

Freddie Mac Single-Family Home Starts Here Podcast Episode Transcript:

Housing Industry's *Resolve*SM to Speed Up Mortgage Relief

Announcer [00:00:01] Welcome to the Freddie Mac Single-Family Home Starts Here podcast, your connection to all the latest industry trends, insights and points of view on the mortgage market from Freddie Mac leaders and other industry experts.

Liz Mugavero [00:00:15] Welcome to the Freddie Mac Single-Family Home Starts Here podcast. This is your host, Liz Mugavero with Freddie Mac Single-Family. And our episode today focuses on Freddie Mac's ongoing pursuit of digitization throughout the mortgage lifecycle, largely as a result of our current climate. Covid-19 impacts have amplified the demand for speed to market mortgage resolution and seamless servicing. Today, we're talking about a new business to business opportunity with Freddie Mac that opens the door for servicers to receive instant workout decisions, also known to some as loss mitigation decisions that will ultimately enable them to speed up their response to helping homeowners. Today, we have Cecilia Raine, senior director of strategy and integration for Reimagines Servicing here at Freddie Mac, to dive into how we're leveraging APIs and a new decision engine called Resolve. We're also pleased to be joined by our client partner, Bob Hora, senior vice president of Default Management at Cenlar. Cenlar is an early adopter and a national servicer that prides themselves on building their success on the success of their clients. We'll hear how Cenlar has seen immediate benefits and how Business-to-Business integration will elevate the entire servicing ecosystem. Welcome, both.

Cecelia Raine [00:01:27] Thank you.

Liz Mugavero [00:01:29] So, Bob, I'd love to start with you. Can you just talk a little bit about the present-day challenges that servicers are facing when it comes to swift and effective default management?

Bob Hora [00:01:38] Sure. Thank you, Liz. I appreciate the opportunity to be part of the podcast. So, there are some challenges that servicers have to navigate in today's environment. I think today, for instance, the homeowners have a need for immediate relief that's been borne out in the pandemic environment, which we've all been navigating this past year. They need immediate information as to the status of that relief request. They want the servicer and the investor to be able to provide a loss mitigation solution as fast as possible. In today's environment, with the regulatory changes happening sometimes on a daily and weekly basis and new regulations coming out, I think it's important to be able to communicate what's going on and how that impacts the homeowner as well. So, knowing where we are in the process at any time really helps us to respond to the homeowner's questions as well as manage their expectations. It provides transparency in the process. It really allows us, as the servicer to answer any questions, should the homeowner call for an update as well? So, I think, expectations in the industry and from our customers have changed over the past year as well. They want to have faster response times and we also as a servicer have the ability to address larger volumes of throughput, as necessary.

Liz Mugavero [00:02:56] Absolutely. Things are moving very quickly these days and we have to be able to respond. Cecilia, B2B integration is becoming the new way of doing business. Can you explain how that applies to us here at Freddie Mac and our mortgage servicing and how it addresses the challenges that Bob just referenced?

Cecelia Raine [00:03:07] Sure. Thanks, Liz. So, we know that consumers and homeowners expect a digital experience. So currently they have more of a digital experience in the home buying process on the origination side than they do with

mortgage relief or workouts and loss mitigation in servicing. And so, the way that to digitize this end-to-end mortgage cycle, in large part, it's through a B2B or direct integration. So, by integrating with customers like Cenlar, Freddie Mac can automate the exchange of data and eliminate data entry and the need for manual effort, manual documents. Servicers and their tech providers, their business partners who integrate with us, can connect directly to our new end-to-end default management platform, which is Resolve. That direct connection, leveraging APIs, which is a technology tool, allows for fast and efficient eligibility decisions when a borrower is reaching out to a servicer such as Cenlar to give them options when they need some kind of workout, they need loss mitigation, relief and assistance. So, those are done through things we refer to as loan modifications, payment deferrals, repayment plans, forbearance plans and the like. So, we also will be offering some things in the future related to liquidation options. So, I'll just I'll give you an example. And this referring to Cenlar and Bob and his team, who are a very important servicer client for us, they use a technology provider called Back In The Black and Back In The Black actually supports them and is a provider that works directly with them to integrate using API technology. So Back In The Black sends us the investor, Freddie Mac, a data request on Cenlar's behalf to look at the eligibility decision for one or more of these homeowners. And they want to know if they're eligible for some kind of relief, whether it's a loan mod, or one of these other options I mentioned. So, the Resolve Retention API acts as a data exchange or an intermediary, and it sends the data request to us. Our technology processes that request, and then the API returns an instant response to Cenlar so they can give that to their borrower. And Cenlar is then able to speed up their term times. And I think, Bob, you mentioned that that's important to your homeowners, that's important to us as well, that we can give a response to your homeowners on loss mitigation and do that instantly when you're on the phone or if they're in a self-service portal, they're working with you directly, that you can give them an answer while you have them engaged, you can actually respond immediately. Bob, we just have to say thank you, you and your team have been a great partner to help us test this capability in this new resolve platform.

