

# MOMENTUM

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# President's Message

Dan Scheuble, President, Mortgage Processing Services Division, and Co-Chief Operating Officer, Lender Processing Services, Inc.



Dan Scheuble

As you know, the Department of Treasury is now issuing monthly reports on the success of the Making Home Affordable (MHA) program. In talking with many of you, I know what a challenge implementing this program has been, but I also know your commitment to its success and to helping your borrowers. We recently launched the [MHA Interactive Knowledge Center](#). This Web site is a quick reference for you to find out about the solutions LPS offers to support your MHA efforts. We also post current data and white papers to provide information that can support you in your modification and refinance efforts. This site is updated regularly – I hope you will bookmark it and visit often.

In July, we celebrated our first anniversary as Lender Processing Services. While it has been a challenging year in the mortgage industry, we are pleased that this spin off allows us to more quickly deliver the products and services you need. We discuss a few new offerings in this issue. Our [analytic scores](#) and [new versions of LPS Empower](#) assist servicers in refinances – both of which are integrated with MSP, giving you the solutions you need where you need them.

LPS also recently acquired [Verification Bureau](#), a fraud and verification solutions company. With this acquisition, we can now offer Web-based [identity and income verification solutions](#) with turnaround times 50 percent faster than the industry standard. This could significantly ease the income verification requirements under MHA for servicers. I encourage you to read more about these exciting new solutions.

We are also proactively building new consulting offerings to provide you with improved processes and best practices as you deal with imminent and growing challenges. In addition, we can provide staff augmentation, so you can focus on your core business and customer needs. Read more about our [portfolio segmentation](#) and [due diligence/expanded acquisition consulting](#) services.

Lastly, while April 2010 is still several months and many new challenges away, we have scheduled the 27<sup>th</sup> Annual Information Exchange. Please mark your calendar now for April 18 – 21. We will be sending more information as the date nears.

As always, thank you for your support and please contact your Account Director if LPS can assist you in any way.

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## [ Fight Fraud with LPS' Fraud Prevention Tools

As the volume of modification and refinances increase exponentially, servicers are simultaneously faced with the pressure to turn them around faster in an effort to keep people in their homes. Unfortunately, the risk for fraudulent loan submissions remains high, and rushing through these tedious processes only increases the threat to your balance sheet.

With the recent acquisition of [Verification Bureau](#), servicers can turn to LPS for the mortgage industry's most comprehensive solution for combating mortgage fraud and managing risk. LPS now delivers automated, Web-based solutions to quickly verify applicant income and identity against Internal Revenue Service (IRS) and Social Security Administration (SSA) databases. All results are delivered through secure, convenient online accounts, and users can submit and track orders in real time.

### Income Verification for Loan Modifications

LPS can expedite the retrieval of income information from the IRS, enabling servicers to process modifications faster. Servicers are required under the government's Making Home Affordable plan to obtain a signed 4506-T IRS form. Then, if the borrower cannot provide previous tax returns or if they are questionable, the

servicer can choose to execute the 4506-T IRS form. This can be tedious and labor-intensive and can delay the modification process. With LPS' Income Verification solution, however, servicers can retrieve applicant income tax information directly from the IRS database in as little as one business day.

LPS' income verification report can also include the following:

- 1040 personal income tax returns
- 1065, 1120 business income tax returns
- W-2 and self-employed income (all sources of income)
- Verification of tax filing (income data is not disclosed)
- Record of account/transcript of account (history of transactions with LPS)

### Mitigate Your Fraud Losses

Projected losses from mortgage fraud in 2009 are estimated at \$6 billion. Let LPS help you mitigate your exposure to and losses from fraud while streamlining your loan processes for faster modifications. For more information on LPS' [income, identity or employment verification](#) reports, please contact your MSP Account Director.

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## New Enhancements in MSP Help Target Potential Loss

LPS has added an enhancement to MSP that enables the presentation and use of two LPS [Applied Analytics Scores](#) within the servicing system.

