



# THE STATE OF THE SERVICER INDUSTRY **IN 2018**

THE RESULT OF ALTSOURCE'S  
ANNUAL INDUSTRY SURVEY

DECEMBER 2018



# EXECUTIVE SUMMARY

The Altisource® 2018 Default Servicers Survey was conducted online among 200 professionals in the U.S. mortgage default servicing industry. Fieldwork was conducted by independent global market analytics firm, Echo Research, between July 23 and 27, 2018. The overall margin of error for this sample size is +/- 6.9 percent at the 95 percent confidence level.

Based on the survey, recent economic indicators suggest that the housing market is approaching an inflection point. While delinquency and foreclosure rates remain low, home price appreciation is slowing and interest rates are increasing. Servicers therefore expect to see growth and increased delinquencies in their FHA portfolios. Now is the time for servicers to review their internal capabilities and ensure they are partnered with the best vendors to effectively prepare for a growing portfolio.

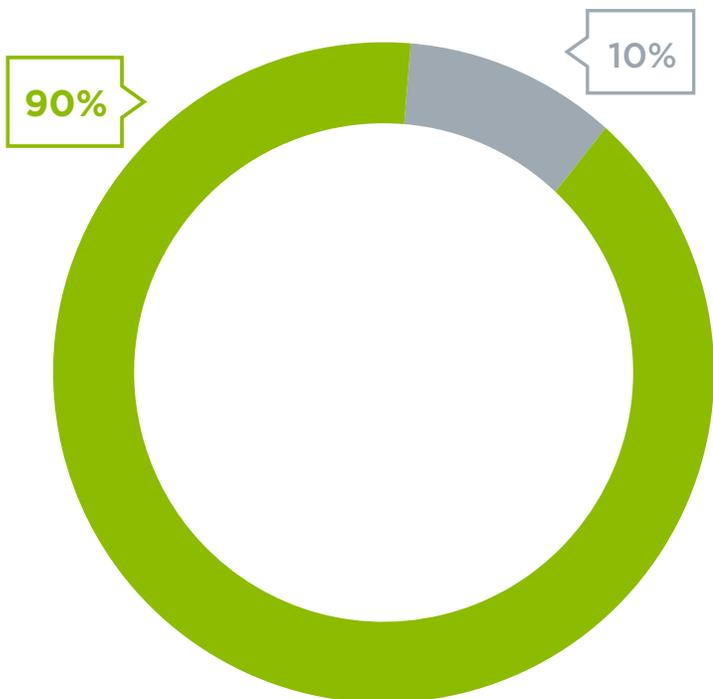
The following paper outlines insights and explores perspectives regarding the nuances of the market. I hope you'll find it useful as you consider the state of your organization heading into 2019.

Best Regards,

Patrick McClain  
Senior Vice President, Commercial Leader, Servicer Solutions

# BENEFITS OF CHOOSING A SINGLE VENDOR TO PROVIDE MULTIPLE SERVICES

Nine-in-ten mortgage servicing professionals surveyed are “very or somewhat” likely to consider a single vendor approach for multiple services. More than two-thirds (68%) say the ‘consistency and efficiency in managing the lifecycle of default/distressed properties’ is “very important” in adopting a single vendor approach.



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IMPORTANCE OF  
A SINGLE VENDOR  
APPROACH RATED  
VERY IMPORTANT  
**IN 2018**

With the reduction in overall default volumes today, the industry has seen a trend of servicers looking at their vendor base and seeking opportunities for consolidation. With a single provider, vendor oversight and audit requirements can be greatly reduced and there are significant opportunities to develop customized products and services to meet a client's specific needs.

Consistency  
and efficiency  
in managing  
the lifecycle of  
default/distressed  
properties

