



SERVICER TOTAL ACHIEVEMENT & REWARDS

2014 STAR Best Practices

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- General Servicing Best Practices 3
 - Investor Reporting and Accounting 3
 - Optimize personnel..... 3
 - Quality and management oversight is key 3
 - Reporting, analysis, and results 3
 - Loan Administration..... 4
 - Leverages technology 4
 - Quality and outcomes..... 4
 - Management by exception 4
 - Proactive strategy 4
 - Customer Service 4
 - Optimize personnel..... 4
 - Improvements are driven by results..... 5
 - Reporting, analysis, and results 5
 - Performance standards are established and maintained 5
 - Leverages technology 5
 - Practical ways to improve customer service 5
 - Vendor Management..... 6
 - Vendor management and oversight..... 6
- Collections and Loss Mitigation Best Practices..... 6
 - Outreach and Communication..... 6
 - Strategies and Tools..... 7
 - Optimize Personnel..... 7
 - Pipeline Management..... 8
 - Management Oversight 8
- Neighborhood Stabilization 8
 - Foreclosure Management Processes..... 9
 - Pipeline Management..... 9
 - Foreclosure Prevention Solicitation..... 9
 - Effective Exceptions Management 10

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, and performance measurement and management systems in place. The following key components are recognized as best practices from analyzing 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

Optimize personnel

- Highly experienced, knowledgeable and responsible staff is assigned to meet the timeliness and accuracy of investor reporting requirements
- The average number of years of functional experience is between 8-15
- Staff complete ongoing Fannie Mae related Investor Reporting training
- 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

Quality and management oversight is key

- Quality reviews are performed on all investor reporting and accounting functions including delinquency status codes, cash remittance activities, and custodial account and portfolio 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 identify errors on Fannie Mae delinquency code status reporting which ensures internal status coding aligns with Fannie Mae status coding thus reducing the potential for reporting exceptions
- An established process is in place to ensure internal departments responsible for providing investor reporting data are made aware of reporting issues
- Performance tracking for custodial account representatives is used to support the importance of completing investor reporting tasks timely and accurately

Loan Administration

Leverages technology

- Leverages 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

Optimize 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 had 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.

Improvements are driven by results

- Monthly trend reporting such as first call resolution and call type are analyzed to identify trends and improvements to processes and training. Improvements are focused on meeting the customer's needs and expectations.

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 with 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 are established and maintained

- 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
- Has an incentive program in place that ties in performance, quality, and customer satisfaction results

Leverages technology

- Customer service agents work from an integrated platform allowing them to efficiently access borrower information and quickly resolve borrower inquiries or issues
- Uses technology to conduct customer satisfaction surveys real-time. Results are used to improve the overall customer experience by improving customer service processes.
- Provides various communication channels, including live chat, for customers to communicate with customer service agent

Practical ways to improve customer service

- 100% of agents are monitored each month. Call monitoring is conducted daily and feedback is provided to agents real-time
- Servicers regularly review their 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

Collections and Loss Mitigation Best Practices

Outreach and Communication

- Servicers analyze and employ a variety of outreach methods (e.g., calls, letters, emails, online alerts or messaging, and borrower counseling centers) to reach unresponsive borrowers and deliver solicitation and modification documentation. Leveraging unconventional outreach methods such as contact visits and partnering with counseling agencies improves the chances of providing borrowers with alternative to foreclosure solutions.
- Overnight mail 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. Targeted call campaigns are created to reach borrowers a few days before and after documentation is sent.
- "Missing Documentation" letters are sent to all Streamlined Modification eligible borrowers encouraging them to send in a completed Borrower Response Package (BRP). Providing a complete BRP could result in a modification with even more savings for the borrower.
- Call campaigns are created to inform the homeowner of the importance of the Trial Period Plan information forthcoming. Additional follow up calls are made on Trial Period Plan Notices a few days after they have been mailed to encourage homeowners to accept the trial plan offer and send in the first payment, which typically increases modification conversions.
- Servicers have a process in place for bilingual agents to be assigned to bilingual customers. Non- bilingual agents have directions on how to use the language line.