The scores now presented in MSP are the *12-Month Cumulative Probability of Default Score* and the *Anticipated Loss Severity Value Percentage*. These scores provide servicers the ability to accurately determine the likelihood of a loan going into default, as well as the amount of the potential loss. In addition to improving the overall risk management strategy, MSP clients can use these scores to identify and segment loans for contact strategies or loss mitigation.

“LPS Applied Analytics is working to integrate our scores into the products our clients need and at the right point in the process,” said [Kyle Lundstedt](#), Managing Director, LPS Applied Analytics. “Adding our scores to MSP is one example of this, and we chose these particular scores based on customer feedback. We look forward to further discussion on how this product has worked, and what enhancements may be beneficial in the future.”

For more information or to implement this enhancement, talk to your Account Director today.

## One Central Resource for the Making Home Affordable Program

Now you can find the latest details about the technology, services and best practices LPS offers to support the Making Home Affordable (MHA) program in one convenient site. On June 23, LPS launched the [Making Home Affordable Interactive Knowledge Center](#) to provide helpful, interactive information on the MHA program. A sample of the features of the MHA Interactive Knowledge Center include:

- A white paper on how MSP supports the Home Affordable Modification Plan (HAMP) and the Home Affordable Refinance Plan (HARP)
- The most recent Mortgage Monitor report, with information and analysis of mortgage trends and loan performance data
- An interactive demo describing LPS’ automated income verification solutions
- A short video about LPS’ strategic consulting services
- An updated MSP functional diagram showing new MSP enhancements to assist with tracking modifications
- An interactive demo describing LPS’ Proactive Risk Management solution

Visit [LPS’ MHA site](#) today, and click the [Contact Us](#) button to request more information or to provide your feedback.



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## LPS Hosts Second Making Home Affordable Teleconference

To provide clients with updates on the Obama administration's Making Home Affordable (MHA) plan, LPS hosted a second client town hall teleconference on July 9. Hosted by [Jeff Mouhalis](#), Executive Vice President of Product Delivery for LPS' Mortgage Servicing division, the meeting featured presentations from three LPS executives, who provided additional details on the many ways LPS can support clients with loan modifications in MHA's Home Affordable Modification Program (HAMP).

[George FitzGerald](#), LPS' Senior Vice President of Product Strategy, announced several MSP enhancements implemented to support HAMP, including: a system flag that alerts servicers when the piggyback balance on the loan is truly a deferred balance; adding modification screens that allow pre- and post-modification dates and loan values to be seen; and making the USR3 screen available to all MSP clients for the additional data needed for HAMP reporting among other enhancements.

"We have a number of important MSP enhancements that have been implemented, many more that are in-flight and approximately 30 others that are being scoped for additional information," said FitzGerald. "Clients can check the PowerCell® Web site for Q&A documents, white papers, weekly MSP updates for loan modifications, a quarterly bulletin called *Strategies Confidential* and information on upcoming in-person meetings."

To help MSP clients take full advantage of all the system enhancements detailed by FitzGerald, [Lynn Hatfield](#), Senior Vice President of Professional Services for LPS' Mortgage Processing Services division, presented several creative ways

her team has identified to further support clients in HAMP – either remotely or on site. "At clients' request, we've visited a number of locations to offer basic training on HAMP's modification program to employees," Hatfield explained. "Beyond the systems impact, they want us to help employees understand what the HAMP guidelines mean from a business perspective."

Mark Katibah, Senior Vice President of Analytics for LPS' Strategic Consulting Services division, described the value-added services LPS can offer around the challenges clients are facing with HAMP. "Clearly the most impactful way we're helping clients is to walk the process to find any failure points or where there might be bottlenecks," Katibah said. He explained how LPS Strategic Consulting Services experts identify duplicate efforts, appropriate points in the approval process and where documentations should occur in the HAMP process.

LPS continues to reach out to clients with MHA information through town hall teleconferences, Webinars, onsite visits and more. For dates and times of future audio or video client communication, or for help with your business' specific needs, please visit the [PowerCell Web site](#) or contact your Account Director.

