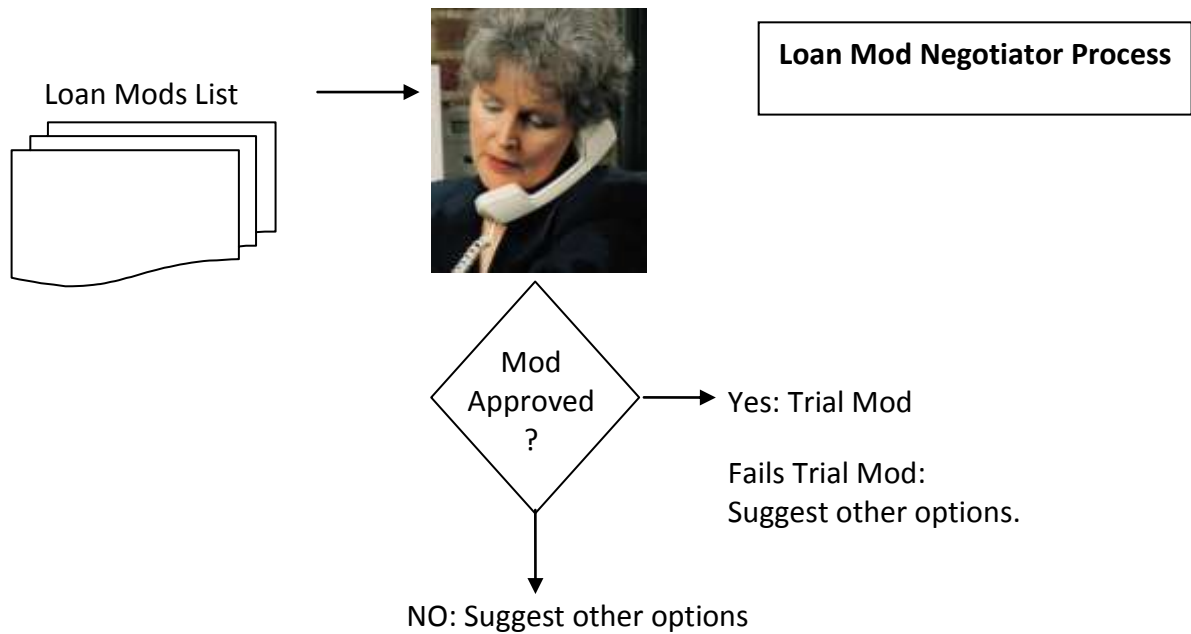
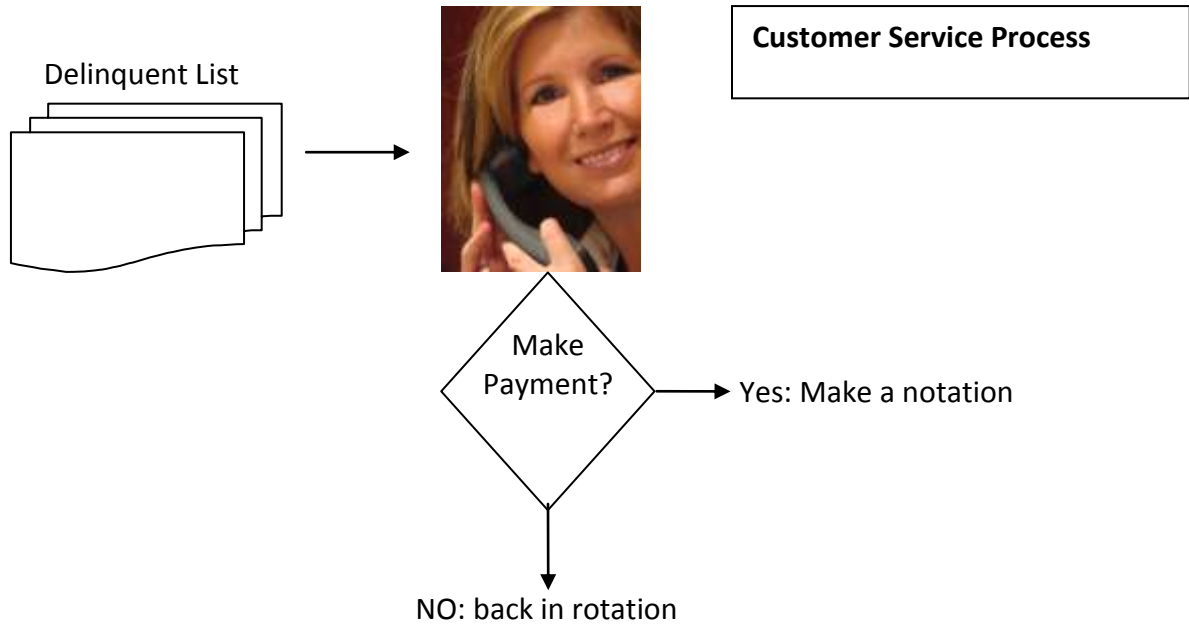
We found no data on the distribution of the 2400 (or 1850 at mid-month) properties that actually proceed to foreclosure or are foreclosed and become REO.

