

10 Key Criteria Drive Loan Servicer Selection

Stellar customer service
overlays all of them

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Introduction

When you're shopping for loan servicing or backup servicing, the single most critical criterion for success is customer service that permeates and drives every element of performance—from state-of-the-art technology and customer care to compliance and problem-solving. Great “customer service” is a term bandied about by most companies. But, unless it’s practiced consistently and reliably, the company will appear hypocritical. This is truly an area where “walking the talk” is essential.

“Customer service” is already being seen as the glue that binds together organization sales and marketing.

A July 2018 Forbes Magazine article notes, “Customer service is the new marketing, and it’s the new sales engine. Some organizations, large (Amazon, Apple, Patagonia) and small (your favorite local hair salon, perhaps, or local restaurant) already understand this. They’ve learned to focus their efforts on great customer service and let that customer service drive future sales...”

Even beyond a rather weighty role in marketing and sales, customer service touches—and should drive—every part of a quality loan servicing organization. Following are ten critical areas to consider when reviewing options.

1 Compliance

Compliance with local, state, federal and sometimes even foreign law has become a significant topic of consideration for businesses in the last several years. Your loan servicer's security program, data controls and overall infrastructure, if incomplete, put at risk not only the servicer's business but your business as well. In today's climate, your servicer should be well-versed and a subject matter expert in consumer communications, data safety and security and compliance related regulation. Even more important—the servicer should be current on the state of the law and best practices in these areas and agile enough to adjust its program to meet ever-changing requirements.

Key questions to ask of a prospective loan servicer about compliance are:

What is the servicer's process for staying informed and educated on the law? What is the servicer's current infrastructure as it relates to data security, system security and overall protection of your information? Do they employ outside vendors to test and challenge their platform?

How experienced is your servicer in dealing with consumer touch points and consumer data as it relates to the restrictions imposed by regulation?

What is your servicer's disaster recovery plan and how often is it tested? In areas specifically applicable to consumer lending, how competent and flexible is the software platform in addressing everything from state-by-state usury and lending laws to being able to change strategy quickly in response to marketplace volatility and/or downturn? How far does the company drill down to ensure full knowledge of and compliance with state-by-state licensing regulations, mandated privacy practices and protections, consumer protection, and individual areas such as student loans?

How quickly and comprehensively can the servicer produce full documentation of all compliance-related areas, issues, and concerns? Can the servicer offer a time-tested track record of its performance and ability to meet challenges in a variety of industries—demonstrating ability to adopt, adapt, and address with a fresh set of eyes?

"Everything a loan servicer does has legal ramifications—for the servicer, servicer's clients, and vendors. It's vital to design client programs that include prospective legislation and regulation to ensure meeting requirements today—and in the future. All compliance-related matters must be included in a documents and procedures program handed out to clients and their applicable vendors."

"Gone are the days when you say you do it. You've got to prove it."

Sonja M. Yurkiw

Senior Vice President & General Counsel

"Gone are the days when you say you do it. You've got to prove it."

2 Proactive Outreach

Your servicing company should be tuned in to client needs, developments, and challenges -- enough so to reach out instead of reacting. Loan servicers paying full attention often will spot potential potholes or performance challenges before they ever materialize. If you're consistently having to reach out to your servicer before they reach out to you, it's time to re-evaluate choices.

Questions to probe about proactive outreach include:

Does the servicer have the resources, experience, and commitment to provide redundant outreach via a relationship management team assigned specifically to a designated client?

Is someone on that team always available to address concerns responsively and reliably?

Is this level of service a standard part of the servicer's contract or designated as an optional, extra cost?

“Proactivity should permeate every business process, starting with interacting with the business to get their needs, and working with the development team to make sure requirements and deadlines are met. Concurrently, it’s vital to look at long-term product enhancement, such as more robust business intelligence. And, continuous improvement momentum to offer and configure novel solutions overlays all of it.”

Steven Knudsen

Vice President of Product Development

“Proactivity should permeate every business process...”

3 Customized Solutions

“Every portfolio is unique. There is no one-size-fits-all approach. Software must conform to what you need. The goal is to creatively solve virtually every problem a client could have, primarily using the most advanced technology available, as well as provide the best possible customer service.”