*To request a transcript of the client town hall meeting or for more information and help with MHA, visit LPS' Making Home Affordable Interactive Knowledge Center at [www.lpsvcs.com/MHA](http://www.lpsvcs.com/MHA).*



## MSP Enhancement Reviews

The following enhancements were installed between July and September 2009.

### Fannie Mae MBS Low Balance Loan Liquidation

(EN3056, IP 2048, MSP 09-29)

This standard enhancement modifies the Fannie Mae MBS liquidation and payoff reporting process to comply with regulatory requirements for low balance liquidations. It adds a low balance adjustment field to various screens and reports to enable pool-level reporting and support reconciliation for low balance liquidation loans that have been paid in full or repurchased.

### ELOC Breakpoint and Tiered Rate Calculations

(EN3064, IP 2063, MSP 09-30)

This standard elective enhancement modifies the existing ELOC Workstation for equity lines of credit to provide additional functionality to support Breakpoint and Tiered Rate calculations. This enhancement also adds a segment identifier field that enables you to identify the product of each segment of an ELOC loan (cash, credit card, promotions, etc.) as applicable.

### Loan Modification Screens Expansion

(EN3116, IP 2139, MSP 09-31)

This standard enhancement adds four screens and two work windows that enable you to add loan modification information to the loan modification history. This provides a central location to store any type of loan modification.

### Freddie Mac HAMP EDR Codes

(EN3122, IP 2169, MSP 09-32)

This standard enhancement creates 12 new action event codes and modifies two existing codes, along with providing the automatic system-generated HMP default reason code for the Home Affordable Modification Program (HAMP). The HMP default reason code was created by EN3127 (HAMP Modification Status and Co-Borrower Fields [MSP09-34, IP 2170]).

### HAMP Incentive Screen and Fields

(EN3129, IP 2172, MSP 09-33)

This standard enhancement creates the Loan Incentive Program screen (MLIP) in the MSP Info Tracking Workstation. This screen enables you to enter and maintain borrower incentive information, including the borrower's monthly and anniversary-to-date accrual amounts and the anniversary date of the loan's participation in the program.

### HAMP Modification Status and Co-borrower Fields

(EN3127, IP 2170, MSP 09-34)

This standard enhancement enables you to track the modification status of a loan and provide co-borrower credit score information. You can also select comments related to loan modifications.

### ELOC Annual Cap

(EN3104, IP 2148, MSP 09-35)

This standard elective enhancement enables you to set an annual interest rate cap that is applied when billing occurs for unsegmented or segmented ELOC loans. The cap can be set at the plan level and adjusted at the loan level. This rate cap applies to both increases and decreases in the interest rate and is based on a rolling 12-month period.

### Allow Reversals on Piggyback Loans with Zero P&I

(EN3137, IP 2183, MSP 09-36)

This standard enhancement enables the MSP system to process in one day the reversal of a payment applied to a loan that, as part of a loan modification, has a piggyback second mortgage established which requires no principal and interest payment (zero P&I).

### HAMP Credit Bureau Trial Period Modification

(EN3135, IP 2189, MSP 09-37)

This standard enhancement satisfies certain requirements outlined in the Making Homes Affordable Plan published by Fannie Mae, Freddie Mac and the U.S. Department of Treasury. If a mortgagor is current with payments prior to entering into the Home Affordable Modification Program (HAMP) trial period and continues to make each

month's payment on time throughout the trial period, the account status is reported with a value of 11 (current) when certain loan-level criteria are met.

### HAMP Combine 1<sup>st</sup> PB with Piggyback PB for MI Billing

(EN3126, IP 2176, MSP 09-38)

This standard enhancement enables mortgage insurance companies to use the gross unpaid principal balance and the deferred piggyback principal balance when calculating premiums. This applies to loans for which the 2ND-DEFERRED-BAL-IND (reference #1620) master file field is P, indicating that 100% of the second principal balance is principal deferred.

