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Beyond Business as Usual

Counselor Loan-Mod Tool **Aids Lenders in a Pinch**

A portal used by credit counseling agencies is speeding up workouts—and providing relief to overworked servicing teams at such firms as Wells, BofA and Chase. **BY KATHY BRISTER**

A software tool conceived as a way to bring faster relief to troubled borrowers now holds promise for aiding the overburdened banks that backed those mortgages.

The tool—called the Early Resolution Counseling Portal—shifts much of the time-consuming data collection required for a loan modification away from a bank to a consumer credit counselor at a non-profit agency.

That could ease pressure on banks' mortgage-servicing employees, facing a monumental workload of loan modifications now that months-long moratoriums on foreclosures have been lifted.

The software, called the Early Resolution Counseling Portal, "becomes most valuable by reducing and managing the process flow, especially for customers facing foreclosure but that have a willingness and can afford to remain in their home," says Ed Delgado, a Wells Fargo Bank senior vice president who, as chair of the Hope Now Alliance's technology committee, championed the portal technology in 2007.

Paul Taylor

The portal can reduce by half the time it takes to complete a loan modification, Delgado says. And while it's not a one-size-fits-all solution, the standard workout scenarios embedded in the software apply to a wide swath of mortgages.

Six financial services companies are signed up to use the portal, including the nation's three largest mortgage originators and servicers, Wells Fargo, Bank of America and JPMorgan Chase. A handful of non-profit credit counseling agencies are using the technology on behalf of borrowers.

Consumer Credit Counseling Service of Greater Atlanta was the first agency to test the portal, in February 2008, a few months after Wells Fargo and Bank of America approached the agency with the idea.

At the time, the banks' main problem was access to the borrowers who might qualify for workouts. Some borrowers who would not return lenders' calls were turning to the non-profit agency for help. So the banks decided to bring their workout capabilities to the agency.

The counseling portal software is modeled after Early Resolution software that Computer Sciences Corp. of Falls Church, Va., has been selling to banks for years. If a bank uses this software, its own system can seamlessly absorb the data a credit counselor sends via the portal.

Here's how it works. During an hour-long information-gathering session, a consumer credit counselor keys in a borrower's financial data. The portal software aligns the data with workout scenarios acceptable to the bank backing the mortgage. The counselor gets a response indicating what the bank is likely to approve, sends the borrower's data through to the bank's internal network, and instructs the borrower on how to get in touch with the bank for a final resolution.

For borrowers, the portal can lead to a resolution—mediated by a third party—that happens fast enough to keep them in their homes.

For the bank, the portal provides a connection with borrowers who are ready to act, without the bank having to track them down. It also allows the bank to transfer some of the data-collection

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requirements of a loan modification to the non-profit agency, although the bank later verifies that information.

For the non-profit credit counseling agency, the portal yields measurable results, using software paid for by the banks. Participating banks pay for a handful of non-profit agencies to use the CSC portal software.

Today, banks still struggle to get borrowers to return their calls, but they also have a capacity problem caused by growing foreclosures and shrinking workforces. U.S. foreclosures rose 30 percent from February 2008—when the Atlanta agency started using the portal—to February 2009, according to California-based real estate data firm RealtyTrac.

"I think the [loan] servicers are realizing they have to address their capacity constraints," says Suzanne Boas, president of Consumer Credit Counseling Service of Greater Atlanta. "Technology is a good way to do that."

Before the portal was created, credit counselors had "a pretty good idea of what would be good for the client," Boas says. "What was not so clear was what would be acceptable to the banks."

Still, she adds, the banks had a vision that counseling could add a lot of value because the agency would be preparing the clients to better interact with the lenders.

In the first three months of this year, the agency was able to offer potential workout solutions to roughly 75 percent of the borrowers who were connected to their lenders via the portal.

"I think the counseling portal does provide a real lift in productivity," Boas says.

But the number of people helped has been small thus far: Of the 88,062 foreclosure prevention sessions the agency conducted between March 2008 and March 2009, just 4,387 sessions were assisted by the portal.

"For this solution to work, it requires both sides to play—the servicers and the non-profits," says Kevin Schlumpf, managing director of the Early Resolution practice within CSC's Financial Services Group. "If you're speaking a common language between the servicers and the agencies, that helps dramatically."

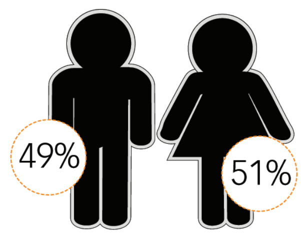
Wells Fargo's Delgado says now that his bank and others have proved that the portal model works—and shown it isn't dangerous to let a consumer counselor view a bank's mortgage workout solutions—more banks may sign on.

"Technology offers both the ability to create solutions for a mass audience and accelerate the processing," Delgado says. "This is essential given the environment today."

Help for Homeowners

TROUBLED BORROWERS OFTEN TURN TO CREDIT COUNSELORS FOR ASSISTANCE. MOST ARE MARRIED AND HAVE BELOW-AVERAGE CREDIT SCORES.

DEMOGRAPHIC INFORMATION



Age	46
Female Headed Households	20.16%
Household Size	3.2

ETHNICITY
- African American **22%**
- Asian **4%**
- Caucasian **46%**
- Hispanic **25%**
- Other **3%**

MARITAL STATUS
- Married **59%**
- Divorced **13%**
- Single **28%**

Source: CCCSGA

TYPICAL FINANCIAL PROFILE

Gross Annual Income	$52,134
Monthly Net Income	$3,719
Monthly Living Expenses	$2,156
Monthly Debt Payments	$2,612
Monthly Surplus/Deficit	($1,048)
Homeowner	100.0%
SECURED DEBT PAYMENTS	
Housing Expense (Mortgage/Rent)	$1,603
Non-Mortgage	$511
UNSECURED DEBT	
Total Debt	$19,908
Minimum Payment (if on a DMP)	$498
Net Worth	($91,703)
Assets	$182,129
Liabilities	$273,832
CREDIT SCORES	
Average FICO Credit Score	545
Average BNI Credit Score	135