

Foreclosure in a Fast-Forward World

Early Adopters of Progressive Technologies in REO Are Poised for Proficiency

The default servicing industry has been evolving very rapidly over the past few years from a technology standpoint. The main industry parties—default attorneys, mortgage loan servicers, and third-party system providers like NewTrak and VendorScape—have been embracing the move to open systems and standardization of the foreclosure process. The industry has quickly moved to a more open data trading environment, one that's based on the following conditions, which have brought on a sea of change:

MOVING TOWARD THE FUTURE

Technology is up front and center in default industry market trends. As companies position their products and services, leveraging the latest tools provides more efficient transmission of more accurate information, giving borrowers enhanced services and more helpful interaction with service providers.

Internet with broadband access allows parties to communicate large amounts of data over a secure connection.

Data elements such as foreclosure and bankruptcy information in system databases are now accessible to most parties, allowing for free flow of information.

More and more, what separates progressive, thriving default law firms from those

that are merely surviving is the acceptance that they must streamline business processes. The automated data-trading environment allows for less manual handling of information, which shrinks foreclosure time frames and reduces data mishaps, thus improving client satisfaction. Attorneys can become more responsive to the loan servicers by increasing their capacity to handle more files.

Back to the Future

For the past few years, the default industry struggled to reach consensus on the need for a standard communication method that would facilitate data feeds to multiple partner systems. Existing systems were mostly proprietary or closed, slow moving, and expensive to implement and maintain. There was also less participation and collaboration between the parties to develop standards. This lack of consensus caused gridlock, resulting in systems being designed in a vacuum with too little participation from all parties. Early attempts at direct-connect interfaces between attorney and default data providers involved nonstandard data and a significant integration effort. Early movement toward open architecture only included some data standards around referrals and basic tracking events.

The entire foreclosure process was very manual and



cumbersome, stunting business unit productivity and file capacity. Default attorneys had to manually input data from myriad trading partner Web sites or build expensive proprietary point-to-point interfaces. These methods required administrative overhead and reduced efficiencies for the firm's business units and IT departments.

The Here and Now

Technology has improved the health of default attorneys who are re-engineering the way they do business. Today, there are viable data-interface options that are cost effective and provide a substantial return on investment. More and more default-related processing systems are providing open portals to pass transaction data between their trading partners. The industry still requires additional participation from the parties to further standardize data types in order to move toward 100-percent automation.

We interviewed some default law firms to better understand how technology has changed their business models by improving performance and increasing their profitability.

The Florida Default Law Group, PL, of Tampa, Florida, weighed in on how technology transformed its operations model over the past few years. According to chief operating officer Bill Casale, "By developing the infrastructure to automate more, we have been able to get ahead of the wave instead of being crushed by it. We have seen our foreclosure file volume double in

less than a six-month period. In this period, we have not had to add staff due to our automated data processing. We have increased our profit margin by not adding staff expense. In the past, we would have been in a hiring frenzy with this extreme volume flux. Most of our staff now handles more proactive customer service exceptions rather than mundane data entry."

When evaluating new service providers, whether it is title providers, publications, or process servers, their first question is if they can trade data? "We ask what data that provider can

send/receive electronically that avoids paper or duplicate system entry," said Casale. "We no longer do business with companies that perpetuate more Web sites that our processors must access and enter or retrieve data. Any data that exists in paper today, we should be able to trade securely with all of our partners."

"By developing the infrastructure to automate more, we have been able to get ahead of the wave instead of being crushed by it."

**BILL CASALE, CHIEF OPERATING OFFICER,
FLORIDA DEFAULT LAW GROUP, PL, TAMPA, FLORIDA**

Another firm, Pierce & Associates PC, of Chicago, has embraced technology to streamline its foreclosure process, implementing an innovative data-interface strategy to automate most key processes. And its staff members continue to look for ar-

reas that can be optimized. John Major, applications manager at Pierce, shared his approach to his firm's technology-driven foreclosure process. "We have partnered with NetDirector as our single-source data exchange to handle interfaces with all of our trading partners, including loan servicers, third-party default providers [such as VendorScape and NewTrak], LexisNexis, title providers, and personal digital assistants," said Major. "NetDirector is a critical component in that it allows our case management system to seamlessly communicate with the various client

reporting systems. We have virtually eliminated duplicate entry of foreclosure data throughout our firm—both in the office and remotely."

Major provides the following process flow of how his firm has automated the bulk of its foreclosure related tasks:

New foreclosure files flow real-time from NetDirector to Pierce's case management system (CMS) from a variety of sources such as VendorScape, NewTrak, LenStar, and Countrywide's proprietary system.

The Pierce CMS checks for duplicate files and creates new files automatically, alerting processors to start the foreclosure process.

Defendant verification is automatically initiated from an address-verification provider through NetDirector. The firm then receives verification of the property address or other addresses if bankruptcy has been filed on a property or an individual or if the individual is deceased.