### ELOC Final Billing

(EN3074, IP 2069, MSP 09-39)

This standard elective enhancement creates a final bill record that the system uses to generate a final bill statement when an ELOC loan is paid in full. The final bill statement is stored in the Online LetterWriter system and can be sent to the customer.

### Restructure of ELOC Billing Date Files

(EN3067, IP 2141, MSP 09-40)

This standard elective enhancement is in support of the ELOC loan segmentation expansion project. It creates new external output files for original billing and for replacement/correction bills that are sent to external output files (IP 1902 only). The new external output files are expanded to accommodate record and data field size changes, enabling you to report up to 25 segments for an ELOC loan. The files' restructure facilitates the expansion within MSP and improves file handling for print vendors.

### Add Escrow Disbursement Trans to T33D

(IP 1686, MSP 09-41)

This optional enhancement modifies report T-33D to include all escrow deposits, reversals, refunds and disbursements processed after the date a loan's principal balance is reduced to zero.



## Empower® Loan Origination System Introduces Two New Time-to-Market Options

[Empower®](#), LPS' state-of-the-art, enterprisewide loan origination system (LOS), has a strong reputation for providing functionality for every facet of the origination process, including consumer, retail and wholesale point-of-sale channels; FHA, VA and Conventional product support; funding and auditing; product and pricing; electronic document and imaging; and industry standard interfaces. Now Empower offers even greater functionality with two additional options to better meet changing business needs.



"Lenders praise Empower for its capacity to be customized and configured exactly the way the business needs it," said [Don Covey](#), Managing Director of LPS' Empower division. "This option to completely customize is still available, but LPS is introducing two new delivery mechanisms to provide smaller lenders – or those without technical resources – and start-up originators with options better suited to their needs."

### New Time-to-Market Options

The design of each Empower delivery mechanism facilitates originators' ability to migrate between three solutions as business needs change. Empower Express and Empower Express Plus are the two newest time-to-market options, while Empower End-to-End will continue to be offered for clients who prefer complete customization capabilities.

- [Empower Express](#) is LPS' turnkey origination system that completely processes a loan based on predefined rules, workflow and screens. This out-of-the-box LOS supports the entire origination process. By standardizing the business rules and screens, Express can be implemented in less than 90 days.
- [Empower Express Plus](#) opens up the LOS' rules engine, enabling lenders to customize the predefined screens, workflow and rules to meet unique business needs. Empower Express Plus offers complete functionality for the loan origination process and can be implemented in three to six months.
- [Empower End-to-End](#) is built on a toolkit approach and enables complete customization.

### New Pricing, Hosting and Integration with MSP

Empower is also now available in a per-loan pricing or a licensed model. In addition, Empower can be implemented as an in-house solution or via LPS' secure data center in Jacksonville, Fla. Furthermore, Empower is integrated directly with LPS' Mortgage Servicing Package (MSP), which eases the loan boarding process and further simplifies any necessary refinances, since the loan data is easily transferred between systems.

### Empower Helps with Refi Volume

With the loan-to-value (LTV) maximum increase to 125 percent for a refinance under the government mortgage relief plans, lenders are overwhelmed with refinance requests. For simple refinances with no cash-out request, why delay the process and send your customer back through the entire underwriting and origination process?

Call your Account Director to find out how Empower's new time-to-market options could quickly provide a comprehensive LOS to help manage refinance volume and retain more customers.

## Segmentation Solutions to Resolve Your Portfolio's Biggest Pain Points

UPB (\$000)								
	Low		Medium		High		Totals	
Very Low	\$960,000	6%	\$ 960,000	6%	\$ 960,000	6%	\$ 2,880,000	18%
Low	\$1,280,000	8%	\$ 1,280,000	8%	\$ 1,440,000	9%	\$ 4,000,000	25%
Medium	\$640,000	4%	\$ 800,000	5%	\$ 1,600,000	10%	\$ 3,040,000	19%
High	\$480,000	3%	\$ 800,000	5%	\$ 1,440,000	9%	\$ 2,720,000	17%
Very High	\$160,000	1%	\$ 320,000	2%	\$ 2,880,000	18%	\$ 3,360,000	21%
Totals	\$3,520,000	22%	\$ 4,160,000	26%	\$ 8,320,000	52%	\$ 16,000,000	100%

A sample of the actionable analytics LPS can produce.