Robert Bertrand

Chairman and CEO
Founded the company in 1988

“All clients need customized solutions that fit their continuum of needs. For example, some want to buy collections side technology and deploy it themselves. Others want the servicer to handle it all. It’s critical to listen to needs, then tailor custom solutions based on teamwork in all different areas—to develop servicing models that fit exactly what they’re looking for. Through all this, the ability to build long-term relationships is paramount—partnering with client growth and anticipating very long-term evolution.”

Kyle Derry

Vice President of
Business Development

No company fits into “one size fits all.” Neither should your loan servicer. It should be about understanding your needs, requirements, and preferences first—then developing a tailor-made solution that fits like a glove. With so much off-the-shelf technology that only meets select “in-the-box” needs, too many servicers attempt to steer clients to what fits their pre-determined model. Each client and challenge is different. Solutions need to be, too.

Defining questions that can help determine if your loan servicer prospect will customize to the extent you need include:

Does the loan servicer offer solutions that fit your portfolio or is your portfolio expected to fit into their pre-determined parameters?

Does the level of customization apply to every aspect of the loan servicing agreement—from technology to alignment of corporate cultures?

Does the servicer commit to becoming a part of your organization as a strategic partner—before you have to address the issue? The chasm between being partners and just an outsourced vendor is typically huge and addresses two completely different levels of involvement.

Does the servicer adapt easily to client models that fit anywhere on the continuum from dependence to independence in all areas—from collections services to technology?

Will the servicer create technology solutions targeting your specific needs or attempt to saddle you with off-the-shelf solutions and less-than-comprehensive support?

Is the customized solution easily scalable on every level, from increasing/decreasing needs in client team support to growth demanding technology that’s keeping pace?

**“Every portfolio is unique.
There is no one-size-fits-all approach.”**

4 Comprehensive Technology Toolkit

This encompasses both established and emerging technology designed to meet today's needs while planning for tomorrow's. In this rapidly-evolving realm, no servicer can afford to rest on its laurels. Your servicer needs to demonstrate a historical commitment to state-of-the-art technology, along with a robust program to create new, reliable technology solutions efficiently.

Following are top-level questions to help assess and address servicer technology capabilities, competency, flexibility, and support:

Is technology focused and created through a robust product development group that can meet client needs as well as their customer needs? Does the product development group serve as the “glue”, bonding technology and servicing together?

How well does the technology scale? Is it designed to meet rapidly evolving and growing needs by building on the existing platform versus having to re-invent the wheel?

When discussing technology, does the servicer take a proactive, collaborative approach with the client to ensure everyone is on the same page before proceeding? Does technology development address both immediate and comprehensive longer-term needs without requiring sacrifices in one area or another?

Is it possible to have both off-the-shelf technology that meets immediate needs while developing a more optimized, customized long-term solution? Does your servicer ask technology-related questions first, or immediately offer solutions that in many ways box you into their platform(s)? (Look for a needs assessment followed by a customized technology solution, not a canned solution that may not address many of your needs.)

“Make sure your servicer is willing to fit into your box instead of trying to make you fit into theirs.”

“The key is collaboration versus a dogmatic approach. To develop the appropriate technology solution (often requiring many customized features) first requires asking questions that run the gamut from how they run their business to how the needed technology will fit flexibly into the picture and listening closely to answers, not rolling out grandiose solutions that may not meet client needs. Make sure your servicer is willing to fit into your box instead of trying to make you fit into theirs.”

“We believe strongly that the best solutions derive from creating technology that enables lower-cost automation, greater accuracy, and easier scaling in previously labor-intensive areas, in turn freeing up human resources elsewhere. For example, automating many loan acquisition and servicing functions creates a greater space for human involvement, intervention and insights in other areas—notably customer service and support. It’s an incredibly important balancing act. Both technology and time-tested human support are required. Try to do too much via old-fashioned, time-intensive human labor, and you’ll wind up inefficient, inaccurate, and possibly insolvent. Conversely, companies that attempt to make AI do everything, including all customer service functions, soon find out that the human element is still incredibly important to many customers.”