Verified defendant data populates the Pierce CMS automatically and sends the report image to its document management system (DMS).

Title orders are also kicked off automatically to the firm's title report provider via NetDirector, which processes requests and returns title data and report. Title data populates their CMS and report document to their DMS without any human intervention.

Automated bankruptcy search alerts processors of any new bankruptcies on the individual or property that would cause the foreclosure to be stopped, reducing unnecessary effort.

As they move through the foreclosure, processors log milestone events such as first legal, judgment entered, and sale held into their CMS. Whenever a date is entered or changed, their CMS automatically sends updates to NetDirector, which transforms the data and sends to the appropriate servicer system.

Sales results are also automated. When a sale date is entered on a property, their CMS renders a pop-up window to enter sales results, which then flow automatically through

With data automation in place, a lawyer can spend less time on performing clerical/mundane tasks and focus on the borrower to improve loss mitigation and resolve problem loans with borrower's counsel.

NetDirector to the appropriate client system.

For remote access, all Pierce attorneys are equipped with BlackBerry PDAs. Armed with PDAs, their attorneys can update the status of a foreclosure case right from the courtroom. Their PDA application validates the entered data and updates all necessary systems automatically. The attorney can report the status on the court hearing, such as judgment entered or judgment continued, and one of five standard reasons can be chosen for the reason for continuance. The information is reported directly to the CMS, which in turn reports to the client's reporting system via NetDirector. This approach has eliminated delays in the reporting of information as well as reduced steps in handling a file.

"Overall, our management and business units are pleased with the results, and we now have the infrastructure in place to quickly respond to additional automation as it becomes available," Major said. "I think one of the major benefits to data automation, however, is the data accuracy improvement. We have also seen our files per employee increase significantly. Our firm has implemented this optimized approach to be more competitive and position ourselves for growth."

Automatic for the People

NetDirector is one option that can deliver multiple data interfaces with one Internet connection to its hosted data exchange. Its on-demand service is utilized by more than

60 subscribers, including a fast-growing network of default attorneys such as Florida Default Law Group and Pierce & Associates. NetDirector was founded on the "Tower of Babel" principal, where the different parties were all using disparate systems that did not speak the same language. NetDirector provides the universal translator that allows everyone to communicate in the same language.

NetDirector facilitates communications through a centralized hub approach with the latest Internet-based integration technology and provides reliable delivery of any business transaction or document to any point in the communications chain. Its technology handles electronic interfaces based on Internet protocols and the latest XML document formats and maintains one-level-higher security than online banking through 128-bit encryption, Internet protocol (IP) verification, and intrusion detection.

Other options include the direct interface approach. This traditional point-to-point method requires a significant development effort for each interface and requires ongoing maintenance as vendors update their systems. The point-to-point option also requires substantial vendor interaction and communication regarding testing, issues, upgrades, data changes, etc. While this approach does provide data automation, it generally does so with considerable IT resource overhead and associated costs.

High Tech on the Horizon

Moving forward, the various parties need to continue to focus on coherent data standardization by consolidating data types such as delay/hold codes, milestone event types, reinstatement/payoffs, etc. The value for all parties is in the relationship. With data automation in place, a lawyer can spend less time on performing clerical/mundane tasks and focus on the borrower to improve loss mitigation and resolve problem loans with borrower's counsel.

The following are some technology trends that will continue to transform the default industry:

Improved access to financial data to streamline the reinstatement and payoff and the client billing processes.

Paperless systems to reduce human handling of documents and document storage expenses while providing file retrieval check-in/check-out to reduce lost files. Some firms are already embracing this technology.

Data expansion to allow attorneys to put more information into the hands of their trading partners. Examples of expanded data types include property inspections, photos, tax services, and skip trace.

E-Filing to replace current manual case filing in the state court system. Such is the case in states like Florida, which is mandating the move toward electronic filing.

Front-end analytics to allow lawyers to profile loan types such as close or loss mitigate based on decision tree and profile.

Intelligent decision making will allow law firms to become more efficient, getting money back as fast as possible for the mortgage servicers.

Web services to continue to provide real-time Internet communications as more parties adopt this de facto standard to send/receive data.

Near-shore/off-shore labor pools to reduce labor costs for manual processes not covered with standard interfaces. Examples include sending mortgage documents to a near-shore labor source to transcribe legal description to data for system interface purposes.

As one might glean from the current state of the market and future trends, this is an exciting time in the default industry as technology continues to play a pivotal role in how companies position their products and services. Technology is making law firms more efficient and providing servicers/clients with more accurate and well-timed information, and borrowers are enjoying enhanced services that this improved interaction affords.

The business of foreclosure is changing rapidly as default firms face increasing demands from clients, competition, rising expenses, and shrinking profit margins. They need new tools to help transform their businesses and become more proactive and proficient. To do so, firms must leverage technology to help them navigate the bumpy terrain and ensure their viability in the future. **DS**