



Stay up to Data: Automating Servicing for Sustainable Homeownership

VO [00:00:08] Welcome to The Way Home, a Freddie Mac podcast series that explores the latest in mortgage solutions for today's dynamic housing market. Here, housing industry leaders will share insights and actionable strategies that you can put to work today to help make home possible. Let's get ready to dive in and to explore the complexities of the housing market with Freddie Mac.

Phil Treadwell [00:00:32] Alright, sitting here with Linda Dew and Donna Spencer, very excited about this conversation and this would be a fun one. We've had a few conversations about servicing. I know Donna, we did an episode last year so definitely excited to have you guys back. Donna, I want to start with you. Reimagine Servicing has been a huge initiative over the last five or six years with Freddie Mac and has accomplished a lot of really cool things and a lot of initiatives. I'd like you to talk about what of that you're still very excited about and maybe what some new goals and some new initiatives are kind of coming out the other side of that and looking towards the future.

Donna Spencer [00:01:02] Thanks so much, Phil. We have invested a lot of time and resources in our Reimagine Servicing initiatives and projects and it's been a great success not only for our servicers but also for our homeowners and that's one of the things that as I look into 2025 it's going to be a greater emphasis on the processes, the technology, the tools that we can build and keep our homeowners at the center of our We will continue to innovate in the servicing space. It may not be called Reimagine Servicing but we will continue that work working very closely with our servicers and other business partners in the industry to expand our servicing capabilities and really double down on helping homeowners to find success in sustainable homeownership and that is

Phil Treadwell [00:02:01] It's extremely exciting because one of the things we've mentioned a couple of times, servicing is one of the largest parts of that homeownership lifecycle and I think it doesn't get talked about often enough which is why I'm excited about this conversation. Linda is someone that's very familiar with digital servicing platforms and things that are maybe more relevant to today. What are you guys working on and what's kind of the focus in taking some things from traditional service methods as far as reducing cost for servicers and making a better homeowner experience? Kind of talk about some things that are really kind of paramount and some of the pillars you guys are focusing on.



Linda Du [00:02:35] So we really frame this internally as thinking about it in terms of win -wins. So what we've seen is generally homeowners don't want to call in about their mortgage. They tend to call in when either there's inconsistency meaning that they're getting slightly different information from different sources or there's some sort of perceived error on their account or there's just something that's confusing and causing anxiety for them. And so essentially what we try to do is one, we try to ensure that we are as transparent as possible. In today's day and age if you order food delivery, order an uber, you can see exactly where you are in that process every step of the way and so we're trying to bring that same experience to home ownership and so that means when you make a payment online we tell you when we've actually pulled the ECH from your account, when it's processing, when the funds have actually settled. If you're in the process for a loss mitigation we tell you when we've received your BRP, when we've marked it as complete, where you are step by step in the process and we try to do this in a way that's really easy to understand. I think one thing about the mortgage industry is all of the terminology which we're used to day to day can be really confusing for someone who just hasn't been in that world and so we generally try to more information earlier in a very readable way and we found that that reduces calls, that reduces inbounds and any interaction that you have with the homeowner at that point you can really focus on actually adding value to them rather than fixing a problem or starting from a negative place.

Phil Treadwell [00:04:10] Donna, as you work with servicers and as Freddie Mac as a whole works with servicers that are very technologically driven, that really want to add some automation and some of these digital processes in, from your point of view how does Freddie Mac come alongside those types of servicers and companies and really kind of enhance their experience and really utilize as many tools as Freddie Mac has to offer in that space?

Donna Spencer [00:04:33] Yeah, that's a great question. We really value partners like Linda and Val and Mortgage coming alongside us to help show us a different way to accomplish the same thing that we've been doing for years. We do need innovators in this space to really push us to the next level. So that experience that you mentioned even about the, somebody called the pizza tracker is a great experience and I think that's one of the values for me of being married to someone that's not in the industry because every month my husband looks at the account to see why isn't the money out? I said the payment was supposed to be made on the first. He would be excited if we were using a platform and that you've created but no it is essential that we step back and continuously look to see how we can accomplish our goals with different tools and technology. It is really pushing the industry forward as we march down this digital road map.



