eBook

The strategic servicer's playbook:

Four ways to fortify your servicing operations to adapt to any market

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The challenge of low-movement markets

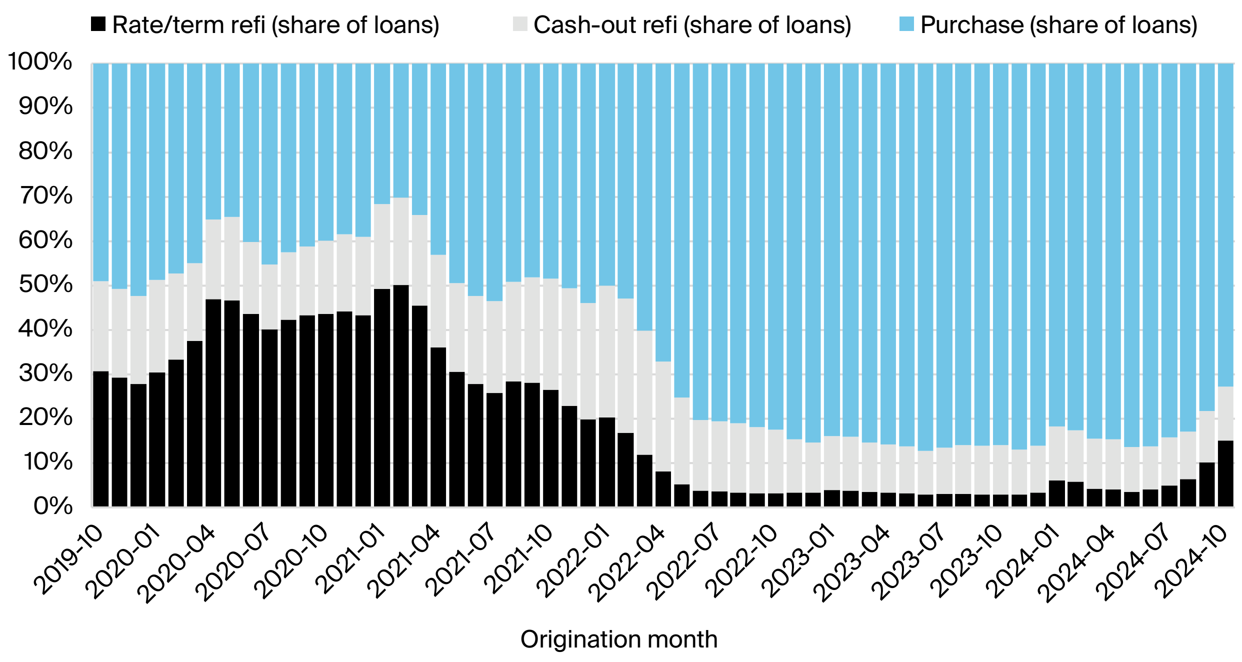
The recent housing market has presented servicers with challenges they rarely see.

As interest rates climbed above 7% and stayed there for much of 2024, homeowners showed their reluctance to move to newer properties, opting instead to hold on to mortgages that were several percentage points below market rates.

This “lock-in effect” meant fewer new loans being originated, which in turn meant fewer new customers being added to a servicer’s portfolio. And then in late 2024, servicers saw a “boomlet” of cash-out and rate/term refinances (illustrated in Chart 1) as homeowners capitalized on the interest rate drops initiated by the Federal Reserve in September. However, the chart also shows that even when rates dropped, origination volumes remained historically low.

ICE Mortgage Monitor data found that in spring 2024, homeowners who gave up their rates to move to an equivalently priced home would see a nearly 40% increase in principal and interest.

Chart 1: Share of first lien originations by purpose, Dec. 2024 ICE Mortgage Monitor report



ICE has identified four strategies servicers can strategically bolster their operations to help find success now when the housing market is slow, and down the road once it eventually rebounds:

1. **Provide consumers with a digital, self-service experience**
2. **Implement intuitive tools that streamline work for back-office teams**
3. **Adopt an API-first strategy that makes it easy to integrate new capabilities**
4. **Maximize data insights to improve operations and increase retention**

This eBook expands on each of these four ways to share how servicers can strategically uncover opportunities to adapt to the market's ebbs and flows – and delight their customers while driving repeat business with modernized servicing technology.