68%

Compliance  
management

65%

Access to data  
and analytics to  
support portfolio  
decisions

58%

Stronger point-  
of-contact  
relationships

57%

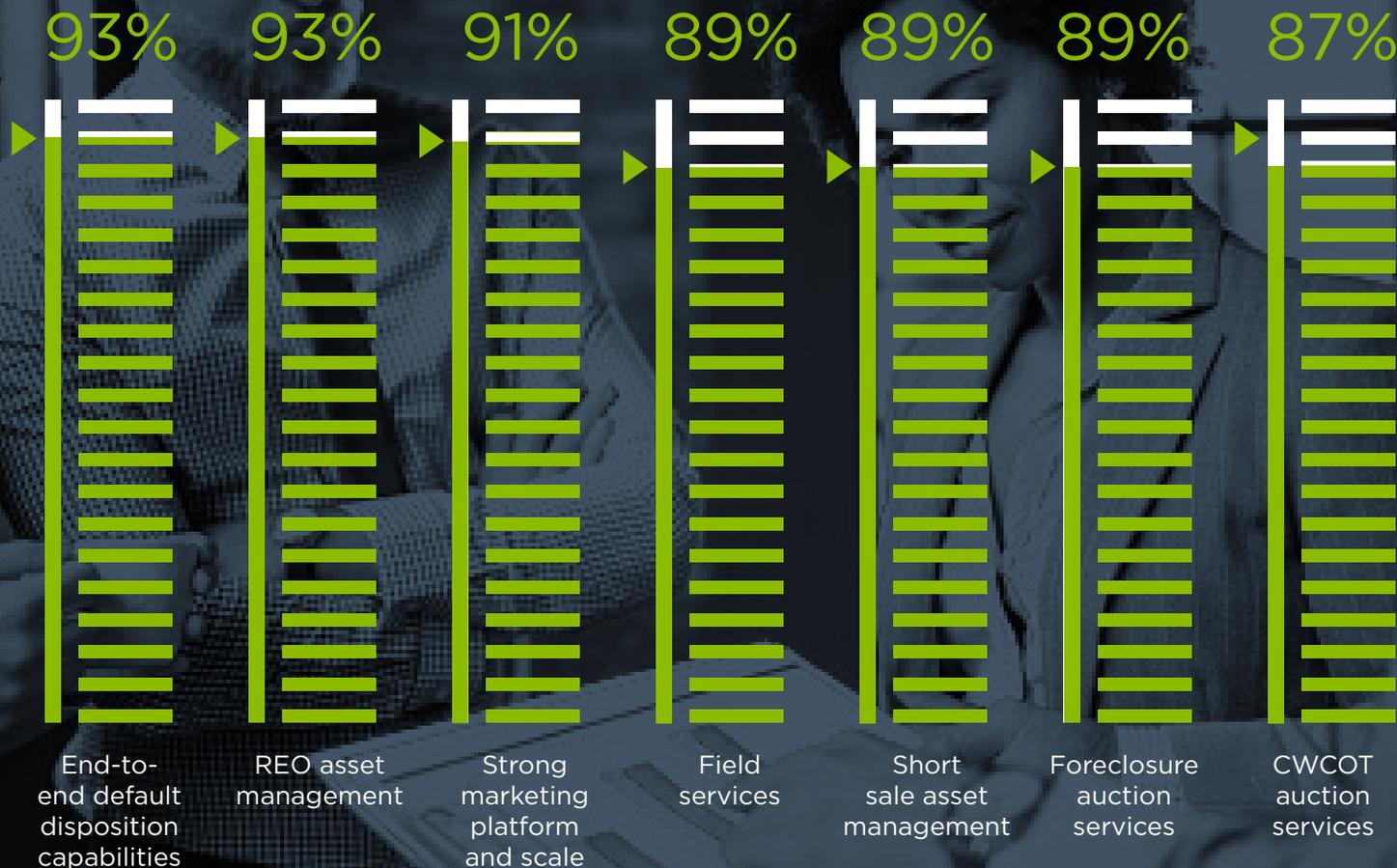
Streamlined  
costs

56%

# MANAGING DEFAULT PORTFOLIOS: **WHAT SERVICERS ARE LOOKING FOR IN A VENDOR**

The majority of default servicing professionals surveyed consider end-to-end default disposition capabilities (93%) and REO asset management (93%) “very or somewhat important” when choosing a vendor for managing their default portfolio.

## 2018 DEFAULT SERVICING SURVEY



In years past, when default assets under management were at a much higher volume than they are today, working with a small group of specialized vendors had some advantages. With the general decline in inventory over the past four to five years, many of these vendors have shuttered and the talent has moved to larger providers offering end-to-end capabilities, like Altisource®.

There is tremendous improvement in the ease of doing business and efficiency generated from vendors that can provide end-to-end disposition capabilities. This model can greatly reduce the massive back and forth associated with the use of vendors who only provide individual services and eliminate any friction associated with handoffs and data loss between different vendors. Further, this capability can result in a drop in servicers' required overhead.

Servicers indicated that having an REO asset management capability is a key component of an end-to-end disposition capability.

## A SUCCESSFUL REO MANAGEMENT PROGRAM WILL INCORPORATE THESE IMPORTANT FACTORS:

- 1 Expedited strategies, (i.e. superior marketing, short sale, CWCOT and foreclosure auction programs) to dispose of assets earlier in the default life cycle to minimize holding costs.
- 2 Clear demonstration of a tightly managed internal controls; ensure that compliance is built into every step of the process.
- 3 Access to real-time analytics at a portfolio level and asset level. Altisource offers our clients the use of our Equator® product, a fully integrated technology.

