



Fannie Mae



SERVICER TOTAL ACHIEVEMENT & REWARDS

2015 STAR Best Practices



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General Servicing Best Practices

While most servicers have the fundamentals to operate in a consistent and sustainable manner, some servicers have a higher level of service, operational efficiencies, performance measurement, and management systems in place. The following key components are recognized as best practices based on our analysis of servicer capabilities across the key dimensions of people, processes, reporting, and technology and as demonstrated by our highest performing servicers within General Servicing.

Investor Reporting and Accounting

Optimizing personnel

- Highly experienced, knowledgeable, and responsible staff is assigned to meet the timeliness and accuracy of investor reporting requirements.
- Established process for cross-training staff to ensure there are no key-person dependencies
- The average number of years of functional experience is between 8 and 15.
- Staff complete ongoing Fannie Mae related Investor Reporting training and stay abreast of Fannie Mae Guide Announcements and Lender Letters.
- A centralized department or team manages all delinquency status reporting which ensures a consistent approach is used when reviewing and reporting statuses to Fannie Mae.
- Performance tracking for investor reporting and custodial account reconciliation representatives is used to support the timely and accurate completion of their tasks.

Quality and management oversight

- Established processes are in place to ensure that loan data (on new loans and loan modifications), including data elements that impact loan amortization, are set up correctly to ensure accurate servicing and reporting over the life of the loan.
- Quality reviews are performed on all investor reporting and accounting functions including loan- and pool-level reporting, cash remittances, and custodial account, portfolio and shortage/surplus reconciliations.
- A quality review of delinquency status codes is performed more than once prior to submission to Fannie Mae.
- Daily oversight by management ensures investor reporting exception items are continuously being worked until resolution.



Reporting, analysis, and results

- Exception reports are used to proactively identify, research, and resolve errors on Fannie Mae loan- and pool-level reporting, as well as delinquency code status.
- Established processes are in place to ensure internal departments responsible for providing investor reporting data—such as Secondary Marketing, Loss Mitigation, or Default—are aware of reporting issues and collaborating cross functionally with the Investor Reporting team to resolve.

Loan Administration

Use of technology

- Uses technology to efficiently perform escrow functions including mass analyses and escrow disbursements.
- Employs system capabilities such as automated triggers to ensure escrow activities are performed timely and accurately.

Quality and outcomes

Conducts quality reviews of escrow representative's or vendor's work to determine completeness, accuracy, and timeliness of tasks performed.

Management by exception

Uses comprehensive reporting including exception reports to manage volume, timelines, and exceptions associated with escrow activities.

Proactive strategy

- Conducts an impact analysis to determine necessary resources required to manage transfers before and after transfers occur.
- Efficiently and holistically manages servicing transfers through a single point of contact or designated team which ensures a consistent and accountable approach is used.
- Established service levels guide transfer events ensuring timely reconciliation of loan transfers.
- A dedicated team partners with internal departments affected by servicing transfers, which allows additional time to adequately staff for the potential of increased volumes.



Customer Service

Optimizing personnel

- Before agents begin working with borrowers, they participate in a minimum of 80 hours of training focused on multiple areas of customer service including understanding servicing practices, laws, and regulations governing fair debt collection practices and procedures. When customer service agents are properly trained and possess the knowledge and skills to provide the highest level of customer service, the confidence a borrower has in those agents remains high.
- To further develop an agent's skill set, one-on-one coaching and cross-training opportunities are also continually provided. Courses and learning materials are regularly updated to reflect changes in regulatory and compliance issues, as well as changes in policies and procedures.

Results-driven improvements

- Monthly trend reporting such as first call resolution and call type are analyzed to identify trends and make improvements to processes and training.
- Improvements are focused on meeting the customer's needs and expectations by monitoring call types which have low first call resolution rates. Call monitoring may provide insight into why repeat calling is necessary to resolve the issue and what updates need to be made to current processes to address the call type the first time.

Reporting, analysis, and results

- Call center reporting suite is comprehensive, automated, produced real-time, and includes all key performance indicators needed to effectively monitor performance and performance trends. An escalation process exists to ensure primary performance metrics such as Average Speed to Answer and Abandonment Rate remain within established service levels.
- Detailed reporting captures the necessary elements such as volume, average days to resolve, and age of open items to determine trends and ensure process improvements are made to address common findings from written communication and escalated issues.

Performance standards

- To effectively manage performance and drive behaviors and attitudes that support the highest level of customer satisfaction, agent-level call quality monitoring scorecards include the number of calls monitored, an established threshold for quality goals, and variance to goals.
- Incentive programs are designed to incorporate a balance of performance, quality, and customer satisfaction results.



