

Trend Watch

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Loan Mods Will Be All The Talk

By Anthony Garritano, Editor, Mortgage Technology Magazine



Next week the who's who of mortgage servicing will be gathering. The MBA will be hosting its National Mortgage Servicing Conference & Expo in San Diego, Calif. And boy is there a lot for mortgage servicers to talk about this year. Topic No. 1, though is likely to be loan modifications.

Marc Helm, CEO at RMS Inc., said, "I think participants will be talking about loan modifications for three reasons — the lack of success, the time that can be wasted and the need to improve borrower performance during the trial period. One, servicers spent a lot of time and effort on the HAMP modification program with a very small percentage of success. So they'll be talking about how much failure there's been or lack of success around the modifications they do."

"Secondly, people will be talking about the techniques they're using to make sure the modification is going to work, such as how to analyze borrowers so servicers spend their time on the ones that are going to make it and not the ones that are a waste of time. The borrower has to sign up for the program, then the borrower has to send in a lot of information, and then the borrower has to perform. The third thing they'll be discussing is: How are you modifying and managing your collection practices to help borrowers during the qualification period."

But as loan mods continue to go bad, more emphasis will be put on short sales, which is why expediting the short sale process is likely to be the No. 2 hot topic at the show this year. Sanjeev Dahiwadkar, CEO at IndiSoft, added, "With a lot of effort already being put into loan modifications and the high re-default rates, I think this year we will see short sales pick up. For the underwater loans, adjusting the loan amount close to today's property value will stop the bleeding. By being willing to take some losses on the loan, investors are helping borrowers avoid foreclosure, thus reducing the foreclosure pool, which ultimately stops the further price dropping."

"I too believe the hot topics at the MBA Servicing Conference will be short sales and collateral valuation," noted Mark Linne, EVP education and analytics at AppraisalWorld. "It's become very clear to the industry that ineffective collateral valuation is a major industry problem which needs to be resolved, and it's going to take more than people. Innovative technology will be critical to improving the way valuations are done."

"Lenders, investors and servicers alike are feeling the sting of having inaccurately valued their assets," concluded Jeremy McCarty, CEO at Valligent. "At the MBA Servicing Conference, we can surely expect everyone to be seeking ways to minimize risk through more accurate valuation, and that's not just in the origination process, but also as they value defaulting assets. I think that everyone is now coming to terms with the fact that taking the appropriate safeguards is critical to helping eliminate the possibilities of recurring defaults."

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