Strategy 1

Provide consumers with a digital, self-service experience

Customer retention is vital no matter the conditions of the mortgage market. While homeowners may not always be able to choose who services their loan, they can take their business elsewhere when it comes time to refinance or take out a HELOC. That's why it is critical to offer a meaningful and intuitive homeownership experience for customers.

As Chart 2 shows, borrowers are willing to keep working with their current servicer. Mortgage Monitor data found servicer retention rose throughout 2024 for both cash-out and rate/term refinances, with explosive growth in rate/term retention in the back half of the year. Servicers who implement an effective, personable engagement program are more likely to see favorable retention numbers.

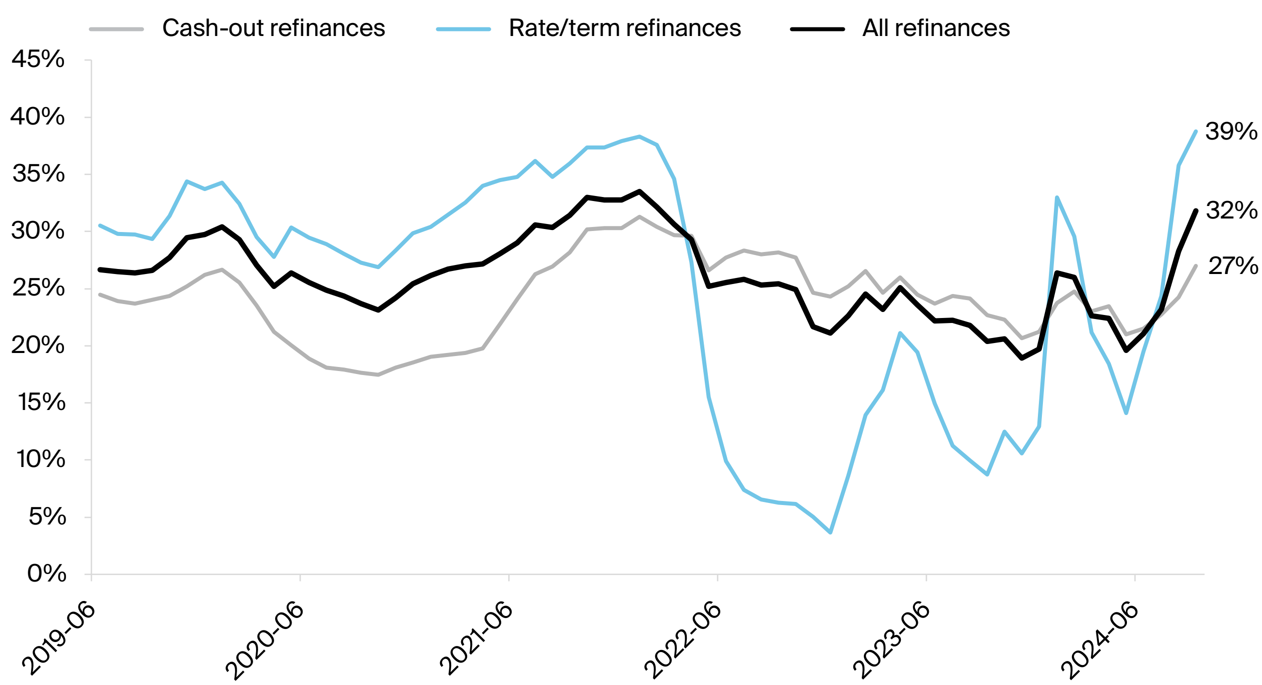
Handling day-to-day loan activities with ease

Homeowners today expect powerful, easy-to-understand digital tools that help them take care of everyday administrative activities on their loan. They want instant and seamless access to capabilities that:

- Inform them of their current loan status
- Allow them to make payments on their loan conveniently
- Review information on taxes and insurance
- Help them contact representatives with questions
- And more

While servicing platforms will often cover the basics listed above, technology that stands out and helps servicers increase retention will take those concepts to the next level.