Use of technology

- Customer service agents work from an integrated platform which provides agents with easy access to all servicing functions, allowing them to efficiently access borrower information, and quickly resolve borrower inquiries or issues.
- Customer satisfaction surveys are conducted real-time through the use of technology. Results are analyzed and used to apply resources appropriately to improve the overall customer experience through customer service process improvements.
- Customers are provided various communication channels, including e-mail or live chat, to communicate with customer service agents.

Improving customer service

- 100% of agents are monitored each month. Call monitoring is conducted daily and feedback is provided to agents real-time in addition to regular and documented coaching.
- Servicers regularly review their Interactive Voice response (IVR) prompts from the borrower's perspective for usability and clarity.
- Centralized units handle all borrower written correspondence and escalations which ensures a consistent and accountable approach is used.
- Provides extended hours of operation to customers including one weekend day.
- Customer satisfaction improves when servicers pay more attention to agent quality and performance management in order to maximize the potential of each employee and provide the training agents need to be successful.

Vendor Management

Vendor management and oversight

- Meetings with vendors are held weekly to address business execution issues, review performance, and develop plans of action as needed.
- Quality reviews are performed weekly on the output of vendor work performed.
- Reporting exists to identify and track contractual deficiencies enabling the appropriate action to be taken to drive improvement or terminate the relationship, if necessary.
- Proper reporting/tracking is in place to capture complaints received as a result of vendor work performed to effectively gauge actual performance against expectations.



Solution Delivery Best Practices

Borrower Outreach Strategies

- Servicers analyze and employ a variety of outreach methods (e.g., calls, letters, emails, online alerts or messaging) to reach unresponsive borrowers and deliver solicitation and modification documentation.
- Overnight delivery services (e.g., Federal Express®, UPS®) are used when sending solicitation documentation, trial payment plans, and modification offers to the borrower increasing the likelihood packages will be opened and returned. Using unconventional outreach methods such as partnering with counseling agencies improves the chances of providing borrowers with alternative to foreclosure solutions.
- Targeted call campaigns are executed to reach borrowers a few days before and after documentation is sent. Call campaigns are created to inform the homeowner of the importance of the forthcoming Trial Period Plan information. Calls are made to follow up with the borrower a few days after the Trial Period Plan has been mailed to encourage the borrower to accept the trial plan offer and send in the first payment. The additional communication efforts increase modification conversions.
- Servicers have processes in place for bilingual agents to be assigned to bilingual customers. Non-bilingual agents have directions on how to use the language line.

Optimizing Early Stage Collections

- Servicers segment teams within the collections department to assist borrowers based on the number of days delinquent. Each group focuses on a certain delinquency segment with the most tenured agents handling the more delinquent loans including a more aggressive approach to collections activities (e.g., increased outbound penetration).
- Historical information such as payment behavior, transaction history, and credit bureau information is used to create an early stage collections model which scores borrowers based on the likeliness to roll-over from early stage delinquency to mid-stage delinquency.
- Borrower response data is used to predict effective contact patterns to improve outreach efforts by augmenting or complementing current strategies with alternate methods such as text, email, and property visits. To gauge effectiveness of the strategies, champion/challenger campaigns are tested.
- Borrowers are solicited for automatic monthly payments to encourage timely payment, allowing servicers to focus collection strategies on higher risk borrowers.

Tools and Analytics

- Servicers use dynamic scripting to obtain and validate borrower information and borrower financial information. Dynamic scripting allows for a more personalized experience for the customer by allowing the agent to follow multiple paths based on borrower responses instead of traditional step-by-step, static, scripting.
- Decisioning tools (e.g., SMDU) are used to provide immediate loss mitigation solutions to the borrower. In instances where an automatic approval is not received, servicers are submitting cases to Fannie Mae via HSSN for manual reviews (second looks) for consideration.



- Targeted call and letter campaigns are created to proactively solicit specific pipelines to improve retention or liquidation efficiency. Examples include targeting populations with:
 1. severely delinquent loans where no contact has been made on long foreclosure states,
 2. Multiple Listing Services (MLS) listed properties with no active listing agreement on file,
 3. vacant properties greater than 30 days delinquent, and;
 4. denied or failed short sales, failed trials, and previously modified loans.
- Borrowers are encouraged to enroll in post-modification counseling throughout the modification process. Post-modification counseling material is included with all modification trial agreements and final modification documentation. Call campaigns targeting newly modified loans are used by Single Points of Contact (SPOCs) to further encourage enrollment.
- Provides borrowers with a secure and reliable website for sending and receiving electronic documents. Borrowers are provided with multiple execution options including eSign solutions and nationwide notary service for borrowers' convenience.