It would be instructive to know the percentage in:

- 60 day strong letter
- NOD filing
- Over 90 days
- Sale proceedings
- Sherriff Evictions

From the fact that there are only 250 properties in the loan mod list (including those approved and denied) we can only conclude that the properties that go forward to foreclosure is high. It is probably the greatest untapped opportunity to dispose of properties through short sale.

## Present Procedures Diagram



## **Existing Personnel**

### **Staffing and Organization:**

Karen Shoup

Tenisha Martin Team leader

Customer Service team (+Outbound calling)

Loan Mod and Negotiation team (some outbound calling)

The Loan Negotiation team has assigned approximately 1000 files (Not all are delinquent)  
350 of the total are delinquent

Both the customer service and the negotiation team are new to the business. They are good people; intelligent and have great attitude. They are all well qualified to handle customers and are outgoing, caring people. Some of them are probably under-utilized given their competence.

The management in the person of Tenisha Martin is well-versed in the process and she is willing and eager to improve her team and their results. She is easy to work with, helpful and without defensiveness. So she is open to suggestion and direction. She is also skilled in the use of data.

## **Recommendations**

### **Borrower Outreach**

#### **Reaching more of the un-contacted distressed borrowers:**

We are only reaching a small percentage of the Standing Delinquents every month.

Calls are made on a restricted time basis that conforms to the Customer Service hours.

In looking at the delinquent borrowers list, there are a large number of Spanish-surnamed borrowers, which leads to a question of language skills to reach those who do not speak English well enough to be assisted in English.

Suggestions for capturing and assisting a much higher percentage:

1. Reach out to the Spanish-speaking borrowers in Spanish.
2. Send the borrower a debit card for \$50. To be activated when they call to talk with the Discovery Division
3. Expand the outbound call hours to include early mornings, evenings and weekends all across the US. The distribution is greatest in Florida (EST) Texas (CST) and California (PST)
4. Use some kind of "skip-tracing" to have someone go to the property and talk with them directly.

The only way to expand the outbound operation is either to add local staff, with management and training for the expanded hours or have it done by an outside professional service.

### **Suggested Management & Training Procedures**

#### **Change in thinking:**

- One team, working together to discover borrowers who are distressed then find alternatives to foreclosure for them.
- Focus on finding and converting the distressed borrower, rather than just asking for a payment.
- Move from debt collection to customer service.

#### **Change in procedures:**

- Change the name of the entire team to The Options Team.
- Have everyone in the same meetings every week.
- Demonstrate the inter-dependence of the two divisions: discovery and action
- Each one lives and dies together with the other.

- Create scripts and dialogue suggestions
- Practice the scripts

#### **Change in Rewards:**

- Create accountability by counting and reporting to the group.
- Use reporting forms
- Incentive for high hand-off rates
- Incentive for growth in desired behaviors
- No incentive for calls/hour, rather for results
- See Tracking Sheets in the Appendix

#### **Change in Training:**

- Manager listens to the calls made by the Discovery Division. Listen for discovery language.
- Assist the team member to ask questions to discover where they can assist.

### **One Team: The Options Team**

Create a SINGLE team, the Options Team. composed of two divisions, the Discovery Division and the Action Division.

The Discovery Division is the initial outreach team. Their job is customer service which is more than its present debt collection, and includes discovery of interest and need for other options.

The Action Division has responsibility for finding the right action for the borrower to take to avoid foreclosure. This would include loan modification application and suggesting to the borrower that they make use of a Certified Foreclosure Alternative Realtor in their area. They get recorded permission and hand off to the local Realtor to contact the borrower.

With the Options Team working as a unit, one supporting the other, there should be more effective discovery of borrowers who can be helped.

The Discovery Division when calling delinquent borrowers needs to be trained to be more proactive and ask more probing questions to determine if the borrower is experiencing a long term difficulty that will not recover in 30 days. They need to let them know there are other alternative to simply not paying the payment and waiting for the Sheriff. They need to be given initiative scripts and practice in asking the questions at the right time. It will require both training and monitoring by the Team Leader.

