

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

Today's Market Drives Tomorrow's Servicing Tool

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 [00:00:13] Welcome to the Freddie Mac Home Starts Here podcast. I'm your host, Liz Mugavero with Freddie Mac Single-Family and today we're talking about servicing and how our current market has been a driver for new technology solutions that optimize servicing operations Freddie Mac is addressing these demands with our clients, specifically in collaboration with Mr. Cooper, a leading national mortgage servicer. As a result of Covid hardships, we've seen nearly seven million initiated forbearances since the beginning of the pandemic. And while economic conditions are certainly starting to improve and unemployment rate has dropped to six percent, there's still more than two million active forbearances with 82 percent of those forbearances being in an extension. And these elevated volumes are driving the demand for solutions that optimize mortgage servicing operations, whether it's fast decisioning on mortgage assistance options or getting reimbursed for servicing defaulted properties. So today, I'm pleased to welcome Jay Jones, our Senior Vice President of Servicing from Mr. Cooper Group. Jay is going to discuss their partnership with Freddie Mac on a new tool that improves the servicers workflow, which has been so critical during our current climate, where operational efficiency and speed to market are essential. And joining Jay is Dave Lucchino, our Senior Vice President here at Freddie Mac Single-Family Operations, who leads several initiatives to address today's and tomorrow's housing market demands. Welcome, gentlemen.

Jay Jones [00:01:31] Happy to be here.

Dave Lucchino [00:01:32]: thanks Liz.

Liz Mugavero [00:01:33] Thank you. We're happy to have you. So, I'm going to start with Dave. Dave, I'd love to hear from you, given the current climate as I just described, to talk about how Freddie Mac is supporting the stability of the housing market, specifically in the mortgage servicing area.

Dave Lucchino [00:01:46] Thanks for this opportunity, Liz, and welcome, Jay. Freddie Mac started the journey to transform, as we'll say, mortgage servicing about two years ago with a simple invitation to our clients, "together let's reimagine servicing." I think the whole idea then is that we wanted to take a fresh look at the tools, the policies, the platform, the people, everything related to how the servicing operation works in the event that we were faced with another crisis like we saw about 10 years ago, and the timing couldn't have been better. So, we started this about two years ago and lo and behold, the pandemic hits us. And all of a sudden these tools that we've started to roll out, you know we're finding out from our servicers that they hit at just the right time as we're enabling our servicing partners to, you know, to do what they need to do again to help keep borrowers in their homes. And that that's the objective. The timing of this, I think, was perfect in terms of how it's enabled us to add stability to the market.

Liz Mugavero [00:02:47] Thanks, Dave. I'll turn to Jay now. Jay, I read a quote that described Mr. Cooper as an organization that, quote, "creates an experience that places the home rather than the transaction alone at the center of everything we do for our customers." Tell us more about that and about Mr. Cooper's culture and if you've had to evolve as a result of the pandemic and if so, how?

Jay Jones [00:03:09] Our culture is extremely important to us. I think it's key and how we service our customer. You think about our mission keeping the dream of homeownership alive we're and focused on customer experience. Part of that focus is meeting our customer where they want to be met. Right? So, in some cases that's actually on the Web or on mobile app or sometimes it's just talking to an agent. One of the instances that we've been focused on is educating our customer and providing self-service tools to allow them to service their asset the way they would believe and want to service their asset. Right? Once again, the most important thing is that they see their home as one of their most biggest assets is they actually have. The focus that we have on digital education was huge during the pandemic and giving our customers easy access to forbearance solutions that were very important right out of the gate. We couldn't be prouder of our Mr. Cooper team who built a digital self-service solution, allowing customers to really log in immediately and start finding solutions for the challenges they were facing. The culture that we have built around the focus of our customers helped us prepare as much as possible for the pandemic.

Dave Lucchino [00:04:12] Jay, you really should be proud of that culture. I still remember just prior to the pandemic hitting the opportunity that we had are kind of senior Freddie Mac servicing team to travel to Dallas to meet the senior Mr. Cooper team. And it was there kind of in that strategy and planning session when we got to listen to your focus on the customer and the innovative approach that that we saw from you in terms of the vision and strategy you had, we came out of there and said "wow, this is one of the companies that we want to be close to as we build our vision for the future of this servicing platform." So, again, I really do think you should be proud Jay, you guys have done a great job.

Jay Jones [00:04:52] Dave we appreciate that. I think that if you think back over the years, we tried to stay ahead of the curve. We spent a lot time and investment in building out default tools that we thought would be needed in the future. It's really what's allowed us to be quick and really nimble to deal with the forbearance. And as we think through the challenges all of our customers have faced and we're really glad that it allowed us to do that, because having a customer who can't get solutions, who can't get answers is a terrible experience, and just something you don't want them to have to deal with. They have enough to deal with what's going on in the world.

Liz Mugavero [00:05:24] Thanks, Jay. And Dave mentioned earlier the reimagines servicing initiative, which is a huge deal at Freddie Mac, and it's also very much a partnership between Freddie Mac and our servicers. I'd love to hear from you both about why it's so important for industry stakeholders to partner to address market demands like this and I'll start with you, Jay.