Phil Treadwell [00:05:30] So Linda, as you partner with Freddie Mac as a servicer, how has that enhanced the experience? How has that helped you guys continue the mission and vision that you have for this type of platform within mortgage servicing?

Linda Du [00:05:42] Freddie has been a truly incredible partner when it comes to just pushing forward on the technology front and so there are a number of examples, some that are homeowner facing. So for example, one of our big initiatives is increasing self-serve opportunities. Most people these days, again, don't want to call in, they just want to log in online and see their mortgage and actually do the action directly online. And so an example of something that we're partnering with Freddie on is being able to offer Pmi self-serve cancellation and so homeowners have mortgage insurance, they want to see if they're eligible for cancellation. This is something that we should just be able to pull directly from whoever is determining the guidelines and then tell the homeowner in real time you're eligible or you're not for these reasons. And if you are, you can actually just pay for your BPO, your appraisal directly online and boom, you're done with the process. So that's one homeowner facing example. And then there are a number just on the back office as well that help with reducing costs. So as an example, we're fully integrated with Resolve, which has been super helpful in streamlining our loss mitigation options. And so at this point, evaluation, drafting, these are all fully automated, integrated processes for us.

Phil Treadwell [00:06:47] It's interesting because there's several things that are in there that I want to kind of unpack for a second. One of those is around making it a better homeowner and borrower experience, those self-serve options that you're talking about. People don't like to call in or is it in the right hours or how long is it going to take? Am I going to be on hold? All the stereotypes that we think of whenever we call any type of a customer service number, allowing them to be able to do it online, not only allows for better borrower experience, but it also reduces costs because there's not as much manpower from that perspective. I'd like to kind of hear from each of you, one Linda from you in terms of what are some other things that not only create some of those efficiencies for homeowners, but are also some of those cost cutting options that technology and the digital can allow. Donna with you, from the Freddie Mac perspective of as you guys think of new initiatives from the servicing to offer your servicers and partners, what are some things that are top of mind for you guys as well?

Linda Du [00:07:38] Two things come to mind when you say that. So the first is we always say that we want to meet our homeowners where they are. And so if that means it's on the phone, that's great. If that means it's online, that's great. Over text, that's great. For us, we want to make sure that wherever, however they want to engage, we're supporting that. We're also always trying to increase the ability for us to provide information. So one example is we allow homeowners to add authorized third parties online. And so it's a fast experience. When we launched this, we saw that there was



actually an uptick in authorized third parties on our loan population, meaning that more people had access to information about the mortgages. And that helps folks, especially who maybe English isn't their first language, they're a little bit more on the older side. So that's one. And then the second piece is we always want our humans to be focused on the things that humans are really good at and for technology to take care of the rest. One example is now that large language models and AI is much more prevalent. We always think about how can you allow the technology to take away from any distractions that the agent might have? And so for example, we do automated GPT generated call summaries. And so our agents aren't taking call notes while they're on the call. They're fully focused on active listening, actually trying to solve the problem. And we also think about with AI, if you had unlimited humans, what would you want them to do? So call QA is a really great example of if I had unlimited humans and want every call listened to every call scored. And so we're exploring a lot of that type of development as well.

Phil Treadwell [00:09:10] That's awesome. Donna, what about you?

Donna Spencer [00:09:12] For me, it's looking for ways that our servicers are able to support our homeowners. I love the integration with Resolve, which, as you know, is one of our reimagined pillars for technology. I wake up every day saying that mortgageors, homeowners, don't just wake up and decide they're not going to make their mortgage payment, right? There's so many other things going on. And if you only have that one path to pick up the phone and talk to someone, they're dealing with some other challenges in the background and being able to process what can be very complex information, very personal to them, whether they're going to be able to resolve their financial situation and stay in their home or have to move their families to another place where in this time it's high costs and rent or looking for another house could be very costly. So the ability to process that information on a portal where they can kind of read and process and then reach out to a human if they have additional questions. But at least it gives them time to get grounded and make decisions, educate themselves about what the potential options could be for their family before they get on the phone and talk about execution. So I love that you offer those technologies to homeowners and kind of meet them where they are.

