

# MAKING CONTACT

Up-to-date data, solid planning, and skilled communication are keys to servicing borrowers in times of crisis.

The only sure thing is death, taxes—and natural disasters. Whether it involves hurricanes along the east and southern coasts, tornadoes in the Midwest, earthquakes near fault lines, rivers and other bodies of water overflowing after heavy periods of rain, or a more widespread health crisis such as the COVID-19 pandemic, not a year goes by where the industry isn't challenged to deal with the impact and aftermath of these events—sometimes with the same areas getting hit multiple times in a relatively short span.

Disaster planning has become a core component of mortgage servicing, said **Tom O'Connell**, SVP of Default Management, Planet Home Lending. "The storms are getting more violent—it doesn't matter where you live, whether you are in Iowa and having your crops destroyed or in Houston with 70 inches of rains in two days, in Puerto Rico with earthquakes, or wildfires in the West. Preparedness is important. Your customers will be impacted, and when they are impacted, they will want to talk to somebody."

DS News talked to several industry experts to get their advice on best disaster-planning practices for homeowners and for the servicing industry.

## EARLY RESPONSE IS ESSENTIAL


"It is critical to visit the impacted property as soon as possible after a disaster and once it is safe to assess immediate issues," said **Joe Iafigiola**, CFO, Safeguard Properties. "Although the property may already have damage, if we allow

the elements to continue to damage the property, it may go from thousands of dollars of damage to a total loss. It is essential to immediately prevent damages from worsening."

Depending on the disaster, the servicer's headquarters may also be impacted, so it is essential that staff be able to work from secondary or remote locations, said **Steve Schachter**, EVP, Market Leader of Mortgage, Sourcepoint.

"We monitor potential threats and actively prepare potentially impacted customers via pre-disaster communication (emails, web notices, push notifications, IVR alerts, etc.)," said **David Hughes**, Servicing Channel Executive, RoundPoint Mortgage Servicing Corp. "We update our home page and dedicated disaster landing page with important information. We prepare and scale the front and back-office teams that will handle both the resulting loss mitigation and insurance claim activity that is to come."





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The pre-disaster email communication should achieve several objectives, Hughes added. The communications should inform the customer of the impending disaster and provide recommendations from the Federal Emergency Management Agency (FEMA) on how to prepare. The pre-disaster communications should also detail the financial relief options available with the customer’s lender/servicer, especially if homeowner’s income is impacted by the disaster, advising them to contact their insurance company to start the claims process. This will help ensure the customer understands the servicer’s role once the claim process is completed and provide information for additional available resources through the government.

“We learned we can’t expect many different departments, groups, and teams to seamlessly work together at the speed our customers need us to in the midst of a disaster or in the recovery phase,” Hughes said. “Having separate and disconnected loss mitigation, insurance, call center, and other teams trying to coordinate efforts and communication with our customers proved inadequate.”

As such, RoundPoint developed an internal group, HEART (Home Emergency Assistance Response Team), which includes trained employees dedicated to guiding customers throughout the disaster event—prepping for the storm, assisting with forbearance plans, educating them on their options, resolving their balance of forbore payments when the plan ends, guiding them through the entire insurance claim process, and providing helpful tips and advice for hiring contractors in the aftermath, to name a few.

After a disaster, it is important to document everything, Iafigliola added. Take photos and videos to capture the conditions. He also recommended photo- and video-documenting properties prior to any disaster event, as well, to help with any claim questions and verify the property’s condition.

#### **TECHNOLOGY PROVIDES AN EDGE**

Today’s technology resources are much improved over what was available only a few years ago, enabling borrowers and servicers to go online to address disasters, no matter how sudden they are, said **Jane Mason**, CEO,

Clarifire.

The right technology can help with the influx of customer calls and digital messages that come after a disaster, O’Connell said. The servicer’s IVR should be tweaked to have disaster messages at the beginning of any message tree. However, servicers should also recognize that the IVR can’t answer all questions, so many of those impacted will still need to communicate with live agents.

“Assign people with multiple language skills to answer the calls. The worst thing is to be calling in to your servicer and not being able to contact somebody,” O’Connell said. Adequate staffing is essential. Beyond having enough people, “disaster queues” should be established, with staff trained specifically on disaster-related issues.