With this dialogue, they will uncover, as a part of their debt collection activities, the potential loan mods and short sale candidates. These borrowers get handed off immediately to the Action Division to discuss loan mods.



## **The Earliest Handoff to the Realtor**

At the same time the loan mod enquiry is initiated, the Action member can let the borrower know that help and counsel are available at no cost to the borrower and that it is in their best interest to consult with someone who understands the process and the options to advise them. The script would include letting them know the Realtor is certified in Foreclosure Alternatives and is NOT an agent of the lender and would only represent them. Some scripting is in the Appendix.

When the Action Division learns that the borrower is probably not going to be approved for a loan mod, they need to contact the borrower and have a discussion with them before it is denied, while the borrower is still listening to them. They would find out if the borrower has been in touch with a certified Realtor or not. This would be a good time to suggest they talk with a Realtor, who is on the side and represents only the homeowner.

When the loan mod is approved, we know there is approximately a 50% fall-out failure. It would be prudent to connect the borrower with a certified Realtor even though the loan mod has been approved.

## **Relationship with the Certified Realtors**

While the Realtor represents the best interests of the borrower, the best interest of the investor is served as well. The Options Team needs to have a non-adversarial relationship with the Realtors. It is much like the relationship the Realtor has with a title, lender or escrow representative. They each have strict loyalties, but all work together to get the best result.

## **Data Management**

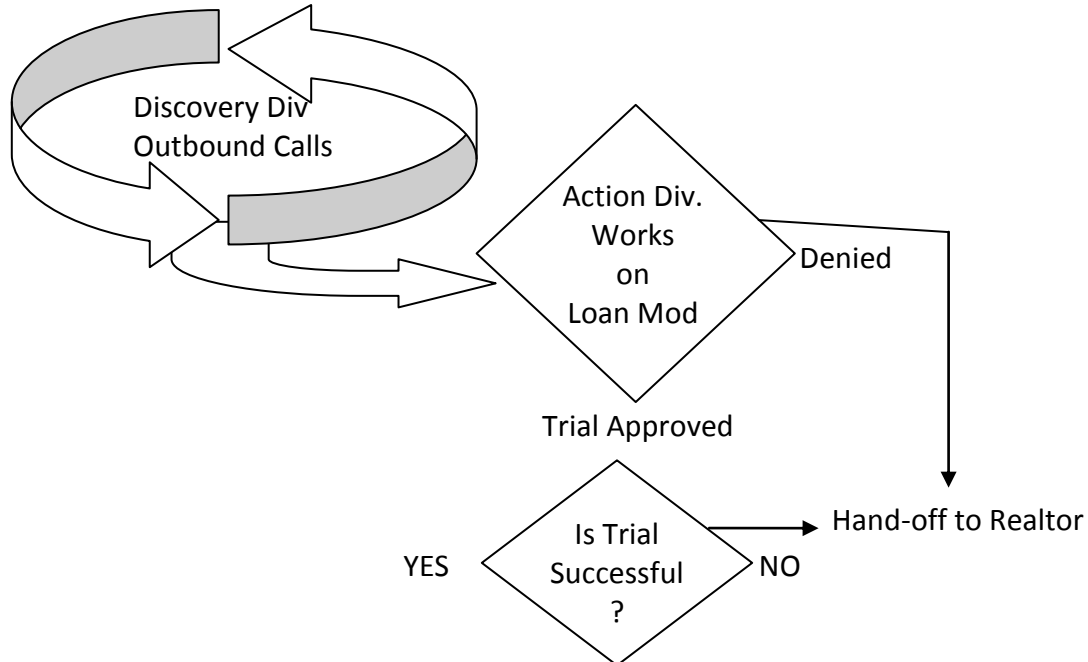
There is adequate data to manage the loans themselves. That is, knowing which ones are late, auto-dialing them, keeping notes on conversations, etc.

For managing the disposal process, the system and data are less available.

In support of moving the greatest number of properties through short sale instead of foreclosure, there needs to be a reporting system that supports all of the players in the system: The Options Team, management, borrowers, the Realtors, Appraisers, etc.

It would support communication between the various players, reporting and managing the effectiveness of the overall process.

## Diagram



## Certified Foreclosure Alternative Realtors

The single most crucial element in the foreclosure alternatives process is the Realtor. They can be either a positive or negative element. In order to ensure they are the best and doing the most productive job possible, they must be closely managed.