Bob Hora [00:06:11] Thanks, Cecilia. I agree with you. I think, in this time especially, we've got to be able to speed things up. It's something that servicers need to start looking at and doing a lot more of on our side. So, appreciate it.

Liz Mugavero [00:06:26] Yeah, thank you both. So, it sounds like Resolve has already been a big win within the industry. Cecilia, did you have a vision for Resolve when the team launched this tool? And how do you see that evolving over time as we get further into kind of digging ourselves out of this crisis and looking at the servicing industry overall?

Cecelia Raine [00:06:44] Yes, we actually had a vision to transform several things across the servicing ecosystem. And when we talk to our customers, we went out and actually spoke to and did client insights with Cenlar and other servicing partners, and they told us what they needed. And Resolve was one of those platforms. In short, it's a simple, transparent and connected loss mitigation and default platform, and we want to develop that for industry collaboration that improves our servicer experience, the homeowner experience and the employee experience, so the end vision for Resolve is to provide that solution and have a suite of decision recommendations for all workout options. And the idea is when you have a single engagement with the borrower, that you can have that decision and take any complication out of it. Resolve will be iterative. We are bringing that to market through early adopters like Cenlar. We want to have the opportunity to learn and to work together with their partners. This is a big undertaking and we've talked with all of our customers. We want to take this to market over the next couple of years and by the early adopters and the things that Bob is going to talk about, we are learning and perfecting as we move forward and we have additional products that will be talking about as well as we bring this to market.

Liz Mugavero [00:08:17] Perfect, so in that vein, Bob would love to hear a little bit about your experience as an early adopter and what you've already kind of started thinking about from a go forward perspective as to what how we could make Resolve even better.

Bob Hora [00:08:30] Sure Liz, one thing I will say and this kind of ties into what Cecilia said as well, you know servicing has historically been behind the origination side in the industry when it comes to digitizing when and just making things transformed into a more automated environment. I think one of the biggest pushes in the service industry today is to provide those digital solutions to our clients and our homeowners. And so, this is a great example of that. As part of the first wave and an early adopter, Cenlar started working with Freddie in the third quarter of twenty on the Resolve piece and had a very smooth transition, I would say, in the testing process. And so, we went live pretty quickly right at the very,

very beginning of November 2020, and we tested approximately hundred twenty-five hundred thirty cases to ensure that we had a well-rounded population. And while initially the number of flex mods that we actually put into production were a smaller number, given that most homeowners come in out of forbearance at that time, wanted a deferral, we still had a good number that benefited from the modification and a payment reduction immediately, and then they immediately benefited from the new process.

So like we said before, this implementation was really a partnership between our loss mitigation platform provider Back In The Black or as we say, BITB the Freddie and Cenlar. And so, we use BITB as the delivery vehicle into Freddie. They're able to transmit all the data necessarily directly into Resolve. And so that helps us a lot. We had a very positive experience as the early adopter, I would say, both from implementation and the outcome perspective. So, we've been on it for about 60 days and we pushed about four hundred to four hundred flex mods through already in these 60 days in the initial time of putting the Resolve platform in place. So both Freddie Mac and BITB are both great partners and they have been through the initial planning, the development, the testing and the implementation stages of the project. And then we started realizing benefits immediately upon implementation. We can talk about that in a minute. But I think the Resolve system itself in that process continues the theme of a quicker, more satisfying response for the homeowner. The deferrals, the streamlined response and now you can have the flex mod also be a more streamlined response, resulting in a quicker decision and implementation for the homeowner.

You know, there are some things that don't go through Resolve which you would expect not to be able to be as quick. And those exceptions are like non delegated reviews or let's say there's an additional valuation such as a BPO is required. But even even in that case, where another BPO is required and it may take a couple extra days Resolve will prompt us on the workout or during the workout and let us know when that BPO is ready so the workout can be completed. So those are all different things. I'd say. Just in summary, when we think of when I think about the adoption of the resolve piece, it's been very painless. It's one of those things where you don't see a benefit a year, you see a benefit immediately, especially around staffing.

