

# MOMENTUM

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Dan Scheuble

## President's Message

[Dan Scheuble](#), President, Mortgage Processing Services Division, and Co-Chief Operating Officer, Lender Processing Services, Inc.

As I'm writing this, I'm sitting in Jacksonville, Fla., overlooking the St. Johns River. While it is a little cold for us, I can't complain. On the last weather report I saw, Washington, D.C., had received 20 inches of snow with its latest snowstorm, and had experienced two storms the week before, with another on its way.

I can't help but think how this resembles the challenges we faced in the industry during 2009. We would get hit with one storm, and just as we were digging out, another would come – and continue one right after another. Changing regulations, recidivism rates for loan mods ... I won't rehash all of the storms, as I know you are acutely aware.

What I am very proud of, though, is that your servicing experts and our experienced staff at LPS were able to partner to create some really innovative and effective tools to help improve the process. We could not have done this if we didn't operate as a team, and I thank you for your support. Some of these accomplishments include:

- Added 20 new enhancements to MSP to help streamline operations around Making Homes Affordable (MHA) and improve overall loss mitigation and modification efforts
- Developed MOD Negotiator to help with complex calculations and best-fit analysis
- Added analytics scores to MSP to provide 12-month default propensity and loss severity data

As we look ahead through 2010, we will continue to enhance MSP to meet the requirements of MHA and your loss mitigation efforts. We also have some exciting new solutions that will add increased value if implemented in your organization, including:

- Third Party Corporate Advance Tracking and Recovery to help you better manage third-party recoverable advances and minimize receivables
- LPS Web Direct to provide your employees and external partners with an online channel to access MSP information – requiring no implementation or MSP knowledge

We will have all of these solutions, and numerous others, at our annual Information Exchange conference, April 18 – 21. You won't want to miss the interactive breakout sessions and hands-on demos in the Solutions Expo. If you have not already registered, please e-mail [information.exchange@lpsvcs.com](mailto:information.exchange@lpsvcs.com) and request a registration link.

No matter what the market forecast, LPS is standing ready to help your business weather the conditions.

## Consumer Lenders Leveraging MSP's Power to Manage Risk, Mitigate Losses

Renowned throughout the mortgage business for its industry-leading mortgage servicing platform – MSP – LPS is also placing new emphasis on its home equity processing capabilities for consumer lending by providing solutions that manage home equity portfolios more profitably.

Mortgage servicers have long-relied on LPS' MSP solution to service traditional mortgage loans within their mortgage business. However, less homogenous home equity products – including loans and lines of credit – are sometimes serviced like a mortgage product by a mortgage servicer and at other times like a consumer loan on a consumer lending platform. Mortgage loans have typically involved more detailed underwriting, stricter compliance and were often sold on the secondary market. Home equity products typically faced a less complicated underwriting process, less regulatory scrutiny and were often managed as consumer loans. As a result, servicing these different types of loans on different systems made sense to many financial institutions.

### Current Environment Exposes Consumer Lenders to Greater Risk

With the increased regulatory restrictions and compliance requirements resulting from the recent economic crisis, and with default rates continuing to rise, treating these real estate-backed home equity loans as a consumer loan product exposes lenders to even greater risk. Most consumer lending platforms were not built to manage the compliance, mitigate the losses or provide the advanced reporting that LPS' home equity servicing solution enables.

With MSP's industry-leading technology, consumer lenders gain valuable insight – even across institutions – to better analyze and prioritize servicing strategies.

