



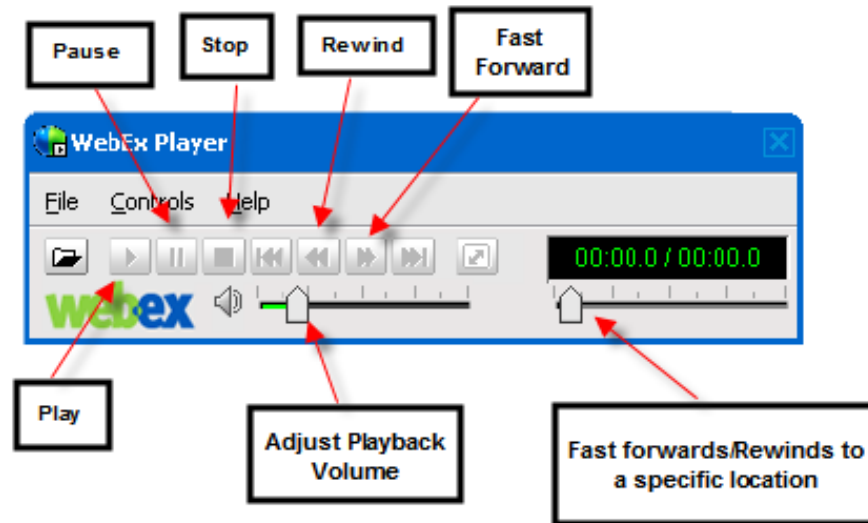
Solving Default Management Challenges Series

Collections



Tools and Tips

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Objectives

We want to provide you with an overview of the following default management area with a focus on common servicing challenges regarding Collections



Agenda

Overview, challenges and best practices for :

- Collections

- Achieving right-party contact
- Reminder calls to high-risk borrowers
- Sending Alternatives to Foreclosure letters
- Tips on training collectors effectively
- Technology to assist in collection efforts
 - ✓ Toll-free numbers
 - ✓ EarlyIndicator®
 - ✓ Scripting tools



Collections-Best Practices

- Achieve ***right-party*** contact as early as possible in the delinquency.
- Make reminder calls to high-risk borrowers before their payments are due.
 - ✓ Chronic delinquent payment history
 - ✓ Balloon/reset mortgage nearing the maturity date
 - ✓ Previously modified loan
 - ✓ Second mortgage/HIL



Collections-Best Practices, cont'd

- Retain a third-party vendor to attempt face-to-face visits with no-contact, high-risk borrowers.
- Send a letter to the borrower explaining foreclosure alternatives on the 45th day of the delinquency.
- Always capture the Reason for Default code in your system.
- Be alert when borrowers ask for payoff amounts.
 - ✓ They could be gathering information to file for bankruptcy or
 - ✓ They may have listed their property for sale.



Collections-Best Practices,cont'd

- Take the time to counsel borrowers on alternatives to foreclosure.
- If a borrower states that he or she intends to file bankruptcy...
 - ✓ Ask what his or her intentions are with the property.
 - ✓ Once you determine the borrower's intentions, discuss alternatives to foreclosure.
- Send and file all breach and demand letters in a timely manner.



Collections Management-Best Practices

- Emphasize the need for good listening skills to your staff.
- Train your staff on how to effectively lead a conversation with a borrower.
- Ensure the repayment plans offered to borrowers are realistic plans that have a high potential for success.
- Have your staff use words such as “We need to try to establish a mutually agreeable plan that will be successful for both of us.”



Collections Management – Best Practices, cont'd

- Educate and inform your staff on Freddie Mac's Servicer Performance Profile.
 - ✓ Explain the ratios and set monthly goals.
- Organizational structure:
 - ✓ Ensure that your collections unit and loss mitigation unit work together to reinstate delinquencies and mitigate losses.
 - ✓ Consider giving the two units common goals, which will encourage them to collaborate on effective processes.



Collections Management – Best Practices, cont'd

Train collectors effectively.

- Identify potential workout candidates based on reason for default and refer them to your loss mitigation area.
- Make sure your staff is comfortable making recommendations to your loss mitigation area.
- Establish a cross-training program to increase the awareness of potential loss mitigation opportunities and promote open communication between departments:
 - ✓ Collections
 - ✓ Foreclosure
 - ✓ Bankruptcy
 - ✓ Loss mitigation



Collections Management- Best Practices, cont'd

- Establish a toll-free number for borrower inquiries.
 - ✓ Consider a link on your website that explains the various options.
 - ✓ Publish hours of operation, toll-free telephone numbers, and email addresses so borrowers do not have to search for a contact.

- Implement a delinquency scoring system (I.e. EarlyIndicator® to help).
 - ✓ Effectively manage your default management resources and
 - ✓ Plan your monthly call campaigns

- Implement a collection/loss mitigation scripting tool to help your staff.
 - ✓ Conduct effective conversations with borrowers that result in reinstatements or loss mitigation candidates.



Wrap-Up

We provided you with an overview, challenges and best practices for Collections:

- Achieving right-party contact
- Reminder calls to high-risk borrowers
- Sending Alternatives to Foreclosure letters
- Tips on training collectors effectively
- Technology to assist in collection efforts



Additional Resources

- The *Single Family Seller/Service* Guide –
 - www.allregs.com
 - <http://www.freddiemac.com/singlefamily/>
- Freddie Mac website – (FreddieMac.com)
 - *Single-Family Seller/Service* Guide Bulletins
 - The Learning Center
- Freddie Mac's Manager Series of Servicing Technology Tools available via www.FreddieMac.com/singlefamily/service/tools.html
 - EarlyIndicator®
 - Timeline ManagerSM
 - Expense ManagerSM
 - Default Reporting ManagerSM etc.



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