Regardless of the type of product a servicer is looking to market, they are putting increased emphasis on inventory management and a vendor's ability to understand the nuances of and implement all phases of asset management. While end-to-end disposition and REO management capabilities were noted by those surveyed as important with more frequency than the other phases, it is clear that having integrations with field services, valuations, title and settlement are also critically important for servicers outsourcing default management services.

INTEGRATIONS WITH  
FIELD SERVICES,  
VALUATIONS  
TITLE AND  
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**CRITICALLY  
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FOR  
SERVICERS**



# BEST PRACTICES FOR CONNECTING WITH **EFFECTIVE VENDORS FOR FORECLOSURE/TRUSTEE AUCTION SERVICES**

Servicers face multiple challenges when seeking effective foreclosure/trustee auction services. It can be tough to find an auction company that excels at nationwide marketing and foreclosure auctions that also works extremely well with individual trustees.

In an ineffective relationship, miscommunication between the auction service provider, the trustees, and the service can lead to unproductive marketing, erroneous, bidding procedures and rescinded sales. This can ultimately lead to a reduction in auction vendor performance, increased risk of litigation, and upset distrustful buyers.

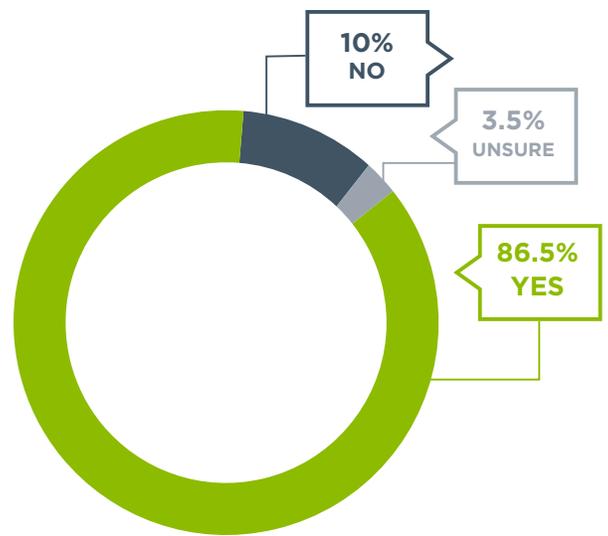
When servicers evaluate vendors, they should seek those with proven success with their marketing strategy, process controls, integrated analytics and streamlined communication processes between servicer, trustees and auction companies to help ensure accurate and error free execution of each foreclosure sale.



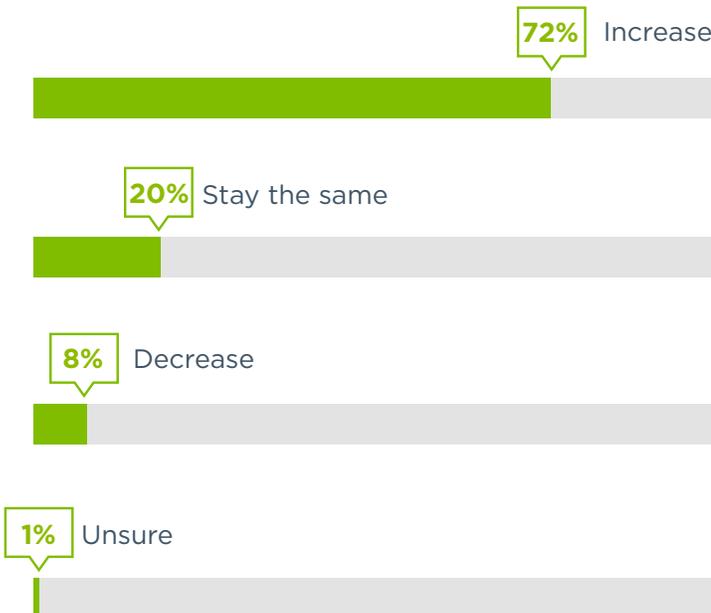
# WHAT DOES THE INCREASE IN FHA LOAN SERVICING MEAN FOR SERVICERS?

86% of those surveyed report that their organization currently services FHA loans. 72% of them expect their FHA loan portfolio to increase over the next 12 to 24 months with 77% of those expecting an increase of more than 25%. One in five of those whose organization currently services FHA loans predict volumes to stay the same. Only 8% expect a decrease. Only 8% expect a decrease.

