DIGITAL ENGAGEMENT VS. DEATH BY A THOUSAND CUTS: MANAGING THE POST-COVID SURGE IN DEFAULT SERVICING

By Aspen Grove Solutions

COVID-19 has struck the U.S. economy like a Mack truck, forcing over 36 million unemployment claims within two months. Simply capturing the more than four million mortgage forbearance requests from distressed borrowers nearly broke many servicing call centers. Managing this concentrated wave of delinquencies through resolution will take 20 times more effort. Servicers who use digital technology to engage with borrowers early and throughout the default process will experience better outcomes on every metric of success.

Unprecedented Speed and Scale

When it comes to economic impact, COVID-19 is completely different from the 2008 housing crisis. Back then, unemployment rose from 4.5% in April 2007 to 10% in October 2009. During COVID, unemployment soared from 3.5% in February to more than 13% in only six weeks—22 times the speed of the previous crisis. This presents a far more concentrated and intense challenge.

The rapid implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and its follow-up packages and announcements mean that events have unfolded far more quickly this time around. Millions of forbearance applications will soon need to transition to programs to help borrowers remain in their homes.

Given the vast numbers of borrowers emerging from forbearance at the same time in the very near future, current volumes of trained call-center staff will not be adequate to meet the challenge. How are servicers going to deal with this efficiently? How can you gather data and documents, communicate effectively, maintain compliance, ensure fairness and appropriate response, and make certain that nothing falls through the cracks? Hiring and training an army of call center staff won't solve the problem and will create many more challenges.

Digital Borrower Engagement: Getting Ahead of the Wave

Journey-driven borrower engagement that enables easy two-way communication, encourages and educates borrowers along each step in the process, and helps manage the flow of data and documentation across borrowers and servicers is the only efficient answer. This goes well beyond integrating a web portal, CRM and IVR system. Best-in-class borrower engagement technologies need to provide several capabilities that should now be considered standard:

» Communicate frequently with every distressed borrower to offer personalized reassurance, education, status updates, and guidance

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» Keep borrowers informed of their options and help them along each step in the process, no matter the path they choose

» Automate large portions of the forbearance resolution and loss mitigation processes to relieve the burden on call centers and operations teams

» Help servicers teams manage the manual forbearance resolution and loss mitigation processes with a high level of quality, consistency, and simplicity

» Feed into backend technology solutions designed to process large volumes of transactions without overlooking any borrowers

» Ensure that every decision is tracked and is compliant with all of the necessary rules and regulations no matter the investor or the type of loan

Effective borrower engagement solutions are more than a patchwork collection of CRM, IVR, and web tools. They blur the distinction between borrower experience and process workflows to create a more seamless loop between the customer and the servicer that drives excellence in every metric of performance.

Costs

Call-agent transactions cost 40 times more than digital transactions: digital transactions cost ten cents compared to $4 per call-agent transaction. Indeed, $4 is probably a low estimate in these circumstances, given the need to quickly train staff to deal with complex issues. Whatever the actual figures, the gulf between the cost of digital transactions and nondigital transactions is huge.

According to default servicing best practices updated by the Mortgage Bankers Association (MBA) in February 2020, borrowers should be contacted as often as every seven days, which is simply not feasible without using digital channels given current numbers.

By combining a back-office workflow that uses queue management and automated rules with customer-facing digital borrower communication, a modestly trained agent can manage several borrowers simultaneously while maintaining excellent standards.

Transparency

Compliance should be effortless. Digital technology tracks every transaction and interaction, streamlining processes and alleviating concerns that may arise about compliance and risk. Both automated and manual decisions are logged and documented, giving servicers increased peace of mind and reliable documentation to limit risk and demonstrate compliance during inevitable audits. Best practice still recommends further checks and balances to prevent system bias; digital systems help with this piece as well by managing communication content.

Borrower Loyalty

Today's consumers are comfortable with digital engagement, and many prefer to manage their financial affairs online rather than waiting on hold to deal with a call agent. Research also indicates that engagement with borrowers vastly improves retention/recapture rates. By implementing an effective digital borrower engagement platform, banks and servicers can extend the services they offer to

their customers and strengthen loyalty and engagement in the current pandemic and beyond.

Engagement Across Default Servicing: How It Works

Modern technology platforms can be used to embed borrower-focused, design-driven, easy-to-use widgets into servicer websites and connect them directly to operational workflow management systems. With the right technology partner or internal technology teams, any bank or servicer can launch a digital borrower engagement strategy in weeks instead of years.

This engagement strategy has four core elements:

1. A configurable content and communication platform that gives borrowers quick, easy contact with their servicers via multiple channels (email, SMS, etc.) that can be tracked and logged securely

2. The capacity for borrowers to submit and sign documents electronically and for servicers to return documents securely

3. A facility to educate borrowers about their options and guide them through the process

4. Back-office work queue management, rules, and reporting to enable comprehensive management of every loan, decision, and transaction

Built for the Long Term

Investing in configurable technology that supports customer engagement throughout the life of a loan will not just lower costs and improve retention for banks and servicers, it will also help to establish deeper relationships between servicers and their customers through this crisis and beyond.

If you have questions about digital borrower engagement across default servicing, get in touch with Aspen Grove Solutions at sales@aspengrovesolutions.com to find out more.

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