We have developed a consortium of real estate Brokerages across the country that are trained to work with us at our standards. They are substantial local and regional brokerages with a long term commitment to real estate and their communities. It is in their own best interest to do the best job possible for all involved, both the seller and the lender.

The agent on our team of Certified Foreclosure Alternative Agents has met strict standards of conduct:

- Agent meets with the borrower with the F/C Alternative DVD to educate the borrower

- Listings are given to the Brokerage, not to the agent directly

- Management oversight within the Brokerage

- Mandatory activity tracking with QuREOs coaches

- Certified by *Asset Plan USA* in Foreclosure alternatives

- Participates in a consumer satisfaction feedback system

- Immediate intervention by QuREOs QC team on negative feedback

Listing Agents do NOT represent the buyer on their listings  
All members in good standing of their local and National Association of Realtors  
Every listing goes into and stays in the MLS until an offer is approved  
Every offer is presented to the lender, even if there is another under consideration  
Marketing in the form of Web, print and open house  
Use an online offer management system that is transparent to the lender  
Provide updated market analysis information to the lender  
Provides feedback on the marketing and showing activities  
Can elect to conduct an online auction of the property to produce offers  
Every agent signs a contract with QuREOs regarding their conduct

Every hand-off goes to one of these brokerages. The management of the brokerage determines which agent is the best choice, given geography, listing loads, etc.

The internal manager tracks the activity of the agents, oversees the listings, the offers and reports to our QuREOs coaches on a weekly basis. These managers are in turn managed and trained by the QuREOs staff of coaches and trainers.

## **Scripts**

### **Scripts for discovery**

You know...it looks like you have been struggling with making these payments for some time. I show you have been delinquent [ # ] time in the past several months. Perhaps there is a long-term problem with being able to meet the debt. Boy I understand that. Everyone in the country seems to be struggling right now. You really do have help available to you. Perhaps we can help with modifying the loan itself, or you may be able to get relief by selling the property or some other choice.

May I put you in touch with our Options team who can talk with you about the choices you have other than just not making the payment and risking foreclosure.

I can transfer you now, would that be ok?

### **Script when loan mod is denied:**

Based on our internal analysis, you do not qualify for a loan modification. However, you do have other alternatives to help you avoid foreclosure.

Because I represent the investor in your loan, I am not the right person to advise you. It would be in your best interest to talk with someone who fully understands what alternatives are available to you and can help you make the best decision for your family based on your present situation and options.

I'd like to have someone contact you who is specifically trained and certified in explaining foreclosure alternatives. This is someone who will represent only your interests and not the investor's interest and there will be no cost to you.

Of course you would not be required to use them. If you have an advisor you like better, go ahead with using them.

Would that be ok (keep asking until they say "yes")

When would be the best time to reach you by phone?

### **When the borrower does not get the paperwork back to us**

*"My excuse is....."*

I understand that...

You know, there are specialists in your area who can help at no cost to you. They are specifically trained and certified in helping troubled homeowners understand their foreclosure prevention options.

These are real estate professionals who represent only your interest and not the investor's.

Obviously you should only pick someone you are comfortable using. In fact, even if you meet with one of the specialists we can refer you to, you would not have any obligation to continue to work with them after you meet.

Would it be ok to have someone contact you by phone?

When would be a good time to call?

What time is the best time to call?

**Suggested Tracking Format**

**Discovery Team:**

RESULTS (Weekly totals)

- Number of hours on Outbound duty
- Number of Messages left
- Number of Conversations
- Number of people who would talk about the problem
- Number of hand-off to the Action Division

**Contacts made:** (To determine when the most efficient time to call is.)

| Time   | Mon | Tues | Weds | Thurs | Fri | Sat | Sun |
|--------|-----|------|------|-------|-----|-----|-----|
| 7-9am  |     |      |      |       |     |     |     |
| 10-12  |     |      |      |       |     |     |     |
| 12-2pm |     |      |      |       |     |     |     |
| 2-4pm  |     |      |      |       |     |     |     |
| 4-6pm  |     |      |      |       |     |     |     |
| 6-8pm  |     |      |      |       |     |     |     |
| Total: |     |      |      |       |     |     |     |

## Action Division

### RESULTS (Weekly totals)

- Total received from the Discovery Division
- Total in Pipeline
- Number of Borrowers initial consultation
- Loan Mods Submitted
- Loan Mods approved
- Number of Realtor hand-offs
- Number of Short Sales Listed
- Number of Short Sale contracts