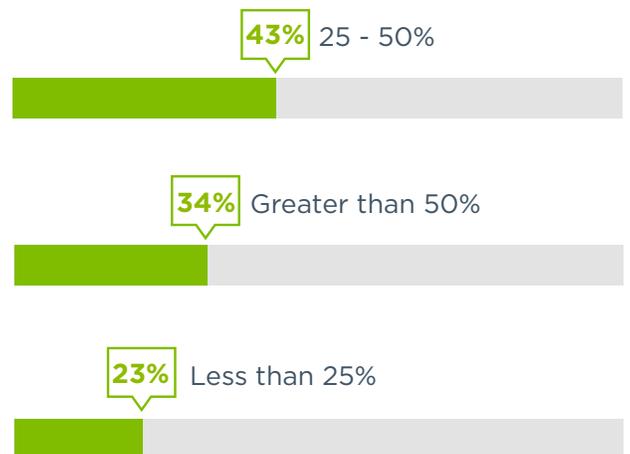
PERCENTAGE OF ORGANIZATIONS CURRENTLY SERVICING FHA LOANS



OUTLOOK FOR FHA LOAN VOLUME FOR THE NEXT 12 TO 24 MONTHS



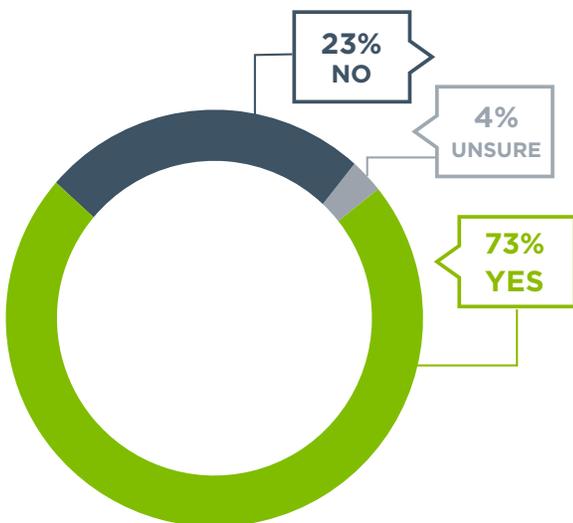
PERCENTAGE INCREASE EXPECTED OVER NEXT 12 TO 24 MONTHS



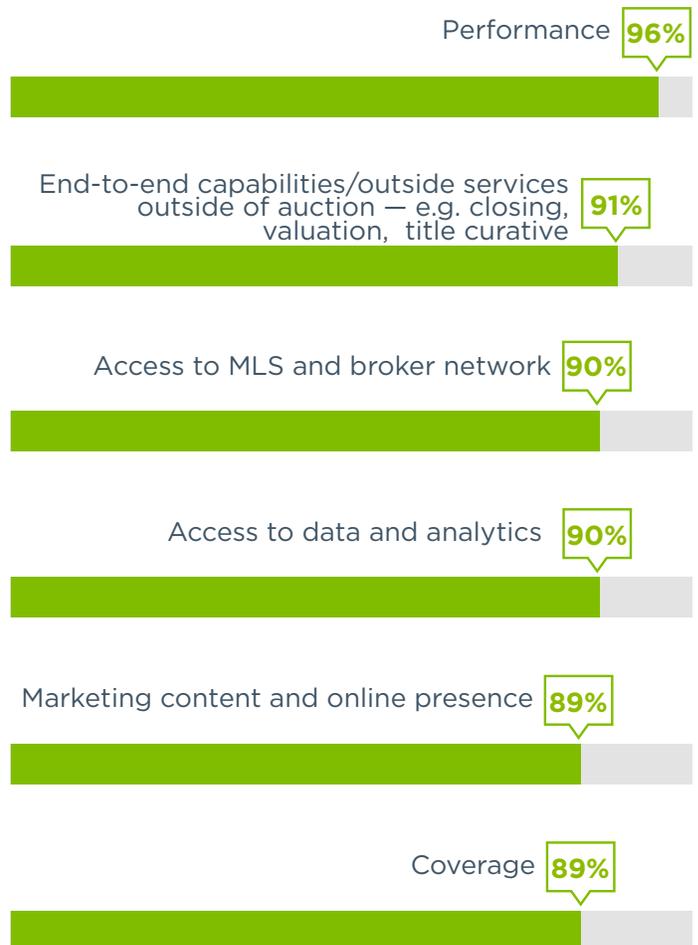
FHA loan limits increased at the beginning of 2018, making them even more attractive to consumers. They have remained popular as they allow for borrowers with lower credit scores to be eligible — and require lower down payments. While FHA loan delinquency rates remain low, there is always a percentage of consumers who will default. Servicers need to be prepared to handle these delinquencies and should work with an experienced CWCOT vendor to help manage their resolution effectively.