Optimizing Personnel

- Training programs focus on building required skills to develop subject matter experts. Servicers incorporate Fannie Mae's Know Your Options Customer Care (KYOCC) training to develop agents' communication skills. In addition, training should focus on negotiation skills allowing agents to help customers get into the best solution to meet their needs. Realizing the benefit of having highly experienced, knowledgeable and responsible staff translates into performing at an optimal level within each functional area and throughout the organization.
- Agents operate within an ownership model in which they maintain 75 to 100 active files. A process is in place to allow agents to regain ownership of files in cases where borrowers re-enter delinquency.
- Automated call scripts are embedded within the collections system to provide collection agents a guide for setting payment expectations and educating the borrower on the availability of foreclosure prevention alternatives based on the borrower's data. A recap is required at the end of every call to reiterate key points of the conversation and remind customers of important next steps.
- SPOC agents have voicemail to allow borrowers to leave a message or request a call back. All SPOC messaging includes their name, phone number, and hours they can be reached.

Pipeline Management and Management Oversight

- Prioritized workflows accelerate the process of offering foreclosure prevention solutions in the earlier stages of delinquency.
- Trending reports are used to measure delinquency roll rates, determine collection agent performance, and the results of all collection efforts. Roll rate goals are established and integrated into department and collection agent performance scorecards to improve collection results.
- 100% of collection calls are recorded which allows management to better manage call center agents, reduce liability risk, ensure every agent/borrower interaction is accounted for, and every coaching opportunity is available. Call monitoring ensures a consistent approach is used when handling collection calls, and encourages the right behaviors during borrower engagement to obtain delinquency



resolution. Managers partner with the KYOCC team for recurring call calibrations in order to monitor progress and uncover areas of opportunity.

- Current and historical performance data reports are provided to and used by management to effectively manage pipelines. Call center reports include real-time results in relation to established service levels. Loss Mitigation pipeline tracking reports monitor each stage of the foreclosure prevention workout process, including the time it takes to complete each stage of the process. Exception reports allow management to focus on key business process issues to keep call center and loss mitigation activities on track.

Timeline Management

Foreclosure Management Processes

- Automation of the pre-referral loan selection process allows the servicer to ensure that only applicable loans based on statutory, investor, and regulatory requirements or moratoriums are referred. This helps servicers avoid unnecessary expenses and delays associated with an improper referral. Additionally, automation of the foreclosure referral process gives the servicer the ability to transmit completed referral packages to the attorneys avoiding delays and ensuring that internal timelines are met.
- A well-established and documented pre-foreclosure review process is important to ensure that loans identified as eligible for foreclosure referral are properly handled and that foreclosure is the most appropriate action. Performing pre-foreclosure reviews seven days prior to referral and utilizing a second-look process to validate identified loans helps reduce errors and ensure that the proper loans are referred.
- Verifying that all documents required for foreclosure initiation (e.g. Original Note or Deed of Trust, Assignment of Mortgage) are gathered early in the delinquency cycle can help ensure that referrals can be prepared without delay.
- Maintaining a comprehensive checklist to ensure that all documentation is gathered and key milestone activities are performed also helps ensure consistent and timely execution throughout the foreclosure process.

Foreclosure Pipeline Management

- Uses multiple methods (e.g., integrated messaging, phone, and email) to communicate with the attorneys which ensures both the attorneys and the servicer are apprised of the most updated information on the foreclosure case and milestones. In addition, foreclosure attorneys are provided with a designated internal contact which helps to effectively manage communication.
- Manages attorney and vendor performance using scorecards based on established service level agreements. Each performance metric and assessment component is weighted to emphasize higher risk areas, and an overall score is assigned based on all components and weights measured.
- A caseload of 500 loans or less is assigned to each bankruptcy or foreclosure representative to effectively manage the portfolio from cradle to grave and help ensure timelines are met.



Foreclosure Prevention Solicitation

- Proactively monitors bankruptcy cases to identify foreclosure prevention opportunities. The servicer and the bankruptcy attorney work together to pursue these opportunities during all phases of the bankruptcy process.
- A process exists for preparing mediation packages ensuring documented loss mitigation activities are included and current loss mitigation options are provided.
- A process exists to ensure foreclosure attorneys send the required Post-Referral to Foreclosure Solicitation Letter within Fannie Mae guidelines to ensure borrowers understand how they can still pursue foreclosure prevention alternatives.

Effective Exceptions Management

- Established controls and processes exist to prevent and resolve title issues, including escalation handling, reporting, dedicated staff, and quality review processes to ensure immediate and curative action is taken to prevent delays in obtaining clear and marketable title.
- Quality reviews are performed weekly, and management/exception reports are produced daily to manage eliminations/foreclosure rescissions, ensuring processes are in compliance with Fannie Mae guidelines.
- Management reviews exception reports real-time, which provides effective oversight to prevent foreclosure delays due to internal or attorney performance by ensuring key foreclosure events adhere to established timelines.