



Avaya Solutions Meet the Mortgage Modification Challenge

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Section 1: Recent Mortgage Industry Events Causing Numerous Challenges for Financial Services Providers

Many financial institutions, whose core business depends upon collecting structured payments for loans, are facing increasing collection challenges from financially stressed customers. These challenges can be attributed to the current economy, particularly the job market. With unemployment rates rising as high as 10%¹, many customers find themselves

struggling to maintain their debt obligations, including their mortgage.

Meanwhile, foreclosures, and related losses for the mortgage servicing companies, continue to rise. Mortgage companies are experiencing a delinquency rate of 7.88%² and approximately 1.37% of the books are in foreclosure.³ In the top

4 hardest hit states (FL, CA, NV, AZ), one in approximately every 115 homes are going into foreclosure.⁴ An estimated 1.5 million households received at least one foreclosure-related notice in the US in the first half of this year, according to Realty Trac Inc.⁵



Section 2: Government Home Owner Assistance Program Overview

In response to the drop in the housing market, increasing foreclosure rates, and \$300B in forecasted mortgage loan losses industry wide⁶, the Federal Government launched a stimulus package in Q1 of 2009 to stabilize the overall market. The program is geared toward helping home owners stay in their homes by setting aside \$75 billion to subsidize mortgage service providers to off-set associated loan losses. The program is set to expire in December of 2012.⁷

The stimulus program, known as the Home Affordability Modification Program (HAM), as well as economic conditions, have led to a 200% increase in demand for mortgage modification and refinancing requests from consumers.

As of July, “only 9% of eligible borrowers had seen their mortgage payments reduced with modified loans. And the first monthly progress report showed that 10 lenders had not changed a single mortgage.”⁵

Sample Mortgage Service Provider HAM Metrics⁵

Saxon	25%
Aurora Loan Services	20%
GMAC Mortgage	20%
JPMorgan Chase	20%
Wells Fargo	6%
Bank of America	4%
Wachovia Corp	2%

Sampling of mortgage service providers showing loan modification percentages against eligible population

In early August, a deal was struck between Treasury Secretary Timothy Geithner and more than two dozen mortgage companies to set a goal of modifying 500,000 mortgages by November 1st, 2009.⁸ As the program is projected through 2012, the goal is to modify 3-4 million loans overall.⁹ This agreement mandates a drastic ramping up to proactively increase the already overwhelming modification volumes.

....Frustrated with the slow pace of mortgage modifications for struggling homeowners, the Obama administration is seeking new commitments from mortgage-servicing companies to step up the pace...¹⁰

....Treasury Secretary Timothy Geithner and Housing Secretary Shawn Donovan demanded firms “devote substantially more resources” to HAMP modifications...¹⁰

....Rep Barney Frank, chairman of the House Financial Services Committee said his committee won't consider legislation to help banks unless there is a “significant increase” in mortgage modifications...⁸

While the environment is challenging, through strategic business planning and technology investment, companies who demonstrate their ability to service this demand are experiencing a competitive advantage by winning bulk mortgage servicing contracts.

Section 3: Financial Institutions Impacted by Changes in the Housing Industry

The significant increase in mortgage modification demand has led to challenges in handling the volume of requests within the contact centers as well as operations. Contact center and operational key performance indicators have hit unprecedented declines in service levels such as:

- Call hold times in excess of 1 hour
- Call abandonment rates upward of 50%
- Lending turn time increase of 15+ days (upward of 60-90 day cycle)

Estimates are that as many as 10,000 new jobs could be created to support the demand.¹¹ Mortgage service providers have been unable to increase staffing levels adequately to handle the full volume of requests in such a short time. This is due to both cost factors as well as infrastructure limitations in adaptability required to automate modification processes. Servicers are seeking strategic areas where technology and process automation can be applied quickly to gain relief and provide greater service levels.

As an industry leader in communications enablement, Avaya has identified the following focus areas for operational



automation that will improve key performance indicators (KPIs) associated with mortgage lending.