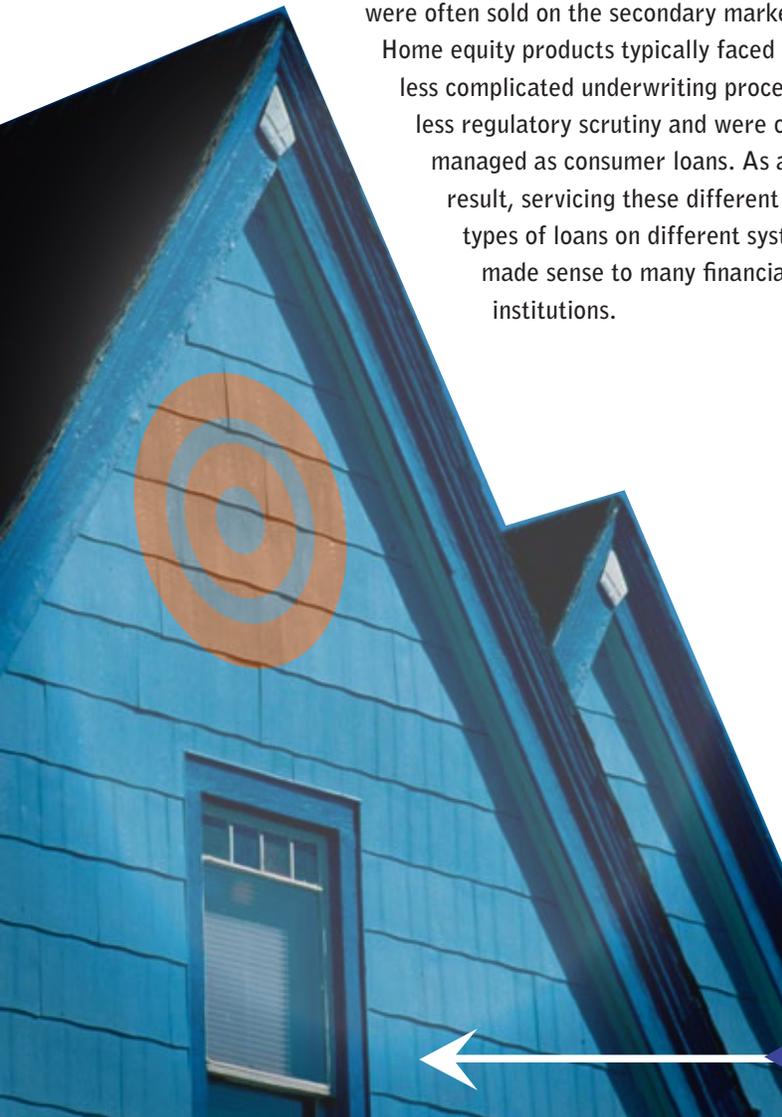
By leveraging the powerful business intelligence, advanced analytics and comprehensive reporting of LPS' home equity servicing solution, a consumer lender would be able to identify whether a significant number of home equity loans in its portfolio are in first-lien position – a position of significantly greater advantage when trying to recoup losses – and adjust its risk strategy accordingly.

### Gaining a More Comprehensive Portfolio View

Recent estimates have put the number of home equity loans in first-lien position at 35 percent or more. Few, if any, consumer lending platforms are built to service, identify and adapt to these types of changing scenarios. LPS' home equity servicing solution, with its MSP-based technology, is capable of identifying these situations and providing the lender with a more comprehensive portfolio view.

With LPS, consumer lenders have the flexibility to utilize LPS' robust, market-leading end-to-end servicing solution, or integrate with existing home equity systems. In either scenario, LPS provides the capabilities home equity lenders need to manage risk and mitigate losses.

Your account Director can provide more information about the advantages of LPS' home equity servicing solution.



## Gain Industry Insight with LPS Thought Leadership Articles

Keeping up with the latest technological innovations, strategies, best practices and other mortgage industry insight is just a click away.

LPS offers dozens of thought leadership articles from some of the industry's leading experts on topics such as:



- Risk reduction
- Portfolio segmentation
- Improving insight and collaboration across business lines
- Loan modifications
- Advances in servicing automation
- Updating valuation strategies, and much more.