Phil Treadwell [00:10:33] And I love this because the first thing it makes me think of is the amount of data that both Freddie Mac has from a servicing and home perspective as well as the servicers because it allows you to create opportunities to engage with that homeowner. And so Linda, I'd love you to talk about obviously you guys have portals and there's call ins and mobile apps and things like that. Some of the ways that you guys not only enhance that communication with the borrower, but also how that leads to other potential things that you guys might be able to offer them as you talked about removing the MI or potential insurance options or equities and things like that. So if you just talk about that bar experience from that perspective just a little bit.



Linda Du [00:11:11] I think if you zoom out and you just think about how a servicer is positioned, we always say homes tend to be the most expensive purchase that someone makes and they also tend to be the most emotional purchase that someone makes. And I actually think that if servicers are able to offer the right customer experience and build the right relationship with consumers, it actually opens the door to an entirely new consumer business. And so in addition to partnering on mortgages, I think servicers are really well positioned to be good partners in everything finance related, whether it's the relevance of our position and taking care of what is probably the most important financial asset that a homeowner has or the data that we have. And so some examples are we generally try to, again, going back to that theme of finding win - wins, we want to find high relevance, low friction, negative cost, meaning that we're actually saving the homeowner money products that we can offer. And so good examples are homeowner's insurance refinances when the homeowner is in the money and it's appropriate for them. Tax, property tax appeals are all really great products that a homeowner might not be aware of. And because of the data that we have and the position that we're in, we're actually able to offer these.

Phil Treadwell [00:12:27] Donna, whenever you think about these types of things, how does Freddie Mac make that easier because the amount of loans that Freddie Mac has at its disposal in terms of data and really understanding behavior borrowers or even predicting as we talk about machine learning and AI and things like that, really understanding how you can provide resources to borrowers way before there's a catastrophic event. Like you said, people don't wake up and say, I don't think I'm going to pay my mortgage today or I'm not going to pay my bills today. Kind of understanding what some of that behavior is and really providing them the tools and resources they need before it gets to that type of thing.

Donna Spencer [00:13:00] Yes, absolutely. We are a data rich company and we continue to put a lot more emphasis on data. There are some emerging topics that are at the forefront of everyone in the mortgage business and it is around taxes and insurance. We want to start getting access to more of that data because it is going to inform us of future behavior on mortgage performance and certainly it gives us more insight into what our servicers are dealing with on a regular basis as it deals with volumes and customer service issues and again, potential defaults. Not every family that is experiencing increased costs with taxes and insurance is going to equal default, but over time just blending all this data together certainly gives us more expertise and it will help us develop better policies and procedures and again, be able to support our homeowners.

Phil Treadwell [00:13:59] I think you bring up another interesting topic that I want to make sure we touch on which is around policies and guidelines and so Linda, I'd like to



turn it back to you. Talk about how Valen really aligns with Freddie Mac's guidelines ensuring that servicers can meet their obligations as well as the advantages of integrating with those policies for homeowners.

Linda Du [00:14:20] What I would say here is, wherever possible, we always try to build in compliance by default into our system and so what that means is that it really should not be a human discretionary decision whether something ends up being compliant or not. To the extent possible, either we make the stops automated so that it just happens without a human needing to think about it or we build in controls and specific workflows directly into the product to make sure that things happen on time. Something that we saw a lot when we were first starting to build the platform is cases where something would fall off the conveyor belt and this could happen on either the servicing side, meaning an agent closed a ticket but forgot to actually do the task or sometimes on the homeowner side as well for whatever reason they just fall off the process. We were on the path to getting them help and then they just disappeared and so we've actually spent a lot of time investing in what we call building processes and so the system has a really clear understanding step -by -step of the And every data point exists in our system as that core system of record and when something falls off the conveyor belt and we see that it's not moving forward, whether it's on the homeowner side or on our operations side, there's an automatic system prompt essentially either to reach out to the homeowner and see if something's changed or to prompt our team and say, hey, actually this action wasn't completed even though the ticket was completed.

Phil Treadwell [00:15:43] Right. Donna, as you start working with more and more servicers like Allen and that are putting these policies and compliance and things in place, kind of, as you said, taking the human element out of it, how does that help Freddie Mac in terms of supporting their servicers? Because I would assume that every time that something falls off the proverbial conveyor belt or if there's something to human discretion, that not only adds more man hours, but more costs to everyone involved. And so as you work with more and more servicers, how has that benefited other relationships that are maybe still kind of holding onto more traditional servicing methods?