One core element in operational automation is utilizing contact-center technologies to automate key communication points with the customer. Communication automation is crucial in any area where capacity is constraining the ability to be proactive with the customer and to meet their needs. Additionally, to pre-empt delinquencies and losses, proactive communications and a cross-portfolio view are essential. The table below outlines key areas where communication can be automated and enabled, moving mortgage providers from a reactive to a proactive, best-in-class stance:

Key Performance Indicators	Root Cause	Opportunities for Communication Enablement
<p>Losses: Delinquencies 7.88% & Losses 1.37%</p>	<ul style="list-style-type: none"> • Current economic conditions including unemployment and decrease in income causing financial hardship • Property value decline leading to insurmountable gap between debt vs. asset value • Volume in delinquencies causing agents and operations to focus on later stage buckets • Capacity challenges in handling volume lead to reactive vs. proactive behavior • Customers desiring an alternative but are unaware of alternatives available so are more likely to default or be foreclosed on 	<ul style="list-style-type: none"> • Early Capture: Utilize cross-portfolio and cross-system indicators to identify customer behaviors that are indicative of potential delinquency: <ul style="list-style-type: none"> ◊ Late payment or delinquency on other portfolio products ◊ Frequent overdraft ◊ Non-payment on mortgage ◊ Decreasing FICO • Reason For Delinquency: Automate reason for delinquency checks using IVR technology at any point of contact to verify that the customer has financial hardship • Alternative Awareness: Automate HAM eligibility notification at any point of contact utilizing outbound campaigns and interactive voice communications

Key Performance Indicators	Root Cause	Opportunities for Communication Enablement
Volume: 9% of eligible borrowers have seen their mortgage payments reduced with modified loans	<ul style="list-style-type: none"> Volume of requests due to market demand Contact center and operations staffing levels does not match demand 	<ul style="list-style-type: none"> Pre-Qualification: Automate HAM pre-qualification steps to determine if a customer is eligible for mortgage modification, re-finance or other assistance and route them to the appropriate channel (e.g. Web) or agent to facilitate assistance efforts
Contact Center Service: Call hold times in excess of 1 hour and call abandonment rates upward of 50%	<ul style="list-style-type: none"> Backlog of requests for mortgage modification 90% of repeat inbound call volume are customers seeking status updates <i>(For one large financial institution, customers are being instructed to call back every week for the latest status, thus compounding the inbound volume challenge)</i> 	<ul style="list-style-type: none"> Proactive Outbound Status: Mitigate inbound status inquiry volume with proactive automated outbound notification campaigns associated with status of requests Call-Back Assistance: For customers waiting in queue, offer the ability to call-them back at either the next available agent and/or at their convenience. This helps to flatten call-volume across during contact center peaks and valleys while providing greater service levels
Turn Time: Lending turn time increase of 15+ days (upward of 60-90 day cycle)	<ul style="list-style-type: none"> Breakdown in customer communications due to lack of capacity 	<ul style="list-style-type: none"> Proactive Instructions: Closed-loop communications using proactive outbound campaigns alerting the customer to any missing documentation and instructions on what documents are missing as well as where they can be sent and any deadlines that need to be met

As discussed above, a proactive communication strategy can improve KPIs while enhancing customer experience. To gain the most advantage from an automated communication strategy, every customer point of contact should be evaluated for potential enablement and synchronization. This might include:

- Connecting Web points of entry to contact centers
- Utilizing/linking outbound campaign strategies (voice, email, SMS/Text)
- Inbound IVR capture and routing

The more synchronized the cross-channel communications strategy is, the more it enhances the customer experience and improves operational metrics.

Section 4: Enabling Communications to Meet Your Service Challenges

In partnership with a global mortgage service company, Avaya has developed a new solution critical to meeting the high demand in response to the Federal Government's Homeowners Assistance Modification Program. The solution, called Proactive Outreach for Mortgage Modification helps to:

- Pre-empt foreclosures by increasing awareness and participation in the Government Home Affordability Modification Program
- Improve customer service and decrease turn time through closed loop communications with customers participating in the program

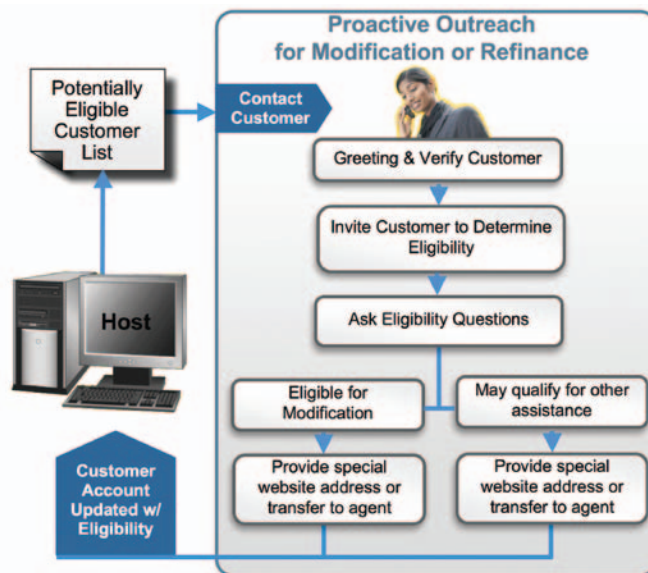
Proactive Outreach for Mortgage Modifications solutions from Avaya automates communication across channels in four key areas:

1. **Early Capture** by utilizing cross-portfolio and cross-system indicators to identify customer behaviors that are indicative of potential delinquency to drive proactive outbound awareness campaigns.
2. **Increase Awareness/Participation** through an outbound automated notification and pre-qualification campaign to potentially eligible customers can result in a multi-million dollar reduction in losses associated with foreclosures. This is in conjunction with inbound self-service capture can lead to a 50% reduction in status inquiries.
3. **Enhance Customer Experience** by providing proactive communications at any point of contact (including the above campaigns) as well as call-back assistance for inbound customers waiting in queue.
4. **Proactive Closed Loop Communication** to applicants around the status of their application or missing documentation to decrease lending turn time.

Section 4.1: Proactive Outreach for Modification Awareness

Approximately 7-to-9 million customers are eligible for mortgage assistance under the HAM program.¹² Of the total number of customers eligible for mortgage modification, only 9% have been modified. According to NewWireInvestor, one main reason is that customers are not aware of the program and therefore don't take advantage of it.¹³

To combat this, the Proactive Outreach for Mortgage Modification solution can launch an outbound awareness campaign utilizing automated messages and self-service interaction to notify customers that they are a potential candidate for mortgage assistance. The Proactive Outreach solution can utilize early-warning delinquency indicator data

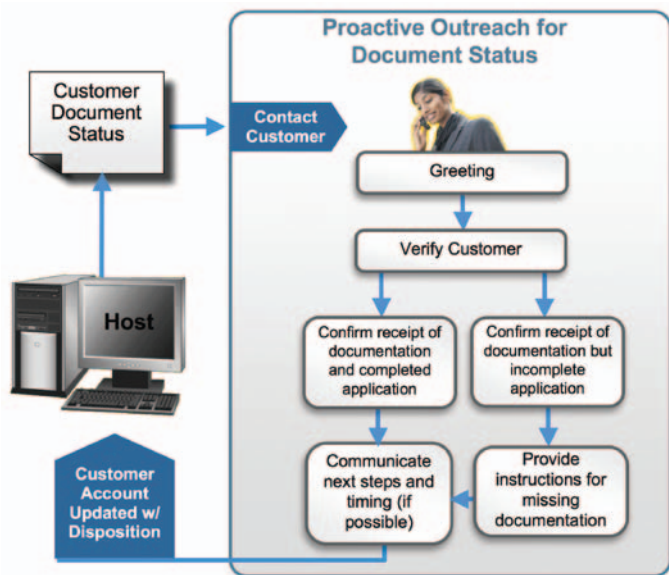


as well as lists of potential candidates to create a campaign list. Proactive Outreach uses advanced dialing capabilities (and multi-channel methods) to contact the customer. Proactive Outreach engages the customer in an automated dialogue and walks them through a series of pre-qualification questions. Answers to those questions are fed back to the mortgage service provider business rules/decision engine for qualification verification. The Proactive Outreach solution then presents the assistance options available. Customers who qualify for the modification or other assistance can be transferred to the agent or instructed to complete applications through other channels (ex. Web application).

By proactively informing customers of their potential eligibility for the modification program, mortgage service providers recognize improved volume, increased customer satisfaction and most importantly, a reduction in potential delinquency and losses associated with foreclosures.

Section 4.2: Proactive Outreach for Status Notification

Once a customer has passed the eligibility criteria for a modification or refinance, the agent (or Web) helps to facilitate the application process. Modifications and refinance transactions require extensive customer documentation to complete the application. The application process may mandate any combination of up to 34 documents to be submitted during the application process. When the mortgage service provider receives the required documentation they verify it and:



- checks for completeness and accuracy
- updates their internal document tracking system.

In today's operations environment, operations personnel must notify the customer of missing or incomplete documentation.

On average, up to 50% of applications have missing or incomplete documentation upon initial application creating a pipeline of mandated outbound communications and a backlog because of the volume and availability of operations resources.

Proactive Outreach can automate this process by triggering near real-time outbound communications based upon the application/documentation status captured in the document management system. Proactive Outreach automatically reaches out to customers to engage them in an automated dialogue to inform them of the status of their documentation. This lets them know if:

1. All documentation has been received and advises that an agent will contact them shortly for next steps, or
2. Documentation has been received but is incomplete or inaccurate. The system then informs customers about any items that are missing and gives them instructions about where to send the remaining documentation.

