

### **Lessons Learned from the Crisis: *The Burden of Document Collection***

When Treasury created Making Home Affordable and launched the HAMP program there was a singular focus to get it right. It took industry partners nearly a year for all systems to be updated and critical third parties brought up to speed on all the program details. As part of the public engagement and education process, HOPE NOW held large-scale conference sessions with community service providers, non-profit counseling agencies, mortgage servicers and struggling customers. In order to have a clear picture of the customer status, a servicer must review all financial paperwork. Three moving targets were measured, the financial profile of the customer, the value of the property and the desire of the customer to stay in the property. Unfortunately, the target audience for these programs kept changing, short-term unemployment turned into long-term unemployment and property values plunged. Homeowner motivations would change as well, following employment could mean a move and the need to keep the property vanished. These shifting factors were channeled through various housing assistance programs.

The current review process requires all variables are completely reviewed and documented. To completely review a family many financial documents need to be provided. Sometimes these requirements are part of a program and sometimes they are to manage the risk a servicer will bear when qualifying a family for a workout program. All the Government requirements and programs have produced a heavy document environment. It's not unusual for customer to produce over 15 documents to prove their status and fulfill all the program requirements. A customer may have a hardship, but it must be documented and proved. This "proving" process has been at the expense of everyone, when a ship is sinking the last thing you want to hear is "prove you're in trouble."

Are there new ways to review customers? Could we adjust the requirements and process so that the customer experience is as painless as possible and risks are managed? The agencies face these complex questions as we move into a post-HAMP world. The lessons learned from the crisis should include a meaningful study of the documents that discourage customers and frustrate service providers. New program development should support a streamlined and consumer friendly process and embrace these learnings. We have to build on our collective learnings to create an effective servicing process.

HOPE NOW has been studying the various document requirements that a mortgage servicer needs when helping a customer. We not only polled our members, but also an array of industry professionals from the government to non-profit agencies. We learned that certain documents need to be reassessed from a loss mitigation perspective. They provide considerable burden on customers and are prone to mistakes and duplicate processes. As Government stakeholders have admitted, the number one reason why a customer is denied a modification is that the homeowner cannot complete the document requirements.

Let us start with the good news. The HOPE NOW Document Survey indicates that some documents are easy for homeowners. Most customers produce these documents within 30 days. They include two recent pay stubs, employer information, insurance, co borrower information and a credit report. These key documents should define a typical customer experience.

The documents that provide continued hardship for a customer include; long-term disability, rental property information (Schedule E), alimony/child support, investment income and profit loss statement. These requirements cause the process to drag out and consumer satisfaction to dwindle. They also

discourage a customer from completing the process. Financial documents are only fresh for a month, so it's conceivable that most families will have to reproduce certain documents again as the process extends. A quick and clean execution should be the top concern for Government and Investors. Below is the HOPE NOW Document Collection Survey. The ranking is 1-3 with "1" being the most difficult.

<b>Document</b>	<b>Aggregate Average</b>
710 (UBAF)	2.00
Intake Package	1.71
W-2 (multiple years)	1.88
2 recent pay stubs	2.75
2 consecutive bank statements	2.38
4506-T	1.75
Additional income sources	1.38
Spouse information	2.75
Desire to keep/sell property	2.88
Owner occupied	3.00
Budget sheet	1.75
Employer information	2.63
Rental information/details inc. Schedule E	1.50
Hardship Narrative	2.50
Disclosure(s)	2.00
Alimony/Child Support Income	1.63
Property Tax Information	2.38
Insurance	2.50
Purchase agreements	2.25
Profit Loss Statement	1.63
Social Security Statement	1.75
Investment income	1.50
Death certificate	2.25
PCS orders for military families	2.00
Business failure (BK filing)	2.13
Disaster (man-made or natural) Insurance claim	2.13
Tax Returns	2.00
Long term disability	1.75
Credit Report	2.71
Property Valuation	2.29
Investor Approval	2.00
Review for Short Sale/Deed in Lieu	2.14

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