Jon Catlin
Chief Information Officer

5 Scalability

Your company may grow rapidly. Can your servicer keep pace, both on the people and technology sides of the equation? Is there adequate expert staff to meet the needs of expanding organizations? Do technology solutions just accommodate today's requirements, or can they efficiently scale to growing demands? As scalability is one of the most important ways a loan servicer prospect can help drive success for clients, what are paramount issues to address upfront?

"Agile development is vital to successful scalability. It's as granular as starting something at the beginning of the day and looking different by day's end. In many cases, it's iterative, delivering a bit at a time very responsively on tight deadlines, then testing it out and getting fast feedback to continue the process."

"We use the SCRUM methodology, defined elegantly by Wikipedia: 'SCRUM is a framework within which people can address complex adaptive problems, while productively and creatively delivering products of the highest possible value.' SCRUM itself is a simple framework for effective team collaboration on complex products."

"Many companies think chiefly in terms of availability and performance right now instead of instituting a framework that allows for rapid scalability."

"In today's often explosively growing marketplaces, this amounts to shooting oneself in the foot repeatedly."

Jon Catlin

Chief Information Officer

Does your servicer assertively address the need for a well-orchestrated scalability plan, so that needs are assessed long before scaling occurs?

How well does the scalability plan meet budget parameters and required performance thresholds? All the scalability planning in the world is useless if the company can't pay for it or ensure that it will fulfill critical needs at critical junctures.

How well can your servicer document a track record of robust scalability fulfillment for other clients?

Does the plan enable agile incorporation of new features and functions, providing rolling upgrades that are implemented while everything continues to run? In loan servicing, downtime is typically not an option.

"Agile development is vital to successful scalability."

6 Transparency

“In my 15 years here, I’ve found that open door communication with clients is essential to building meaningful, trusting relationships that make our clients better and more competitive. When they grow, we grow along with them. This requires the ability to address challenges truthfully even when it’s hard. That’s how you grow together and make each other better, versus a string of instant gratification ‘feel good’ moments that won’t sustain in the trenches or through a crisis.”

Kyle Derry

Vice President of
Business Development

Tell it like it is. And prove it. Period. For everyone in robust, competition-laden industries, a natural tendency is to “embellish” performance abilities to get contracts. This does no one any good. Your servicer should directly state what is feasible without exaggeration, then prove it—both with legacy performance elsewhere and as the contract proceeds with your company. Far from hiding the truth, a quality servicer will make sure you’re fully informed about both the good and the bad. Only in this transparent environment can progress and performance be optimized.

How do you find out the truth about truth telling? For starters, ask:

What are a handful of real-life examples about telling the truth when conveying bad news? Understandably, there likely will be confidentiality issues tied to revealing the client involved; however, ask for as much specificity and detail as possible.

What do the loan servicer’s employees have to say about the culture of “documentable candor?” Ask to talk with two or three people of your choosing, and compare notes about what they say, and how they say it.

What are a couple of client failures? Again, confidentiality issues will limit disclosure. However, the more a company is willing to reveal its shortcomings, the more assured you can be of its candor on all levels.

How has “documentable candor” evolved over the years? This is a great way to establish both historical and current perspectives, best handled by talking with long-time executives, managers, and front-line employees who can share their experiences in this arena, including trends and improvements.

“...open door communication with clients is essential to building meaningful, trusting relationships...”

7 Team Longevity and Coordination

The length of time a loan servicing team has worked together (as well as their longevity within the organization) is one of the most important parts of customer service. A team that is experienced working together, has extensive company history, works seamlessly and competently together, and is motivated and happy translates into top-notch client support. Also, it's valuable if employees understand and/or have worked in other areas of the company—to gain a well-rounded perspective.

Questions around this all-important issue include:

How long have employees been with the company, and in what capacities? Longevity and well-rounded backgrounds are two critical criteria to assess how well the overall organization functions. Longevity and well-rounded backgrounds demonstrate a solid commitment to the loan servicer prospect; and an equally powerful commitment to learning different facets of loan servicing to better understand challenges from a 30,000-foot as well as ground-level perspective.

Does the corporate culture encourage flexibility, a collegial atmosphere, and enjoyment while at work? Generally, these three attributes are paramount to establishing and maintaining longstanding teams.