Chart 2: Servicer retention rate of refinancing borrowers, Dec. 2024 ICE Mortgage Monitor report



Providing homeowners a holistic understanding of their home's value and potential

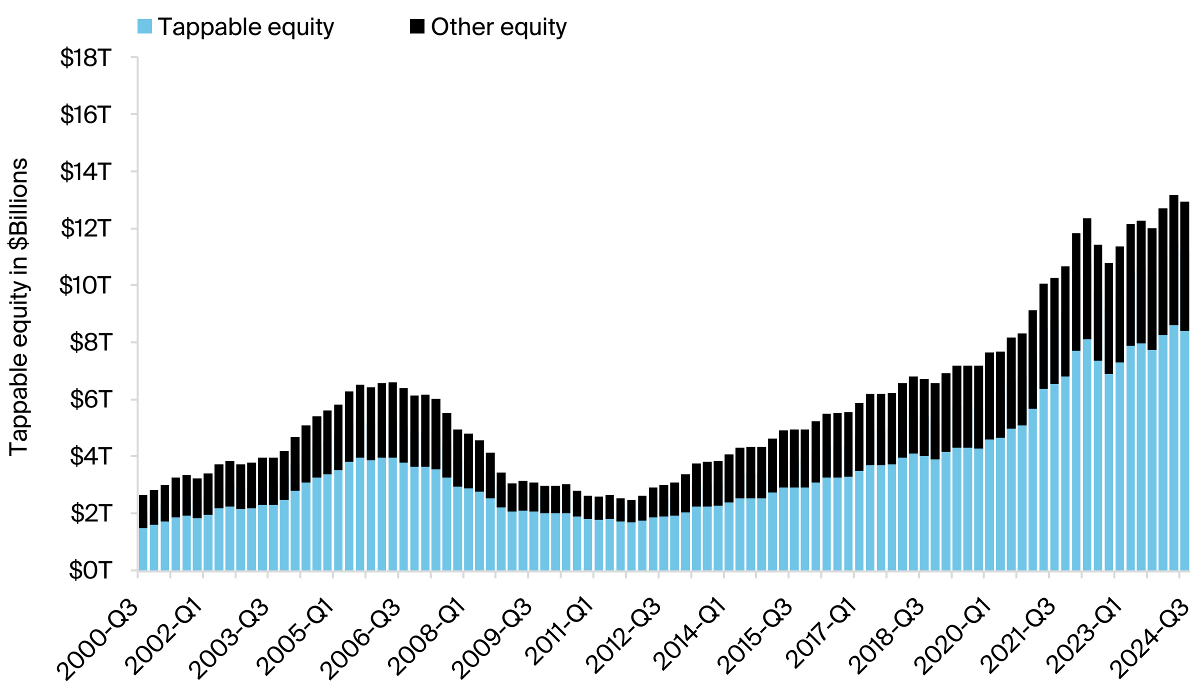
Servicers should prioritize a digital strategy that goes beyond day-to-day loan maintenance, and provides homeowners with meaningful, self-service capabilities that also:

- Inform them about the value of their home
- Help them compare their home to similar properties
- Allow them to explore options and perform "what if" scenarios
- Detail the benefits (or drawbacks) of paying down or refinancing their loan
- Present them with personalized opportunities for building home equity more quickly

Managing housing wealth in an equity-laden market

Mortgage holders today have access to record levels of equity in their homes. Chart 3 shows that as of November 2024, the average homeowner had $319K of equity in their home, of which $207K could be borrowed against while still maintaining a 20% equity cushion. Servicers can increase retention by providing homeowners with tools that help them capitalize on that equity and manage the wealth in their home.