Schachter added that it is important that contact center personnel are not only trained on disaster processes but that they also remain empathetic. They will be dealing with borrowers who are experiencing extremely stressful situations. This is not about getting someone off the phone quickly, rather it’s more important to resolve the borrower’s issue on the first call.

“You need to be able to communicate with the customer in the channel he or she prefers,” Schachter added. Some will prefer email, other the phone, and still others text messaging.

Planet Home Lending offers monitoring for the disaster recovery process and tracking damage to a borrower’s home and takes steps to initiate the insurance process.

“You have to respond quickly to disasters; that’s what homeowners appreciate,” O’Connell said. Additionally, a borrower with a non-responsive servicer will sometimes alert the media out of frustration.

Technology continues to be a major focus in emergency response plans, agreed **Chad Mosley**, President, MCS. “Having the best tools in place prior to the natural disaster provides us with the ability to respond quickly and effectively. Software tools that help with weather monitoring are critical in our advance planning. Radars, precipitation measurement tools, flood plan mapping, wildfire burn radiuses and storm path tracking are all essential in tracking potential property damage.”

Overlying these tools with clients’ properties enables MCS to see which properties were,

or likely will be, exposed to potential damage, Mosley added. "With that valuable information, we are able to act quickly to prioritize next steps in securing homes."

However, though the technology exists, some lenders and servicers have yet to avail themselves of it, Mason said. "When consumers need [disaster] assistance, they should be able to click a button, launch workflow, and then they get responsiveness from their servicer, investor, or where they bank. Servicers are much more tuned in, especially in the last five years, to the borrower experience, to make sure borrowers have what they need."

As important as technology is, servicers should also have staff or third parties to inspect damaged properties in order to assess whether there are likely to be abandonments and foreclosures, O'Connell said. Some disaster areas may not be accessible by human staff for a few days, so drones may help with damage assessments.

## LESSONS FROM A PANDEMIC

Though not a disaster in the same vein as hurricanes, tornados, floods, and the like, the COVID-19 pandemic provided some important lessons in disaster preparedness for servicers and homeowners alike.

"Communication is the most important thing we learned," Iafigliola said. "As the outbreak occurred, incidence rate of COVID-19 varied greatly, as did the local rules and requirements related to travel, work, and lockdowns. Regular and ongoing communication with homeowners, vendors, and clients ensured everyone was on the same page and well-informed as information and guidance changed quickly."

"At the start of the pandemic, one of the challenges facing all our customers was confusion and misinformation," Hughes said. "Some customers came to believe relief options existed that didn't and were understandably upset with the options that do exist."

At the outset of the crisis, RoundPoint developed dedicated COVID-19 resources and information as well as an online tool that enabled impacted customers to quickly and easily set up a forbearance plan themselves. Since then, the online tools have expanded to allow customers self-service forbearance extensions

and post-forbearance resolution options.

"The online experience is designed to detail how the forbearance program works, how extensions work, the protections afforded them during the plan's term, and a detailed list of their post-forbearance options to address the balance of forbore payments resulting from the plan's utilization," Hughes explained. "Our customer service associates have been trained to help our customers understand the same information. Both the online and the on-phone experience ends with an assurance we will touch base with them regularly throughout the forbearance plan via phone calls and emails to check in on them and guide them through the next steps."

"When the pandemic hit, we quickly realized that much of our thoughtful planning was not applicable as we dealt with a national emergency on a scale that we had never before seen," Mosely said. "We quickly learned that flexibility and resiliency were the core competencies that would guide us over the next year. Each day, and sometimes each hour, we learned information that changed the way we needed to operate. One example was the struggle for vendors to gain access to some work areas during government mandated shelter-in-place orders. We worked quickly to provide our vendors with documentation signifying their essential worker status, which allowed them the access they needed to reach our clients' properties."

The pandemic again put the idea of disaster in the forefront of the mind of the servicing industry, which is a good thing, according to Mason, because "disasters are going to happen."

Indeed, according to a CoreLogic report, the National Oceanic and Atmospheric Administration (NOAA) has projected a total of 13-20 named storms, 6-10 hurricanes, and 3-5 major hurricanes, defined as Category 3 and higher for the current hurricane season, California and other nearby states are experiencing drought conditions that make wildfires more of a risk, while other areas of the country face the seasonal threats of tornadoes. Those near rivers and other bodies of water also face flood risks, though the current national drought conditions may have mitigated those concerns.