It can be challenging to choose the right CWCOT vendor, and servicers should seek organizations that can help seamlessly bring all stakeholders together with a focus on compliance, communication, and well-documented policies and procedures.

**PERCENT OF SERVICERS WHO CURRENTLY USE THIRD-PARTY VENDORS AS PART OF CWCOT PROGRAM MANAGEMENT**



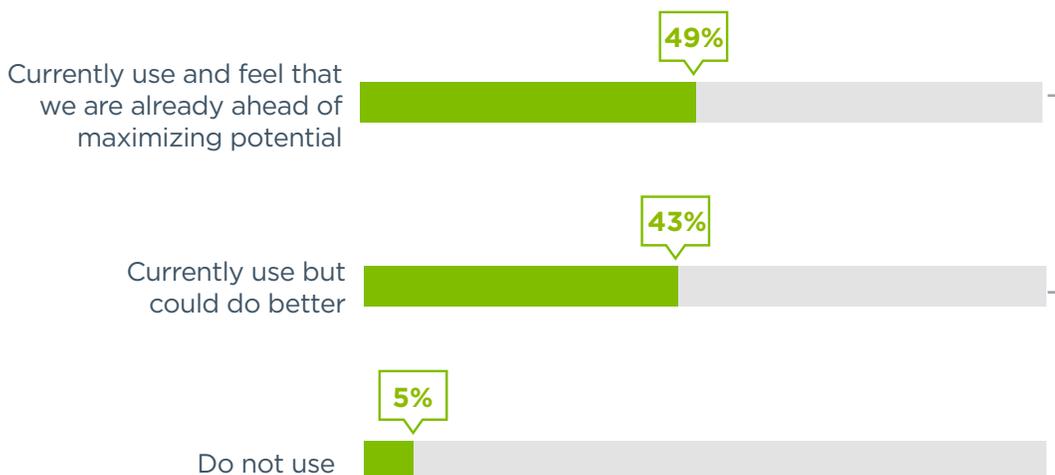
**FACTORS IMPORTANT IN CHOOSING CWCOT AUCTION VENDOR**



Of the mortgage servicing professionals surveyed, more than 73% are using a third party vendor as part of their CWCOT program management, with 91% of them citing that end-to-end capabilities and access to outside services (apart from CWCOT management) are important. In addition, when it comes to best practices for managing CWCOT, servicers should look for vendors who demonstrate strong performance holistically, and specifically feature a robust marketing platform that connects to the MLS, a deep broker network, demonstrable national coverage, and access to sophisticated data and analytics tools.

Altisource has years of experience managing large CWCOT programs and has invested heavily in leveraging that experience and data into tools and models that can help servicers understand the current market conditions, costs and timelines associated with different disposition strategies in order to help make the most informed decision. At a high level, the right analytics based model will compare the projected cost to convey a property to HUD versus predicted auction bid activity so that servicers can best evaluate existing offers and potential contributions. Ultimately, this will help ensure that loss is minimized to the greatest extent possible.

### PERCENT OF SERVICERS WHO CURRENTLY USE DATA ANALYTICS AND MODELING WITHIN THEIR CURRENT CWCOT PROGRAM MANAGEMENT



**57%**  
OF SERVICERS FEEL THAT THE CURRENT DATA ANALYTICS AND MODELING WITHIN THEIR CWCOT PROGRAM MANAGEMENT COULD BE BETTER

# CONTRIBUTORS



As Senior Vice President, Patrick McClain is responsible for driving the growth of Hubzu®, a leading online real estate marketing platform. In this role, Patrick oversees product innovation for the Company's Online Auction, Live Auction, Short Sale, Claims Without Conveyance of Title (CWCOT) and National Brokerage Services businesses along with Hubzu's client management program and business development strategy.

Patrick was previously Senior Vice President, Asset Management, for Auction.com, where he oversaw operations of the REO business unit including the asset management, contracting, title and closing groups. During his 20 year of experience in the industry, Patrick also held senior executive asset management positions at GMAC Mortgage and Atlas Nationwide.



As Director of Operations at Hubzu®, Travis Britsch is responsible for the strategic direction and leadership for Hubzu employees, which includes overseeing the development of new product offerings, driving real estate auction licensing compliance in all 50 states and leading operations related to each property sale nationwide. Travis is also responsible for training, managing and directly hiring proven and successful Hubzu technology and operations employees whose accomplishments have contributed to the business' growth each year.

Travis has over 13 years of experience in the real estate auction industry, is a license real estate broker in four states, and a member of the National Auctioneers Association.