Donna Spencer [00:16:16] Yeah, it's a big help. And again, if I think about it, I feel like I'm going to sound like a broken record, but it really is important to think about the homeowner first because their experience is usually going to be interrupted first when something falls off of the conveyor belt. And what I really want to do is help servicers remain compliant with all rules and regulations and keep the homeowner in a good place. And so the more that type of technology that Linda is speaking of is rolled out, it helps us to be a lot more efficient, both internally and when we're efficient, it also creates a better partnership with us as we work with our servicer. So I absolutely love it. It also gives me a greater penetration into my portfolio because right now I'd like to



know what's going on with every time, right? But that's not possible because it's a lot of manual processes to be able to get that. It's a lot of manual work for our servicers to be able to get that as well, unless they're moving forward with some digital capability. So I'd love to be able to report where we are from a risk perspective up to my senior leadership to give them a broader view of what's happening right now. I can only double down on things that we've identified as kind of high risk, but to be able to put all of that into a portfolio level would just be amazing.

Phil Treadwell [00:17:49] And I think it comes back to what we've been talking about, which is sustainability.

Donna Spencer [00:17:53] Yes.

Phil Treadwell [00:17:54] It all comes back to the homeowner, all of these things, making sure they stay compliant, have a great customer and borrower experience as well as from a servicer perspective, keeping the costs low while also using that to enhance that same thing over and over. So I want to be a good steward of your guys' time. I really want to ask one last question from each of your perspectives. What are you most excited about that's coming or maybe an initiative that you guys are working on? There's obviously challenges in the industry right now, but through challenging times typically comes the most innovation because there's now a problem that we can solve for people. So I'd love you guys just from each of your perspectives to talk about what's something that's really got you excited right now about what's to come or initiative that you guys are working on.

Donna Spencer [00:18:34] Yeah, so I'll start first. I am super excited. We've been internally noodling around on this concept around how we can improve the servicing transfer process. And there are so many people out in the ecosystem that may have never gone delinquent on their mortgage. They don't know anything about loss mitigation or short sales or payment deferrals. But there are a lot of people that have a mortgage that have had their mortgage transferred from one entity to another. And my goal in life is to improve that process. And there are some very necessary things that are baked into that process. But I think it is right for stepping back and putting some 20, 24, 20, 25 lenses on this process that can create efficiency, understanding, more awareness for homeowners and drive down costs, delinquencies for both Freddie Mac and our servicers. And if you haven't noticed, I am excited about this. And there are a lot of people that have been working on servicing data sets. And I believe that all of those things are important. But we don't have to solve all of that to start making a difference. And that's what I'm excited about.

Phil Treadwell [00:19:58] Linda, I saw you kind of smiling about that.



Phil Treadwell [00:19:59] I'd love your kind of take on that process. As soon as she said servicing transfer, you kind of smiled. And I think from your guys' perspective, I'd love you to kind of speak to that as a servicer. And then again, anything else that you're excited about from the future.

Linda Du [00:20:13] I think servicing transfers are a universal pain point for all parties involved. Homeowners who have no idea what's going on and why is this the fifth time that my mortgage has been sold. Servicers who are dealing with a bunch of data from a bunch of different servicers usually a spike in calls and activity and costs as well. Freddie, from the perspective of having to reconcile with data and transfer the servicing to a new operational counterparty. And so I think servicing transfers are definitely a near and dear topic to my heart. We are a company that has grown a lot over the last couple of years. And so we've been doing transfers nonstop essentially. And I think what we've learned is the sooner you can give information to the homeowner and the earlier you can get to them, the better it is for everyone involved. Mortgages are huge financial assets for homeowners and having them feel anxiety and feel the need to call in is just not the right outcome for one of these transfers. And it sets the tone for the relationship between the homeowner and the servicer. And you want it to start off on the good foot. I think definitely excited for everything that Freddie is working on here. And we're definitely eager to do our part as well.

Phil Treadwell [00:21:21] That's awesome. Well, I appreciate you guys taking the time. I'm very excited about this conversation. I appreciate the insight that you've given everyone into what you guys have been doing that have had success and what's coming in the future. And I look forward to catching up again with you guys very soon. Thank you.

Donna Spencer [00:21:33] Amazing. Thanks so much.

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