These informative articles are available on the LPS Web site at [www.LPSVCS.com](http://www.LPSVCS.com) under Industry Expertise > Articles and Media. To learn more about many of the most critical issues impacting mortgage companies, [click here](#) for a comprehensive list of LPS' thought leadership articles. Contact your Account Director if you would like an LPS thought leader to speak at one of your company's meetings.

## MSP Enhancement Reviews

The following enhancements were installed between January and February 2010.

### HAMP HUD SFDMS New Status Codes

(EN3145, MSP 10-01)

This standard enhancement updates two Single Family Default Monitoring System (SFDMS) status codes that you can use to report HAMP-related loss mitigation actions to HUD.

### HAMP Borrower Incentive Tracking

(EN3138, IP 2190, MSP 10-02)

This standard enhancement provides fields that enable you to track borrower incentive amounts and use them for internal reporting and borrower communication. It improves your ability to track loans in the borrower incentive component of the Home Affordable Modification Program (HAMP).

### Ginnie Mae Alphanumeric Pool Numbers

(EN3119, IP 2165, MSP 10-03)

This standard enhancement enables the MSP system to accommodate alphanumeric pool numbers for Ginnie Mae loans.

### 1098 Electronic Web Presentment

(EN3117, MSP 10-04)

This standard enhancement enables you to offer electronic-only delivery and presentation of the IRS Form 1098, Mortgage Interest Statement, to your customers.

### HAMP Update Property Taxes/Cash Reserve Ratio DLQ3

(EN3148, IP 2186, MSP 10-05)

This standard enhancement improves the accuracy of the HAMP debt-ratio calculation and standardizes financial history record names by implementing pre-defined descriptions.

### Flood Zone Discrepancies

(EN3144, IP 2203, MSP 10-06)

This standard enhancement addresses Section XIV, Flood Zone Discrepancies of the 7/21/09, Federal Register, Vol. 74, No. 138. Lenders are required to compare the flood zone reflected on the Standard Flood Hazard Determination Form (SFHDF) and the flood zone reflected on the insurance policy.

## LPS Auction Solutions Offers First-Rate REO Disposition Results

As the mortgage and real estate industries continue to wrestle with rising default rates and increasing volumes of REO properties, LPS is rounding out the company's default management and REO disposition-related offerings with comprehensive REO auction services through its LPS Auction Solutions division. LPS Auction Solutions delivers seamless, end-to-end, best-in-class auction solutions to help servicers effectively and efficiently dispose of their REO properties, providing them with an unparalleled toolset for managing and disposing of their REO assets.

### Managing the Auction Process From End-to-End

Led by an impressive team of executives with more than 30 years of successful property auction marketing experience, LPS Auction Solutions handles every aspect of the auction sales process – from data collection and property due diligence to open house showings, auction events and post-sale escrow management. The company also utilizes a comprehensive broker outreach program to encourage broker participation in the auction events, further ensuring timely REO dispositions.

Auctions are conducted regionally in physical or online settings. Although live auctions are conducted in the traditional ballroom environment, LPS Auction Solutions' state-of-the-art auction technology enables simultaneous, real-time online bidding, bringing even distant participants right into the middle of the action.

Each auction is promoted with a turnkey marketing program that includes public relations, local TV, radio and print advertising, as well as online marketing in social media and networking sites. Ads are designed to attract qualified buyers to an individual auction Web site where shoppers can familiarize themselves with the properties prior to the sale and even submit pre-emptive "Buy Now" bids via the Web before the official auction day.

### A Tailored Approach to Each Auction for Best Results

LPS' industrywide focus offers a uniquely clear perspective of individual market conditions and the ability to configure each auction to best serve the local market and maximize sales. Each auction is tailored to meet regional needs and contains a strategic mix of properties designed to attract the highest number of potential buyers and achieve the best possible REO disposition results for servicers. In addition to the actual auction process, the LPS auction platform incorporates reporting functionality that keeps servicers informed during every stage of the auction, with comprehensive sales metrics, auction-day selling data and post-auction escrow information.