"As climate change continues to reshape the way storms behave, the risk in these hurricane-

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prone areas will continue to increase," CoreLogic warned. "Based on data from NOAA National Centers for Environmental Information, over the past four decades we've seen a 70-90% increase every decade in total inflation-adjusted losses from weather events in the United States—and this trend isn't slowing down. Many of the increases are driven by population migrations from expensive metropolitan areas to high-risk, more affordable coastal areas."

## PREPARING FOR FUTURE DISASTERS

The most important way to prepare for future disasters is for government-sponsored agencies and mortgage servicers to provide boots on the ground with pre-approval to take immediate action based on facts at the property, Iafigliola noted. "The biggest enemy we have in these situations is time. When we go to a property, we need to be able to remove water, patch a roof, and do repairs to stop damages from progressing. Often, a bid process slows everything down and wastes time and trips to properties for vendors. Utilizing vendors to provide bids versus utilizing vendors to fix immediate issues is a critical waste of resources in a disaster event."

Have a go-list of home repair specialists, Schachter recommended. "Whether it be a property that needs to be boarded up or you

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need locks added, you need cleaning ...”

There is a run on such contractors immediately following a disaster, so the servicer should have this vendor network in place ahead of time, with multiple “approved” vendors for several types of services.

Iafigliola agreed: “The main challenges for property preservation providers after a disaster includes a lack of available supplies in an impacted area—wood, shingles, and replacement materials to get the property back to standard. We also need to bring in vendors from out of the area to help assess and repair damage. Typically, local vendors are impacted and unable to assist. Conflicting availability of access to the affected properties based on local officials, law enforcement, and FEMA officials—ensuring vendors have access is another concern. Delays and wasted time in bid approval processes instead of being able to take immediate action is perhaps the biggest challenge when trying to address damaged properties after a disaster.”

There is a need for coordinated disaster response, but insurers need to be included for such a program to be truly effective, Mason said. “There needs to be a consolidated approach to insurance coverages, and to communicating with the servicers and the borrowers.”

Too often with disasters today, the borrower needs to search for the policy, and if found, calls the servicer, which then refers the borrower to the insurer, meaning delays in getting the situation addressed, Mason noted. “That’s pretty scary. It’s a very rocky road for a lot of people in that scenario, and something I think we could all do better with.”

Hughes recommended that servicers and lenders use the following checklist to prepare for future disasters:

- » Monitoring programs
- » Dedicated scalable teams
- » Pre-impact communication: prepare & education, set expectations of possible post-impact actions
- » Self-service options: avoid the call center (long hold times, potentially inconsistent handling); self-service is controlled, thorough, consistent (complicated, non-vanilla scenarios are referred to season reps for handling)
- » Multiple means of communication,

preferably not telephony: emails, web notifications, texts, push notifications

“Customers must stay in communication with their servicers, there are more options today [and more coming from the GSEs and GNMA] than ever before to avoid foreclosure,” Hughes added.

#### **NEW DISASTER-PLANNING CHALLENGES**

“The pandemic and housing market have created several new pain points for our industry,” Mosely said. “For example, we are dealing with a significant, national lumber shortage. With existing supply issues already in place, a natural disaster could compound the issue. The lack of supplies needed to secure homes, specifically during hurricane season, could lead to more widespread damage, placing an even greater burden on homeowners and servicers already dealing with the impact of the disaster.”

Additionally, there are many unknowns regarding the status of properties that are on the precipice of foreclosure, Mosely said.

“With local, state, and federal moratoriums in place, there have been some limitations on inspections and maintenance services,” he said. “As the moratoriums lift and borrowers exit forbearance plans, it will be important to quickly inspect and secure any new vacant properties to ensure they are safe, protected, and well-maintained.”

But even with the new challenges, today’s technology, plus experience with past natural disasters and with the COVID-19 pandemic, have prepared the servicing industry to be able to respond to the next “storm,” be it a hurricane, tornado, or another crisis.



*Phil Britt started covering mortgages and other financial services matters for a suburban Chicago newspaper in the mid-1980s before joining Savings*

*Institutions magazine in 1992. When the publication moved its offices to Washington, D.C., in 1993, he started his own editorial services room and continued to cover mortgages, other financial services subjects, and technology for a variety of websites and publications.*