Chart 3: Homeowner equity on mortgaged residential properties, Nov. 2024 ICE Mortgage Monitor report



ICE Servicing Digital, a customer-centric mobile app and responsive web solution, can help homeowners understand how to tap into their home equity, e.g. via a HELOC that can provide quick access to funds for big-ticket purchases without requiring customers to give up their rates on first-lien mortgages.

ICE is focused on creating a customer journey that is understandable, meaningful and less complicated. This goes beyond providing basic loan information on an app or website. It is about helping servicers present their customers with unique opportunities – to build long-lasting relationships. Efforts made to retain customers now can only benefit servicing operations once the housing market rebounds.

Improving customer support with data you already have

While Servicing Digital equips customers with the self-service tools to answer many of their own questions, there will inevitably come a time when they need to get in touch with a support agent. ICE Customer Service enhances the call center experience with call prediction models, an innovative tool that interprets recent activity on a customer's loan to predict the top reasons why that customer may be calling.

With that information, support agents can know why a customer might be calling in before the first word is ever spoken. This allows them to tailor each interaction to the individual caller, and helps servicers have more meaningful conversations that lead to positive outcomes — which ultimately means they can create a better customer experience by resolving more calls faster.

Use case

Data to help expand relationships and improve retention through home equity

It is one thing for servicers to know that home equity opportunities exist, but that information must also reach homeowners to be effective.

A new integration between Servicing Digital and ICE Validate, a property valuation tool, can make equity extraction easier by giving customers a current estimate of how much tappable equity they have in their homes, and the ability to proactively complete a self-guided valuation of their property.

Validate lets customers upload photos of the interior and exterior of their home, and analyzes the photos to provide a condition and quality rating based on the same standards used by real estate appraisers. By leveraging these near-real time insights, Validate can deliver a more precise condition-adjusted Automated Valuation Model (AVM) to provide lenders and homeowners with a more credible, objective and transparent estimated value of a property.

Strategy 2

Implement intuitive tools that streamline work for back-office teams

Servicing is complex, and both the technology and the teams who use it are highly specialized. Back-office employees often need to follow specific workflows and nuanced procedures to perform their daily tasks. To make this complex work simpler and more intuitive, servicers need a platform that is easy to understand and automates manual work so users can focus on exceptions that need human expertise to solve.

Automating manual processes in servicing

Traditionally, users have relied on complex screens and menus to navigate various servicing functions and loan information. Many back-office users have also historically performed at least some of their work manually, which involves painstaking "stare and compare" data entry to complete some of the most basic servicing tasks.

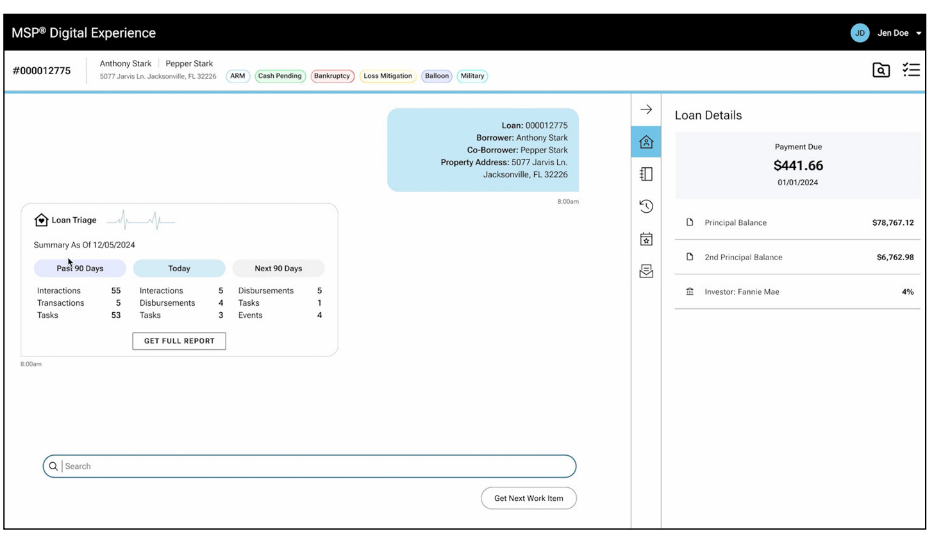
The time sink of manual work and screen navigation can be immense. Furthermore, it can become difficult to track manual tasks for audit purposes, and "stare and compare" work is prone to human error.