In an ideal world, delinquent borrowers would contact their servicers to discuss and agree to the best loan workout plan. The reality is that many delinquent borrowers do not. The next best alternative for servicers is to find an effective way to identify the right at-risk borrowers, contact them before further delinquency, and reach an agreement with borrowers during the first interaction for a workout plan. LPS' experienced consultants can partner with servicers to segment portfolios and develop strategies targeted for each portfolio.

As an initial step, LPS recommends that servicers first segment portfolios by payment risk. Once the borrowers have been segmented by their likelihood of missing a payment, the results are followed by a determination of loss exposure to identify bands of low, medium and high balances. "By starting with a simple model of combining payment risk level with balance level, LPS helps servicers efficiently segment portfolios to target the most critical loss mitigation candidates: borrowers with high probability further delinquency or loss and high balances," said Mark Katibah, Senior Vice President, LPS Strategic Consulting Services.

“Through collaboration with servicers, LPS has the strategic consultants that can assist servicers with the recovery of their most costly real estate assets and help more borrowers remain in their homes.”

**Mark Katibah**, Senior Vice President,  
LPS Strategic Consulting Services

LPS then partners with clients to develop innovative borrower contact strategies and associated workout treatments. LPS can identify specific dates for borrower contact and recommend the most appropriate communication channels, including: automated, predictive or manual dialer processes; letters; e-mails; text messages; and face-to-face visits at the property. The staff experience necessary for each type of offer or risk level is also specified. Furthermore, LPS can work with servicers to enhance their analytics capabilities to be more inclusive of other predictive variables and to measure the impacts of their new strategies. Although LPS Strategic Consulting Services can offer a one-time consultation, performing regularly scheduled analytic assessments are the most effective way for LPS to help you track the progress of strategies and make recommendations for improved success.

"We want to help identify loss mitigation solutions that work across investors, servicers and borrowers," Katibah continued. "Through collaboration with servicers, LPS has the strategic consultants that can assist servicers to preserve their most costly real estate assets and help more borrowers remain in their homes."

*For more information on portfolio segmentation, contact your MSP Account Director.*

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## LPS Due Diligence and Expanded Acquisition Services

Significant changes in the mortgage industry are driving more opportunities for servicers to grow through loan acquisitions. As a result, the current mortgage market is witnessing a significant increase in servicing transfer activities.

Whether a servicer has recently acquired a portfolio of loans or is deciding on an acquisition, each needs to fully assess the portfolio – what the previous servicers did and didn't do for the portfolio of loans; how the portfolio in question differs from the existing products; what staff and resources will be required to service this portfolio; and more. "LPS' consultants average more than 21 years of industry experience and are ready to assist with operational assessments and staff augmentation to assist with the decision whether to acquire the loans and ensure your loan acquisition is successful," said [Lynn Hatfield](#), Senior Vice President, LPS Professional Services.

### Operational Assessments

LPS will perform a comprehensive, operational due diligence analysis tailored to the current servicer of the loans and the portfolio being acquired, including a review of: the types of products and condition of loans in the portfolio, current servicing agreements, prior servicer audit results, delinquency data trends and loan-level reports.

In addition, if the loans being acquired differ from the current products in a servicer's portfolio, LPS consultants can bring employees up to speed on the differences and requirements.

### Staff Augmentation

Managing a loan acquisition while maintaining daily operations in today's complex environment can be very demanding. LPS is equipped to perform the tasks necessary with an acquisition, so servicing operations can remain focused on managing their portfolios and meeting their customer needs.