Servicers working with LPS Auction Solutions can also gain a competitive advantage by leveraging complementary services including asset management, field services, agency sales and posting, predictive data and analytics, and default title and closing – to ensure the best plan execution and greatest market exposure.

"Auctions are most successful with a mix of assets, including nicer homes and properties priced to sell," said LPS Auction Solutions Managing Director Evan Gladstone. "LPS understands this, and by tailoring our approach to each auction, we're able to achieve some of the best results in the industry."

For more details on how LPS Auction Solutions can help you with your REO asset disposition, [click here](#) or contact your Account Director.

# Better Decisioning with Proactive Risk Management (PRM)

An increasing number of lenders find themselves looking for ways to shore up their mortgage loan portfolios, stem the flow of losses and minimize their risk

exposure as losses mount from defaulting mortgage loans and more borrowers struggle to meet their mortgage obligations. [LPS' Proactive Risk Management \(PRM\)](#) is a powerful, configurable risk assessment tool that provides lenders with an integrated, enterprisewide view of their customers' pertinent account information and delivers targeted loss mitigation recommendations that help reduce lenders' exposure to risk.

Based on user-defined parameters, which may also include specific government and investor requirements, PRM supports proactive risk management campaigns and "what-if" scenarios using a powerful risk management scenario builder. This helps lenders effectively reduce their losses by providing alternative solutions to foreclosure.

PRM is one component of the LPS [RediMod](#) suite of products. These RediMod solutions are marketed based on a client's requirements and may be obtained as options. Other components of the suite include but are not limited to the following:

- [Mortgage Scores](#), a behavior-based loan-level scoring product
- [OptiMod](#), a solution providing optimal loan modification recommendations at the loan level
- [ClosingStream](#), LPS' Web-based closing solution with e-signature capability

PRM provides an enterprisewide view of accountholder information, enabling lenders to identify key account attributes or borrower behaviors that are indicative of a borrower in distress.

## Intuitive Workflow

Using PRM's intuitive workflow, loan counselors are steered through a series of cascading decisioning questions that trigger PRM's sophisticated logic to provide loss mitigation alternatives based on borrower responses and user-defined criteria. Customer-facing employees see each borrower's entire relationship with the lender, so call time is reduced, the customer experience is enhanced and risk management strategies can be implemented consistently across the enterprise.

## Default and Potential Default Flags

Using lender-defined criteria, PRM identifies and flags loan accounts that are in default or that are potentially headed toward default. Call center loan counselors can then contact borrowers on behalf of the lender. Following a script – also tailored by the lender – loan counselors talk with each borrower about the status of their loan and either arrange payment to bring the loan current, create a new payment plan or discuss various loss mitigation opportunities. Using PRM's customizable, user-defined views, lenders are able to leverage third-party outsourcing vendors and limit how much information the representatives can access – all without directly accessing the system of record.

## MSP Integration

Based on lender-provided criteria and borrower-provided responses, PRM then determines the most appropriate course of action and integrates with MSP to either generate a letter or produce a data file to be delivered to a print vendor. When the borrower returns the completed financial package, the lender's Loss Mitigation department leverages the logic within PRM to help capture and transmit data about the various loan modification options – Home Affordable Modification Program (HAMP), OptiMod or a traditional loan modification.

While designed and currently built to interface with MSP, PRM is a system-agnostic solution and can be implemented with any servicing platform.

"As a trusted ally to our many clients, we understand their need to reduce risk exposure – through smart decisioning and dynamic business intelligence," said [Grace Brasington](#), Executive Vice President of LPS Strategic Consulting Services. "PRM enables lenders to do just that. PRM is unique in that we architected its rules-based engine and workflow capabilities to adapt to the client's existing processes, rather than requiring the client to alter its processes to fit the PRM model. This key attribute of PRM allows for a much smoother, more seamless integration and further demonstrates LPS' commitment to delivering solutions that provide a competitive advantage in the marketplace."