By proactively informing customers of their status, inbound traffic can decrease dramatically which, in turn, improves contact center metrics, customer satisfaction, and volume.

Section 4.3: Call Back Assist (inbound call or via Web)

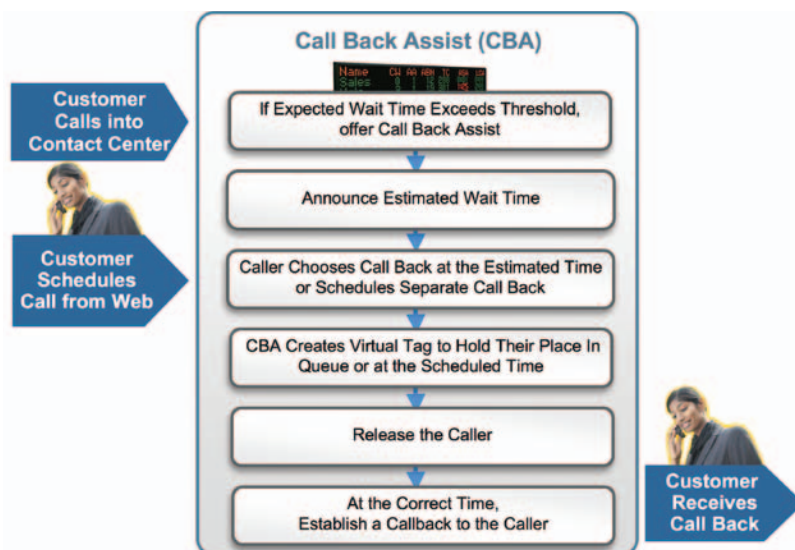
Call Back Assist (CBA) is a particularly powerful tool for contact centers experiencing high call traffic. When call volume exceeds staffing levels, CBA gives customers the expected wait time followed by several options allowing them to::

1. Continue to hold for the next available agent.
2. Arrange for an immediate call back and the expected call back time (holds their place in queue without requiring them to remain on the line).
3. Schedule a call back at a convenient time in the near future.

Customers presented with the option for a call back, are given time slots (configurable) to be either next in line, or times that are more convenient to the contact center (non-peak times), or times more convenient to both the customer and contact center.

Additionally, customers checking into mortgage modification through the Web, can be provided with a link to allow them to schedule a call with a live agent for discussion. Customers can provide a contact number and select a desired time. Call Back Assist will then include these requests in the contact center agent queue.

Call Back Assist can help balance contact center volume, and help to improve customer experience as well as contact center service metrics by reducing abandonment rates.



Section 5: Avaya Is the Right Choice for Proactive Communication

Avaya is uniquely positioned to assist you in implementing an appropriate proactive notification solution to enable communications at any point of contact. Avaya contact center technology is deployed in over 90% of the top FORTUNE 500 financial institutions and is most likely deployed in your company. Avaya offers the most feature-rich and well-designed contact center solutions in the market. It supports massive scalability, high availability, and highly secure solutions backed by the industry's leading service organization to keep your systems and applications up and running. Additionally, Avaya holds industry leadership positions in outbound dialers and automated portal technologies including speech recognition. Avaya has some of the most experienced professionals to design and deploy proactive notification solutions.

Section 6: Summary

Avaya's best-in-class solutions empower companies to address their primary business challenges and can provide measurable results. Once in place, the outbound campaign strategy can be extended to further automate agent processes as well as additional mortgage and financial institution operations.

Avaya's Proactive Outreach for Mortgage Modification solution can help your business rapidly launch multi-channel, interactive outbound campaigns targeted at Mortgage Modification eligible customers resulting in the ability to:

- 1. Pre-empt foreclosures** by increasing awareness and participation in the Government Home Affordability Modification Program
- 2. Improve customer service and decrease turn time** through closed loop communications with customers participating in the program

To find out more about the Avaya Solutions please contact your Avaya representative or Chuck Hall (crhall@avaya.com) or Kevin Reilly (kfreilly@avaya.com) from Avaya Professional Services, Financial Services Vertical division.

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About Avaya

Avaya is a global leader in enterprise communications systems. The company provides unified communications, contact centers, and related services directly and through its channel partners to leading businesses and organizations around the world. Enterprises of all sizes depend on Avaya for state-of-the-art communications that improve efficiency, collaboration, customer service and competitiveness. For more information please visit www.avaya.com.