Liz Mugavero [00:11:40] Yep. And as Cecilia will attest, you know, a couple of the major areas of focus for the Reimagines Servicing initiative overall has been helping servicers see cost efficiencies and time savings. Have you been able to quantify either of those since adopting Resolve?

Bob Hora [00:11:58] Yeah, we did. Look at that. That's something that servicers are focused on, is how can we deliver the best product for the homeowner and the client, but at the same time do it as efficiently as possible and manage your resources to where they are needed the most. And so, in this case, like I said, we processed around four hundred flex models through the new process. Have seen some good benefits on efficiency pull through. I would say we've seen a reduction of about 10 to 15 minutes in processing time for underwriters on a per loan basis, which is a pretty good chunk of time. And additionally, you know, and I haven't really quantified this yet, but we're also seeing a reduction in rework due to defects. And those defects are, you know, some of the things that happened just during manual entry, making sure that those don't happen. And it allows us to kind of refocus on quality control and some of the other steps as well. So, we're seeing excellent throughput after the first two months. We haven't seen any issues. We're seeing delays being eliminated and waiting for evaluations as they're pulled into the background. And then so that cycle time reduction as well, and then improvements on resource requirements and process efficiency. And then, you know, like I said on the rework side, improvements in the control environment as well.

Liz Mugavero [00:13:19] That's great. Those sound like really promising results. Cecilia, you said Resolve is iterative. So what's the next big thing for Resolve's B2B integration capabilities?

Cecelia Raine [00:13:30] Sure, I'll dive into that. I do want to mention just to pull the thread through on something Bob said about the reducing processing time and manual entry a lot of these team members that work in loss mitigation have a lot of expertise across servicing, and that's why they're in those roles. And to be able to free them up to do things and work on more complicated cases and, you know, add value in other areas, that's that was important to us that that be part

of the vision. And it sounds like that's actually coming to life, Bob. And I don't want to put words in your mouth, but that's what came to mind when I heard you say that. And that's great to hear.

Bob Hora [00:14:11] You're right. I mean, it's better to have our valuable resources helping a homeowner or let's say talking to them on the phone and letting them know what's going on or having to work on the decisioning pieces or some other exception type processing rather than just that laborious data input. And in today's environment, where data is sitting out there already having to transport from one place to another manually just doesn't make sense. And this is a very good vehicle to prevent that.

Cecelia Raine [00:14:41] OK, thank you. So, back to your question on resolve being iterative. So, Freddie Mac broadened our payment deferral option in July and this was based on the response to COVID and the massive number of forbearance plans. And so, this option is an important product in our loss mitigation toolset, and it needed to be available in Resolve sooner than later. So, when we had our roadmap for Resolve, payment deferrals at the time we were planning weren't necessarily the highest volume product, but that shifted. And so, we went out and talked to our clients and we re-prioritize payment deferral and it will be available via the API Resolve in March for servicers where their lost mit technology vendor has tested and ready to adopt. So, because Cenlar has done this with us, they will be able to roll that out as soon as BITB has it available. So, it's great that we've done this work in advance and we are working hard to look closely at what's the priority and how we bring the products to market. So not integrating, but an important side of Resolve is a user interface. So, you heard Bob mentioned that, you know, non-delegated reviews that have to be done or ordering BPOs. There are other improvements we're working on to solution the client requests, and one of those is removing things like email, there's massive amounts of email that go back and forth as manual process. And so, decision insights is a component of Resolve that will first be deployed as a UI. The first product that will come out is non delegated short sales, and eventually it will encompass more products. And the long-term vision is that we will have some users who will always adopt a UI, but that will eventually be integrated. So you will see a workflow tool and other things that Bob mentioned that maybe early on in his adoption with Cenlar and his team, we hear you and we know that that's where we need to head. And again, it's iterative. We go forth with certain products, learn, and the long-term vision is, working towards a best-in-class platform over time.

Liz Mugavero [00:16:57] That's great. And that's especially great news about payment deferral. So, I'd love to go back to that and just ask Bob, how will the addition of that payment deferral decisioning impact Cenlar?

Bob Hora [00:17:05] Yeah, that's a very good thing to look forward to. We're seeing right now moratorium's extended. You know, that's also going to mean forbearances more than likely going to continue to extend out. We're going to continue to see the need for deferral decisioning and having a platform to be able to support that's big. So that continued expansion of the treatments, that just allows us to streamline our processes through automation. You know, the payment deferral decisioning, that's a wonderful, streamlined option for borrowers. It'll provide servicers also a way to process in an automated fashion. The more we can automate and the more different types of workout options there are for the homeowner that are automated and get something back to the homeowner and give them relief faster, the better it is for everybody. It's really a win win win for the homeowner, for the investor and Freddie and then for us on the servicer side as well.