To find out more about PRM, contact your Account Director or [click here](#).



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## Freddie Mac Home Value Explorer® Enhanced with LPS Applied Analytics

In March 2009, the U.S. Treasury announced details of the Home Affordable Modification program (HAMP) as part of the Making Home Affordable program. Servicers of Freddie Mac loans are required to evaluate borrowers and obtain a current value of the property. For mortgages that are current or less than 31 days delinquent, other participating servicers can request a Home Value Explorer® (HVE®) point value estimate through an authorized HVE distributor.

As an authorized HVE distributor, LPS Applied Analytics has gone one step further to create an enhanced report containing valuable data, ensuring the most robust reports available. LPS Applied Analytics is the only authorized distributor providing this [enhanced data reports](#) that includes additional data from LPS Applied Analytics returned along with the Freddie Mac HVE results.

LPS Applied Analytics' unique, data-rich HVE report that provides additional relevant, comparable data to support the HVE point value estimate determination:

- **Area sales** identifying specific transaction types, including arms-length sales, foreclosure transactions and REO sales
- **Market conditions** showing historical and forecasted prices down to the ZIP level, based on LPS Applied Analytics' proven analytic models
- **Subject property details** sourced by LPS Applied Analytics' real estate database covering 92 percent of all U.S. property ownership records
- **Street and satellite maps** showing the area sales' proximity to the subject

There is no additional cost for the enhanced report, which is available for Web and XML delivery. For more information on how you can access this enhanced report, please contact your Account Director.

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## LPS Successfully Processes 35 Million+ Loans for 2009 Year-End

LPS kicked off the new year by completing year-end processing for more than 35 million loans that are serviced using MSP and are processed in the Jacksonville data center. All daily, month-end, quarter-end and year-end processing was completed and balanced by 2:50 p.m. on January 1, 2010.

The total year-end completion run time clocked in at only 17 hours and 40 minutes. LPS also made two significant improvements to its 2009 year-end process:

- Automated monitoring of file format jobs for Passport, eliminating the need for manual verification and the production of Hold and Release forms, resulting in jobs being released more timely.
- Elimination of all tape output to either EDI or CD, which enhanced output delivery.

### Partnering With Clients for A Great Service Experience

"We attribute the success of this year's smooth, stress-free year-end process to the ongoing guidance we received from the support team(s) at LPS. The continual preparation and updates throughout the year, reminders, timetables and bulletins ensured we had updated, accurate information from our mortgage customers, investors and vendors to efficiently process our year-end data," said Jerry Dollarhide, Vice President and Manager, Huntington Mortgage Group. "We appreciate how much thought, pre-planning and coordinated execution LPS put into the effort to ensure our mortgage servicing team succeeded. Our business structure demands flexibility in scheduling to coordinate our mortgage customer records with our other processing and servicing systems. LPS continues to step up, to partner with us to find solutions that will enable our customers throughout our organization to have a great service experience."

### Exceeding Expectations Year After Year

During the resource-intensive year-end process, LPS compiled loan information, generated exception and balancing reports and created annual mortgagor statements for all its servicing clients, while also maintaining normal system access. All service levels for the process were met or exceeded.

"We're proud to have successfully completed year-end processing and balancing before our

“

We're proud to have successfully completed year-end processing and balancing before our clients opened again for business after the New Year's holiday.

”

Dan Scheuble, LPS' Co-Chief Operating Officer and President

clients opened again for business after the New Year's holiday," said [Dan Scheuble](#), LPS' Co-Chief Operating Officer and President of its Mortgage Processing Services division. "Clients rely on our superior expertise and technology to execute a smooth year-end

process for this business-critical function, and LPS continues to exceed client expectations year after year."



## MOMENTUM

*Momentum*<sup>®</sup>: 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:

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