However, modern servicing technology is now streamlining even the most complex processes through sophisticated machine learning, decisioning and advanced workflows, so servicers and their teams can work faster and more efficiently while reducing risk.

A streamlined, enhanced way for servicers to work

To help servicers compete in any market, ICE has built the next evolution of the servicing user experience with MSP® Digital Experience, or MSP® DX. This intuitive, exception-based platform, uses a streamlined user interface to make back-office work easier giving servicers and their teams:

- The ability to use simple, everyday language to perform servicing tasks
- Fingertip access to relevant reference materials and next steps
- Fewer flagged exceptions that require specialized review
- The ability to expand the effective reach of team members
- Automatic audit trails that can be used for oversight
- And much more



MSP DX uses natural language processing to allow servicers to pose simple queries and quickly receive detailed loan information, as well as prompts on next steps. This means employees can do their work by simply typing in the description of the servicing task they want to perform, instead of navigating a series of screens.

This easy-to-learn interface not only helps current employees work more efficiently, but it also allows new users to learn the system in less time. MSP DX can lower a new hire's barrier to entry by substantially reducing the technological learning curve, which translates to lower training costs and faster onboarding for servicing organizations.

Giving humans the final word

At the end of the day, there are going to be exceptions where you want a human reviewing a loan. While many systems can automate routine processes, servicers need to also choose technology that will elevate human expertise. With MSP DX, ICE has created a user experience that automates routine processes – while prominently highlighting exceptions on a customer's loan that may require human intervention to resolve. This way, your teams can focus on the work that needs urgent attention and deliver a more personalized experience to your customers.

Use case

Escrow analysis made simple

Escrow analysis can be complicated, and it requires servicers to use multiple tools and manage a large volume of exceptions. It is a labor-intensive process that can take weeks, if not months, to finish.

The escrow capabilities in MSP DX streamline this time-consuming analysis process by providing servicers with:

- Curated data presentment for simplification and increased processing efficiencies
- Integrated task delivery for off-schedule analysis requests from front line operators
- Clear exceptions with same-day line updates and analysis triggers
- Centralized, single-action processes

MSP DX will include core capabilities to refine the escrow analysis processes and help reduce the risk of missed exceptions, including automation and proactive responses for common exceptions, one-time delivery of "exceptional exceptions" that need immediate attention to reduce downstream delays, and the incorporation of data curation to assist with exception processing.

Strategy 3

Adopt an API-first strategy that makes it easy to integrate new capabilities

The mortgage industry changes constantly, and traditional software development cycles can often lag behind the fast pace of innovation. Building, testing and deploying new capabilities is a time-intensive process that can be prone to delays. That's why servicers need technology that is flexible, scalable and integrates quickly so they can meet their business needs faster.

Rapidly implement new capabilities at scale

APIs, or application programming interfaces, are the simplest way for servicers to deploy new capabilities for their customers and employees. APIs deliver seamless connections between programs and systems, and their implementation is easy and fast. They represent a quick and flexible option for servicers to scale their functionalities alongside their business needs.

Previously, servicers have had to manage significant underlying technicalities to implement new functionality – which can demand significant time and development resources. However, APIs handle these complex technical details behind the scenes, helping servicers easily implement and begin using new features fast.

APIs help servicers unlock the precise functionality to meet their growing business needs at scale, while maintaining the flexibility to add complementary capabilities in the future. And the simplified integrations lighten the load on developers so they can spend less time testing and deploying features and can focus instead on other business-critical functions.

An "outside-in" API development philosophy

ICE is committed to developing its solutions with an API-first mindset to help servicers achieve the outcomes they want quickly and efficiently.

Instead of approaching API development from the "inside-out" – i.e. building capabilities around an existing model or dataset simply because those assets exist – ICE develops APIs with an "outside-in" approach, which prioritizes outcomes above all else. Mortgage technology needs to streamline complex business processes and it needs to help servicers extract the most value from those processes.