Strategies and Tools

- Servicers use dynamic scripting to obtain and validate borrower information and borrower financial information. Decisioning tools (e.g., SMDU) are leveraged to process borrower information automatically stored in the system of record to provide immediate loss mitigation solutions to the borrower.
- Performs skip tracing immediately upon determining the borrower contact information is incorrect using a third party skip tracing application(e.g. Lexis Nexus, Accurint) to obtain the most accurate information.
- Targeted call and letter campaigns are created to proactively solicit specific pipelines to improve retention or liquidation efficiency. Examples include targeting populations on severely delinquent loans where no contact has been made on long foreclosure states, MLS listed properties with no active listing agreement on file, vacant properties greater than 30 days delinquent, denied or failed short sales, failed trials, and previously modified loans.
- Servicers encourage the borrower 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 SPOCs to further encourage enrollment.
- Borrower response data is used to predict contact patterns and 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.

Optimize Personnel

- Training programs focus on building key required skills to develop subject matter experts. Servicers incorporate Fannie Mae's Know Your Options Customer Care training and other Fannie Mae sponsored training to develop agent skills. 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 file(s) in cases where borrowers re-enter delinquency.
- Automated call scripts are embedded within the collections system which provides collection agents with an immediate tool to use as a guide for setting payment expectations and educating the borrower on the availability of foreclosure prevention alternatives as appropriate. A recap is required at the end of every call to reiterate key points of the conversation and remind borrowers of important next steps.
- Single Point of Contact (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

- Prioritized workflows accelerate the process of offering foreclosure prevention solutions based on the borrower response package status, resulting in the ability to offer solutions in the early stages of delinquency.
- Uses trending reports 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.
- Automated workflows are used to prioritize contact methods such as auto-dialer, email, or text improving the level of productivity of collection agents.

Management Oversight

- 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.
- Employs the necessary tools to perform effective call monitoring to ensure a consistent approach is used when handling collection calls, and encourage 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.
- A comprehensive suite of current and relevant 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 each 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.

Neighborhood Stabilization

When foreclosure prevention alternatives are not an option or have been exhausted, servicers must take the appropriate action to preserve and protect properties and neighborhoods. The act of stabilizing neighborhoods includes ensuring foreclosures are managed appropriately, and vacant and abandoned properties are revitalized. The work performed by our servicers to effectively manage foreclosures and maintain properties is crucial to stabilizing neighborhoods. The following activities have been identified as best practices performed by servicers to ensure their actions effectively manage timelines and mitigate costs associated with the acquisition and disposition of Fannie Mae properties.

Foreclosure Management Processes

- The pre-foreclosure review incorporates an extensive evaluation, which includes statutory, investor, and regulatory requirements or moratoriums.
- Files being reviewed for foreclosure initiation eligibility are assessed by a pre-foreclosure review committee to ensure foreclosure is the most appropriate alternative.
- Controls exist to ensure all breach letters and required notifications are sent to all contractually obligated parties within jurisdictional requirements. Prior to the breach letter expiration, all required documents (e.g. Original Note or Deed of Trust, Assignment of Mortgage) necessary to initiate foreclosure have been gathered.
- A pre-foreclosure sale review is conducted to ensure borrowers have been assessed for all applicable loss mitigation options. Reoccurring management reviews are also performed up to the date of sale.

Pipeline Management

- Leverages a combination of data, tools, analytics, and services for enabling more effective account segmentation and prioritization to maximize operational efficiency.
- Uses multiple methods 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.
- Manages attorney and vendor performance using scorecards based on established service level agreements. Additionally, 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.
- Timely quality reviews are performed on referral packages prior to attorney submission to ensure accuracy and completeness. Additional reviews are conducted to ensure all necessary documentation to initiate the foreclosure process has been included, and that it meets Fannie Mae guidelines.
- 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.
- Provides foreclosure attorneys with a designated internal contact which helps to effectively manage communication.
- Dedicated staff manages property inspections and preservation to ensure the property condition is maintained and property value is protected.

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

- Automated triggers identify vacant property status to ensure servicers take immediate action to secure and protect the value of the property.
- Established controls exist to manage the volume of code violations at the time of conveyance and the number of unresolved issues involving property condition.
- Maintains a centralized tracking system to monitor and manage title issues and curative steps.
- When title issue becomes escalated, a dedicated team is appointed to oversee any special handling and monitors the litigation attorneys and title companies to resolve any escalated title exceptions.
- Exception reports are used to track key foreclosure milestones facilitating easier identification of milestone stages and dates.