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## Treasury Reports Improvements in Residential Mortgage Servicing

The U.S. Department of Treasury (Treasury) recently issued a [report](#) that reviewed the implementation of Treasury guidelines for streamlining distressed homeowners' communications with mortgage lenders. The Treasury promulgated its guidelines to mortgage servicers participating in the Making Home Affordable (MHA) program, a Treasury program that combines financial incentives and a common mortgage modification framework in order to increase the rate of mortgage modifications. The Treasury surveyed nine of the largest mortgage servicers participating in MHA for the report, which describes how each servicer's "single point of contact" (SPOC) model is intended to work. The survey results show a significant increase in the resources committed to distressed homeowners since the beginning of the housing crisis.

### Treasury's Homeowner Communication Model

According to the Treasury in the report, as the housing crisis deepened in early 2009, servicers were unequipped to work effectively with troubled homeowners. Servicers were normally operated to collect mortgage payments efficiently on behalf of investors who owned mortgage loans, and not to work collaboratively with distressed homeowners to modify their mortgages and provide paths to avoid foreclosures. Large and mid-sized servicers were organized into separate teams or departments, which rarely communicated with each other, and homeowners typically had to work with multiple servicer employees across multiple departments. This often resulted in homeowners receiving contradictory or inconsistent information, having trouble locating servicer representatives and being required to submit documents multiple times.

Because of the communication issues that it observed, the Treasury required the twenty largest servicers participating in MHA to implement a SPOC homeowner communication model. It issued several guidelines that defined how the largest servicers participating in MHA should communicate with homeowners, including early intervention requirements, minimum outreach standards, and opportunities for the escalation of homeowner complaints.

Chief among the changes, in May 2011 the Treasury issued a directive, effective September 1, 2011 for new loss mitigation cases and November 1, 2011 for existing cases, requiring the twenty largest MHA servicers to implement a SPOC homeowner communication model. The report provides an overview of how the directive has been implemented, based on surveys, discussions with servicing personnel and direct observation. It describes specifically the processes used by each of the nine largest servicers, without evaluating how well any of the surveyed practices or procedures has performed. Rather, the report is intended to provide the basis for future analysis of and debate over SPOC strategies.

Under the SPOC directive and other guidance, after a delinquent homeowner is identified:

Servicers must assign a SPOC to the homeowner immediately upon successfully establishing contact;

- The assigned SPOC must work with the homeowner until all available home retention and other non-foreclosure options have been exhausted; and
- If a loan is being foreclosed, the SPOC must be available to respond to homeowner inquiries regarding the status of the foreclosure and must have immediate access to persons who can stop foreclosure proceedings where appropriate.

Once a servicer assigns a SPOC to a homeowner, the SPOC must do the following:

- Promptly contact the homeowner and provide him or her written notice within five business days of being assigned. The notice must include a toll-free direct contact number, alternative contact options, and a preferred method for sending documents to the SPOC;
- Communicate all options available to the homeowner and the actions the homeowner must take to be considered for these options;
- Track all documents and ensure that the homeowner is notified of any need for additional documents; and
- Respond to inquiries, be knowledgeable about the homeowner's current status, and communicate underwriting decisions on modification requests.

Each servicer participating in the MHA was given discretion as to how to put the new requirements into practice. The survey results show that servicers have instituted significant changes in how they communicate with homeowners.

Common methods used by servicers include the following:

- The first contact in the SPOC process occurs when a homeowner calls a servicer to discuss his or her situation or a collections team initiates contact with a homeowner. The servicer then conducts a preliminary evaluation of the homeowner's situation and, if appropriate, sends a loan modification application package to the homeowner;
- The homeowner is assigned a single identified individual or small team of individuals responsible for assisting the homeowner in preparing the necessary documents needed to evaluate a request for a modification;
- The homeowner is provided with multiple channels to correspond with the SPOC or SPOC team;
- The SPOC is responsible for discussing liquidation options with homeowners in the event a home retention option is not feasible. The SPOC remains the primary or secondary point of contact for the homeowner for 30 to 60 days after the close of a short sale or the conclusion of the foreclosure process; and
- The servicer provides training to SPOCs, establishes benchmarks for managing SPOC caseloads, and applies performance metrics to measure SPOC effectiveness.

The survey also identified differences among servicers. The first difference arises with regard to how the SPOC is assigned to a homeowner after initial contact is made. Servicers use three methods of assigning SPOCs:

- **System Transfer:** The homeowner is told by the collection agent that a SPOC will be assigned and that the SPOC will return the homeowner's call within a set timeframe. A SPOC is assigned to the homeowner automatically by a workflow system based on caseload. The SPOC is then expected to reach out to the homeowner;
- **"Warm" Transfer:** While the collection agent is in contact with the homeowner, the collection agent reaches out to the first available SPOC and initiates a conference call among the homeowner, the collection agent and the SPOC; or
- **Appointment-Based Transfer:** A customer service representative at the servicer schedules an appointment time for the homeowner to speak with the assigned SPOC. The assigned SPOC contacts the homeowner at the date and time specified in the appointment.

Another difference is centered on how the homeowner-servicer relationship develops once a SPOC has

been assigned to a homeowner. Servicers use one of three methods:

- SPOC Direct Model: This is the most common model. The servicer assigns the homeowner a SPOC who is responsible for all communications with that homeowner and for ensuring that an appropriate solution is reached;
- SPOC Pod Model: A homeowner is not assigned to an individual SPOC, but is instead assigned to a SPOC team. The name of the manager of the team is provided to the homeowner, but, when the homeowner calls, any available team member can take the call. The goal of this model is to increase the likelihood that a homeowner can speak with a live agent who can immediately assist the homeowner; or
- SPOC Appointment-Based Model: A customer service representative acts as an intermediary to receive in-bound calls from homeowners, to schedule an appointment time for the homeowner to speak to the homeowner's SPOC, and to prepare the homeowner for the appointment. This model seeks to be more efficient because the homeowner will hopefully be better prepared for his or her conversation with the SPOC as a result of the discussion held at the time the appointment is scheduled.

## Conclusion

While the survey results are promising, the Treasury in the report identifies several issues and areas that it believes merit additional review. These include identifying appropriate metrics for measuring the effectiveness of SPOCs, determining the optimal level of staffing and caseload for SPOCs, and finding ways to increase the percentage of the time that a homeowner reaches his or her assigned SPOC when calling the servicer.

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