### Complementary Solutions

In addition to the expert consultants who can provide operational assessments and staff augmentation services, LPS offers additional solutions to further enhance the success of a loan acquisition. LPS' data conversion professionals have a proven track record of quality mapping, analysis, data validation and testing. This team has decades of experience in completing on-time and under-budget conversions. LPS also offers hands-on loan-level reviews to help meet today's demands from Fannie Mae, Freddie Mac, HUD and other investors for portfolio transparency.

*Ask your Account Director how LPS Professional Services can take your servicing business to the next level of success.*

#### LPS Professional Services Reviews

LPS Professional Services offers a complete operational due diligence process that includes the following:

LOAN ADMIN	FINANCIALS	DEFAULT
<ul style="list-style-type: none"> <li>Escrow Administration</li> <li>Special Loans</li> <li>Payoffs</li> <li>Assumptions</li> <li>New Loan Boarding/ Acquisitions</li> <li>Customer Service (Call Center)</li> </ul>	<ul style="list-style-type: none"> <li>Investor Accounting and Reporting</li> <li>Bank Reconciliation</li> <li>Cash Processing</li> <li>Corporate Accounting</li> </ul>	<ul style="list-style-type: none"> <li>Collections</li> <li>Foreclosure</li> <li>REO</li> <li>Bankruptcy</li> <li>Loss Mitigation</li> <li>Claims Processing</li> </ul>

# 2010

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LPS' 27<sup>th</sup> Annual

## Information Exchange

April 18 – 21, 2010

The Orlando World Center Marriott

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# NEW GOVERNMENT PROGRAMS ... MEET THE DEMANDS MHA SOLUTIONS DELIVERED BY LPS

## ONE SOURCE. POWERFUL SOLUTIONS.

The loan modification and refinance initiatives that make up the government's Making Home Affordable (MHA) program are transforming the mortgage market as we know it. To successfully navigate this new environment and everything related to MHA – you need the industry's most powerful, experienced partner: **LPS**.

No other provider offers more resources to help your mortgage business thrive than LPS. Our insightful data and technology help to identify troubled borrowers. We also provide a wide range of solicitation and fulfillment solutions, streamlined refinance and modification programs, sophisticated servicing technology and comprehensive reporting. LPS experts help you identify the tools you need – and quickly set up the most effective solutions to reduce risk, increase efficiency and strengthen your competitive edge.

What's more, LPS stays on top of complex, loan-related government regulations like RESPA and the Home Valuation Code of Conduct to help you remain in compliance.



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### Let LPS provide the power and insight to successfully manage new loan relief programs and regulations:

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- Loss Mitigation Refinances
- Servicer Data Aggregation, Tracking and Reporting
- eMortgages
- Appraisals and Valuations
- Data and Analytics
- Default Management
- Due Diligence/Forensic Appraisals
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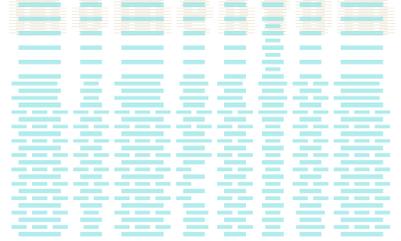
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*Momentum®: News about Mortgage Servicing in Motion* is a quarterly publication designed to inform, educate and communicate with clients, prospects and business partners of Lender Processing Services' (LPS) Mortgage Servicing division.

The goal of the online publication is to provide useful, interactive information about LPS clients, solutions, products, enhancements and business partners, as well as industry issues and developments.

If you are an LPS client and would like to receive *Momentum* or add a co-worker to the distribution list, please e-mail: [mortgage.marketing@lpsvcs.com](mailto:mortgage.marketing@lpsvcs.com)

We encourage feedback from our readers. Please send comments to:

E-mail: [mortgage.marketing@lpsvcs.com](mailto:mortgage.marketing@lpsvcs.com)

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## Get Strategic Mortgage Data – Before It Goes Public

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[Click here](#) for a dial-in number and link to the next LPS Mortgage Monitor presentation.

To view past Mortgage Monitor presentations, [click here](#).