Liz Mugavero [00:18:02] Absolutely, and unfortunately, it sounds like the the fallout of this COVID climate is going to go on for a while. So, what is your view on how Resolve can impact future economic cycles?

Bob Hora [00:18:15] Yeah, I wish I wish I had a crystal ball that would predict on how long it would last, but we don't know. And so, every month, we we kind of forecast and look at what's going to happen, and if we have to course correct, then we will. But there's no question that the volumes that we've seen due to pandemic have been greater. They've grown faster than anything we've seen before in the industry. And that includes the last huge crisis that we had back in 2007. We need to be able to handle what is and what will continue to be a large number of exits out of forbearance, most of which, you know, if the homeowner is not current when they're exiting and reinstating than that homeowner is going to need a streamlined approach to resolve their hardship. So those who can't qualify for retention solution and we would like to see

everybody be able to qualify and continue to perform on their mortgage and stay in their home. They're also going to want to be able to get faster decisions on any other type of workout in loss mitigation and be able to transition gracefully. So, Resolve is going to allow the servicer to deal with these much larger volumes, going to allow us to service our client and homeowner a lot faster and a lot more transparently.

Liz Mugavero [00:19:55] So just to sum it up for our listeners, Bob, what exactly does that mean, the elevator speech for borrowers and their experience in getting mortgage relief if they need it?

Bob Hora [00:19:36] Yeah, I know we've talked about some of these benefits and positive impacts. You know, like I said, it's a win win win. We want to get a solution to the homeowner as fast and as transparently as possible. We want to be able to do it as efficiently as possible as a servicer and then also for our investors and our clients, make sure that they get what they need, as well as far as getting a solution in place. I think all of these groups are positively impacted by these reduced response times. They're impacted by relief from having to carry past due debt. And you know the ability for the homeowner to resume and perform on their mortgage once their hardship is resolved is huge. It takes away a lot of the anxiety in today's environment we want to be able to give that relief as fast as possible. So I would definitely say, the biggest piece is that efficiency and just digitizing the whole process so that everybody wins.

Liz Mugavero [00:20:35] Awesome. And just to shift gears from a different standpoint, Cecilia, what is this B2B integration mean from an investor's standpoint?

Cecelia Raine [00:20:43] It means simplicity. When something is simple to use. It'll be adopted. It will be more useful and it can be perfected. And at Freddie Mac, we view direct integration using APIs as our strategy. So that's how we look to lead the servicing industry into the future and ourselves into the future. Eliminate manual work and leverage the data that's available to us in the ecosystem to transform how we do business together to ultimately serve the homeowner. So, this will inevitably lead to minimized credit losses, improving the client experience and reducing costs all around.

Liz Mugavero [00:21:19] That's terrific. Any final thoughts from either of you? This has been a great conversation so far. Would you, like to sum it up in any way?

Bob Hora [00:22:51] Sure, much as we talked about, the industry needs to digitize more. But also, on the origination side, we have we have a lot of streamlined processes. We need to do the same thing on the servicing side. I think this is a good step forward for that. And it opens the door to get a lot of the other work out types, you know, in a more automated fashion. I would definitely encourage other servicers to get involved early. It's going to help you. It's going to help your homeowner and it's going to help the client.

Cecelia Raine [00:21:58] Thank you, Bob. I couldn't agree more. And I think it's important to know that Freddie Mac is repurposing things we've leveraged successfully on the origination side and we're grateful for all those learnings. It's helping us tremendously as we bring forth the reimagined vision and what we're doing with Resolve. And I also, if you don't mind, that I really want to thank Bob and his Cenlar team, along with their loss mitigation vendor BITB. We have to be bold and we have to have bold partners to work with us to move this vision forward so we can't thank you enough and the team the testing team that worked with us, and you can hear the success and we're really excited about what's to come.

Bob Hora [00:22:42] Thanks. It's been a pleasure to visit with you guys today on the show.

Liz Mugavero [00:22:46] Absolutely. And it's so true. We can't reimagine servicing alone. So we need partners like like you, Bob, and other servicers out there.

Resolve has definitely changed the landscape for servicers, it sounds like. And we're all looking forward to the next round of game changers that come out of our Reimagined Servicing initiative this year and beyond. So thanks to you both for joining us today for this conversation. And as always, thanks to our listeners. Please share this episode if you enjoyed it and make sure you've subscribed to our channel so you don't miss any of our conversations. Thank you.

Bob Hora [00:23:15] Thanks.

Cecelia Raine [00:23:16] Thank you.

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