How does team account management work, both in terms of the resources dedicated to your company and the length of time that team members have been involved with a client? No one likes to be “handed off” constantly to a new, unfamiliar account manager or liaison. It's important to establish the comfort and confidence that come with familiarity, as well as knowing that resources dedicated to you are always available, to ensure fast response and a total commitment to addressing requests fully and satisfactorily.

How ingrained is open door communication internally? Typically, leaders who encourage employees to share and provide feedback define a strong teamwork culture that, in turn, is front and center when dealing with clients.

Is the team comprised of a good mix of “people people” and “tech people,” able to communicate positively and knowledgeably with each other? In other words, do both groups understand the vital role of the other, and the importance of each in the overall mix on behalf of clients?

“Family, flexibility, familiarity, and friendships are the cornerstones that support teamwork in the loan servicing business.”

“The concept of family addresses the ability and willingness to do everything from supporting each other through challenges to enthusiastically participating in company events. Flexibility, familiarity, and friendships stem from this family environment, where people will pinch hit for one another because they know and like each other. This is the basis on which client relationships are developed and nurtured.”

Shaun O'Neill

President & Chief Operating Officer

“Family, flexibility, familiarity, and friendships are the cornerstones that support teamwork in the loan servicing business.”

8 Company Longevity

How long has your servicer or servicer prospect been in business? What have they accomplished and where? What is their reputation among existing clients? How do reviews substantiate performance? Generally, companies with long-term track records have performed positively. And, with the ultimate lie detector of social media, missteps are typically pointed out. Check out a servicing company both for the length of time they've been in business and how they've performed in the 10 Critical Areas we're addressing here.

"The longer you've been in business, the more you know that clients don't fit into a box. Everyone is unique and deserves a partner who can guide, advise ... and most important, listen. Having managers who've lived and breathed departments as diverse as customer service and IT is a huge benefit. These multifaceted people know and feel the need to consider everything from the vantage point of multiple disciplines. Servicers passing the test of time know that challenges typically require savvy multi-disciplinary, and very customized solutions."

Brandina Wade
Vice President of Operations

"Everyone is unique and deserves a partner who can guide, advise... and most important, listen."

Questions to consider are:

Can longevity be examined in ways that go beyond the length of time the prospect has been in business? Drilling down into the servicer's operation, look for longevity of individual employees, their length of time in various roles, and how many employees have been promoted from within. This will provide valuable intelligence, both about individual team members and the overall makeup of the organization. Obviously, longtime employees growing through the ranks and learning a wide range of roles speaks to stability that translates into strong customer service, relevant servicing experience, and spot-on anticipation of issues that may arise.

What is documented longevity and experience in different loan servicing asset classes—which helps define where the servicer has been and where they might be going? While longtime involvement obviously can contribute to expertise on behalf of clients, in some cases a relative lack of experience can be an asset—if the servicer can bring relevant and robust credentials plus the benefit of a "fresh look" at the situation.

Are levels of lengthy company experience evident both at managerial and front-line employee levels? A servicer needs to show strength in both areas because this is what ultimately dictates optimum performance. Both are required to make the entire system work consistently and reliably. It's one thing to have top executives with decades of experience. It's extraordinary—and telling—when there are call center employees with well over a decade in the position.

Does there appear to be a "silo" mentality, where different departments function in a vacuum and guard their turf to the detriment of overall service performance and client expectations? If so, this well may not be a good fit in today's highly complex marketplace lending environment, where the best outcomes result from the best teams and teamwork.

9 New Perspectives

Track record and longevity in today's dynamic marketplace mean little if not accompanied by the ability to take a fresh look at challenges looming large in front of us. There can be a thin dividing line between an established reputation and a stale one. Being able to view servicing in a way that balances expertise with enthusiasm for new challenges—and the resulting robust plan for your company—is paramount to meeting your loan servicing needs.

Here are key questions to ask when vetting a loan servicer:

Does the servicer view you through a “fresh lens,” utilizing an extensive discovery process that includes anticipated stumbling blocks? If not, it's likely that the process is designed to keep you “in the box” of their pre-determined solutions versus designing a solution around you.