Jay Jones [00:05:44] The Mr. Cooper team has a great relationship with Freddie Mac and we continue to appreciate the opportunity to work closely with them as we are an early adopter of their tools and their initiatives. We're very much aligned with the Freddie Mac reimagines servicing mission as we continuously look at new ways to give our customer better service and the home loan experience, but at the same time make us more efficient in our operations to reduce costs while minimizing risk and make the overall process easier for our team members at the same time. As the business landscape continues to change, it's critical that we find ways to be innovative and streamline our overall operations. So as we keep our focus on the dream of homeownership alive for our customers, it's beneficial for us to work side by side with Freddie Mac's team to find real time solutions for backend tools that not only make us more efficient, it provides a better customer service in the end.

Liz Mugavero [00:06:33] Yeah, absolutely. So, Dave, I'll hand it over to you to talk about where Freddie Mac started and how we how we used our servicers to help us get better.

Dave Lucchino [00:06:40] Thanks, Liz. It's critical for us to partner with with people like Mr. Cooper and other servicers and other technology providers all along the way, as we create the Reimagine Servicing vision and as we kind of think through all phases of the process from ideation, prioritization, implementation and then kind of evolution of of those tools, I'll give you a great example of how that works. Once we implemented the first phase of PAID, the system we'll talk about in a bit to drive expense reimbursement. Mr. Cooper was right there as an early adopter. And in that role, they were able to offer us great feedback that we were then able to quickly incorporate into some enhancements for the program that will make it an even smoother rollout for subsequent partners as we move the adoption toward the broader industry.



Liz Mugavero [00:07:29] Thanks Dave. So the Covid-19 forbearance flexibilities will expire at some point, and we'll definitely see an increase in loss mitigation and foreclosure activity once that happens. So, can you guys both give an example of your collaboration on new technology solutions that you feel will have a positive impact on mortgage servicing and support of these related delinquencies? And Dave I'll start with you.

Dave Lucchino [00:07:53] Great. As we think about this, we keep in mind the most important thing we're doing is trying to keep borrowers in their homes. Toward that end, we've recently released the initial implementation of our integrated default management tool called Resolve. And we think that's that's helping us come a long way in terms of giving our servicers the tools they need again to help borrowers keep their homes. But at the same time, there's a lot of other work that has to happen in the default process as well. There are a lot of lot of loans that don't make it through a modification. Maybe they move down toward a short sale or deed in lieu or even a foreclosure path. And we also need to keep in mind we have to help servicers as they service these loans as well. One of the challenges that we listen to when we heard from our servicers is that "default management expenses are really high right now, how can we help them with a more timely reimbursement of those expenses?" So a great example of how we use the actual feedback from our servicers and listen to them as we kind of prioritize what it is we want it to deliver is a system that we're calling PAID, which stands for "payments, automated, intelligent and dynamic." It's a new technology that enables servicers to link with us directly through a workflow tool that leverages automation and data transfer and bulk processing to really move information back and forth real time so we can help them service their borrowers more effectively and then we can also help our services with their liquidity as we're able to reimburse them for all of the expenses they're incurring along that path.

Liz Mugavero [00:09:28] Thanks, Dave and Jay. I'd love to hear your perspective on PAID and how it's been for you and your organization.

Jay Jones [00:09:35] Yeah, I think about when we think about the forbearance coming to an end, if you will, with delinquencies ahead of us. I think PAID is a great example of two groups working together to find a solution that benefits the customer, but also benefits us. To Dave's point, the challenges that are ahead for servicers that we're all going to have to think about and deal with when you get two groups like us coming together to collaborate on a common goal, taking a process like this and implementing it becomes a much easier task. The PAID tool loan for us was really a game changer. We adopted in October of 2020. We've submitted so far about forty-five hundred claims. We got really excited and not only do you have a pilot coming to the table to discuss, you have a team that comes together that really figures out how do we sit in a room, what works, what doesn't work, listen to each other, adjust our plans, adjust the development and then make changes to the backend processes in real time. And then what we were really excited about is that we saw Freddie Mac really do really quick releases with these new features that allowed us to say, 'was this the right decision or not?' The ability to. Take a process that used to say you had to complete the entire process, kind of in chunks with what PAID has really done as it relates to expenses, allows us to be paid quicker, allows us to get the majority of the pipeline pushed through at a faster pace but it's really been a game changer for us that we're looking forward to using it in the future.

Dave Lucchino [00:10:58] Jay I would say that's fantastic to hear. And we're getting that feedback from you, from the other servicers as well that have been early adopters. And I'm while I'm thrilled that you're already happy with what we've delivered through PAID, I'm even more excited about where it's going. So next up, you're going to see us leverage an API strategy that will enable you to connect directly to our technology in real time. So, you'll be able to send this data in and out even more easily than you are today. And I think that'll be a great next step forward that you can look forward to. When we think about PAID you know I put this in the context of our broader Reimagines Servicing strategy. It's a great example of our focus on trying to deliver solutions that are simple, transparent and connected. And I'm really thrilled to get the feedback that you've offered and and your excitement for even where this is going Jay, so thank you.