Does the servicer do a deep dive to address future growth patterns in addition to present needs? This is particularly important in terms of designing technology solutions that will be flexible, scalable, and relevant as far down the road as possible.

Is the servicer set up to move efficiently when new challenges emerge at any level, from operations and communications to technology and security?

“Servicers offering you a box with defined boundaries are in essence giving you ‘off-the-shelf’ solutions—whether it involves technology or other areas of the contract. That may work well when dealing in a perfect world where nothing unexpected ever happens. But, that’s not real-world. Your loan servicer should be highly motivated to look at your business with an inquisitive, fresh set of eyes—and be eager to learn about you today and how to help maximize your tomorrow.”

Brandina Wade

Vice President of Operations

“Your loan servicer should be highly motivated to look at your business with an inquisitive, fresh set of eyes.”

10 Problem-Solving

Just about anyone can look good when all is well. It's in the trenches where ultimate value is established. Problems will occur; no amount of foresight or planning can prevent them. But, embracing them as an opportunity to shine is an undertaking that too often companies seek to avoid. After all, it can be easier to hide problems than address them—regardless of where fault lies. When vetting a loan servicer, ask hard questions about commitments and capabilities around problem-solving in every area possible, from technology to compliance.

"One way to prove your worth is trying to disprove it. For example, the best way to prevent a data breach is to retain a company that tries to hack you regularly. If they see a vulnerability, it can be addressed."

"This same philosophy and practice should extend to every facet of the business, where teams do their best to 'poke holes in things,' including potential vulnerabilities of ourselves, our clients, and vendors."

"Finding ways to avoid issues through 'proactive practice' stands in alignment with the time-honored adage: 'An ounce of prevention is worth a pound of cure.'"

Shaun O'Neill

President and Chief Operating Officer

Addressing these questions will help determine what the prospective loan servicer's culture is around problem-solving:

What is the prospective loan servicer's track record in preventing and addressing data breach issues, one of today's most daunting and omnipresent threats? If they've never experienced a breach, why not? If they have, what have they done to prevent a recurrence?

What protocols are in place for problem-prevention in such critical areas as protecting loan performance when the economy falters? What steps can be taken to mitigate losses when engaging with consumers? How do you ensure compliant loan performance in the most cost-effective way possible?

What systems are in place to aggressively and successfully deal with technology problems and setbacks? It's relatively easy to shine when all is well. It's in the technology trenches—when problems loom large—that true worth is established.

How extensively does the servicer work proactively to prevent problems versus just reacting when they occur? Is there a "collaborative openness" toward problem-solving that goes beyond the servicer's walls, encouraging client contributions—and client customer suggestions—in a positive light?

"One way to prove your worth is trying to disprove it."

Company Background



Concord is a world-class financial technology company, delivering innovative, flexible, and scalable portfolio servicing solutions to meet the demands of loan originators and capital providers (and their customers) in multiple asset classes.

For three decades, **Concord** has been a recognized leader in portfolio servicing and financial technology, delivering innovative, flexible, and scalable solutions to meet the demands of loan originators and capital providers (and their customers) in multiple asset classes.

Founded in 1988, Concord delivers comprehensive portfolio servicing solutions, including billing, payment processing and critical reporting. Additional services include loan validation and audit services, electronic custodial services, third party customer service, delinquency collections and loss mitigation. Concord's corporate headquarters and base of operations is in Scottsdale, AZ, with a satellite office in Mexico City, Mexico.

With a staff of approximately 225 professionals, Concord has amassed nearly two million consumer obligations, with a portfolio size of approximately \$6.5 billion. In addition to primary loan servicing, Concord also serves as a Master/Backup Servicer for approximately 175,000 loans with combined balances of \$2.57 billion.

As a business process outsourcing company, Concord offers clients exceptional services, robust technology, an experienced and tenured workforce, and a variable cost model that affords scalability and operational efficiency. Concord's on-demand technology solution, coupled with a comprehensive servicing strategy, affords clients increased efficiencies in critical operational areas—allowing clients to focus on their core competencies.

Concord's loss mitigation brand - **Blackwell Recovery**® - offers customized solutions for recovering debt that will minimize delinquent accounts and maximize portfolio performance.

For more information, visit concordservicing.com.