Jay Jones [00:11:46] One of the things that I think may be beneficial is to take a second to really talk about how much improvement this really creates. Right. We all we are all math people in nature. So, you know, talking about improving a process by 10 percent and then improving the actual speed of payment back to us by 67 percent. Those are just two early indicators that we think, to your point, will improve if this goes on. But it's made us really excited about what we're seeing, it gets the team excited to jump in and just see where we can take it together?



Dave Lucchino [00:12:12] Yea Jay that that second point is really important. Like, I understand that Mr. Cooper is a large, strong company. There are other services right now that are struggling a bit more even to retain their liquidity through this financial crisis and the fact that we're able to get money back to you to reimburse you for the work you're doing on our behalf. Like, as you said, 67 percent faster makes a difference. And while for Mr. Cooper it's valuable it's more critical even for those folks who are having a harder time. Those smaller services who are having a hard time making it through this pandemic.

Jay Jones [00:12:44] I completely agree with you. Absolutely.

Liz Mugavero [00:12:45] And Jay, it's great to hear how Mr. Cooper has benefited from PAID and obviously the borrowers, but can you talk about how you see outcomes like you're experiencing benefit other parts of the housing ecosystem?

Jay Jones [00:12:58] As we think about the future customer captures our number one goal. We must aim to give customers the best simple possible experience, at the same time remain focused on our internal processes for our teams and the cost of those processes at the end of the day. Right? Overall, I think what you'll see is more digital tools in the future will come out, more self-service adoption will occur across the board. And we're really excited to team up with Freddie Mac to help build out those processes in the future. And we think that's really what is a game changer, if you will. You see so much innovation on the origination side of the business it's really exciting to think about how it's going to start now being more and more about the servicing side of the business. And we think there's a ton of opportunity in servicing for really this dramatic change and Mr. Cooper wants to be on the forefront of that change.

Liz Mugavero [00:13:43] Awesome. And Jay how do you think the servicing landscape will change over the next few years, just given Covid and where we're going and all the exciting digital developments that we're starting to see? Where do you think it's going to go?

Jay Jones [00:13:56] You know, I think when you really think about percentages of new borrowers, new customers coming in, they live in a digital world. Most people want to use their phones, they want to use their computers. They want to be able to go to a website or go to a mobile app that allows them to get educated about whatever the topic is that they care about, possibly watch a quick video about the topic, right? And then be able to make a decision and take action on whatever that is. And I think that that's the world we're going to we're going to be able to put more transparency, more information out there as possible and allow quicker response time because customers want to have results quickly at the end of the day. And I think you're going to see that the rest of the servicing industry has to adopt that that way of life, if you will, to really provide a great customer service experience.

Dave Lucchino [00:14:41] I totally agree with you. Think about it from our perspective at Freddie Mac with our mission to try to drive affordability, stability, liquidity and equality to the mortgage market. You know, we don't want to lose sight at the end of the day we're here to help people become homeowners and then to help borrowers stay in their homes. And I love hearing you talk about the focus is on the borrower, it's on providing service. And while these tools are great in that they increase the efficiency between our teams and they help us to do the work, we're doing better, faster, cheaper, it's great. It's even better that they help you deliver that service you need to those borrowers where, you know, my team doesn't get to do that directly, but, you know, we feel good at every step along the way when we're able to help you deliver that solution to your homeowners. So, I love listening to that answer from you Jay, thank you.

Liz Mugavero [00:15:30] Excellent. Any closing thoughts from either of you?

Dave Lucchino [00:15:32] First, I want to thank Jay for joining us today in you know, again, I really appreciate his partnership and collaboration. And it's been Mr. Cooper and many other servicers and also technology partners as well across the ecosystem that have helped get us to where we are today. And while I think that we're in a relatively good place today, given what's going on around us, I'm even more excited about where we're going.



Jay Jones [00:15:57] Definitely, thanks for the time and thanks for involving me. We're excited about the tools. We're excited about the tools that are to come and we look forward to the partnership. Thanks again.

Liz Mugavero [00:16:05] That's awesome. Thank you. Both Reimagines Servicing will continue to be one of our major initiatives for the foreseeable future here at Freddie Mac. And we look forward to continuing our partnerships with Mr. Cooper and our other servicers in the industry as we emerge from this crisis. So thank you all for tuning in and please make sure to share this podcast with your network and your friends, have them tune in or they listen to podcasts and we look forward to seeing you on the next episode.

Announcer [00:16:32] Thank you for listening to the Freddie Mac Single-Family Home Starts here podcast. Stay tuned and subscribe to catch additional interviews with key industry leaders and experts. Home Starts Here is available wherever you listen to your podcasts. We appreciate you rating, reviewing, and sharing with your network.