This outside-in approach leads to technology that makes it easy for servicers to hit their moving targets and stay competitive. With this philosophy, servicers can be confident the technology they are investing in is purpose-built to help their business grow.

Strategizing with a full catalog of connections

When implementing APIs, it's important to know the full range of capabilities a provider has on offer. Servicers who employ a hunt-and-peck method of API implementation by simply adding integrations on an as-needed basis might miss out on additional capabilities they didn't know existed but could benefit their customers or employees. It can also be frustrating when a servicer has in mind a specific capability they would like to add – but doesn't know whether it already exists or whether they should start the process of building it on their own.

The ICE Developer Portal is a central repository of APIs supporting the full mortgage ecosystem. Using this intuitive, self-service online catalog, servicers can search for web services, webhooks and other integration tools, as well as browse specifications, product overviews, implementation documentation, user guides, code samples and more.

The Developer Portal catalog can easily be searched according to loan lifecycle information like domain model, product name or integration style. This allows servicers to move away from hunt-and-peck capability integrations and helps them more proactively create a strategic, tailored approach to their interactions with customers.

Use case

Delivering on capabilities your customers want

Chatbots are a valuable tool for companies interested in offering self-service options to their customers. ICE's API-first development approach has made it easy for servicers to implement chatbot functionality in Servicing Digital, allowing them to automatically greet homeowners and help them manage their loans. Should homeowners pose questions the chatbot is unable to answer, the bot connects homeowners with a live agent equipped with loan details and chat notes.

ICE's deep API connectivity underpins our solutions across the loan servicing spectrum, helping servicers nimbly add new functionalities without demanding outsize resources from development teams.

Strategy 4

Maximize data insights to improve operations and increase retention

Data is one of the most valuable resources that servicers can use to improve their operations and meet market demands. ICE's technology uses both industry and client data sets to help servicers unlock new business insights, reduce risk across their portfolio, and create deeper customer relationships.

Industry-wide insights to help power business

Mortgage data can help servicers with:

- Research
- Modeling
- Risk management
- Compliance
- Benchmarking
- And more

Best of all, this data can be accessed via an integration with a servicer's existing systems or through other methods like an online access tool, customized record layouts, and a cloud-based data and analytics marketplace.

Mortgage business intelligence to help reduce risk

Servicers not only need to pay attention to industry-wide data – they must also pick up on the signals within their own portfolios and servicing operations to understand property details and loan collateral or risk attributes.

One way ICE helps servicers achieve that is with McDash®, the deepest and broadest repository of servicer-contributed, loan-level data in the industry. With over 100 data points, including property details and loan collateral/risk attributes, McDash helps servicers and capital markets participants use and interact with the data to:

- Identify prepayment and default behavior
- Build models for trading mortgage-backed securities
- Benchmark portfolios with like assets
- Identify high-risk loans to employ proactive loss mitigation
- Survey the market's mortgage-performance trends to refine strategy
- Stress test portfolios under different economic scenarios
- Build better prepayment, default and loss models

Our business intelligence solutions offer revenue, efficiency and compliance visualizations for servicers and can drill down into the following functional areas:

- Cash
- Compliance
- Customer service
- Escrow
- Foreclosure
- Home equity
- Loan transfer
- Loss mitigation
- And more

ICE offers business intelligence tools that are built specifically for the mortgage industry, combining loan- and industry-level data to deliver strategic, proactive and actionable insights. This data can help servicers with retention strategies, portfolio management, home equity activities, compliance, default and more.

Additionally, these capabilities allow servicers to drill down and proactively identify anomalies and trends, automate processes and create visualizations to more easily assess data across their servicing operation.

Up-to-date, exceptional quality data to monitor for specific events on your loans

Servicers need to know what's happening with the loans in their portfolio. It's critical they receive early notifications of property-related events to both reduce risk and take advantage of lead opportunities.

ICE offers a suite of solutions to help servicers efficiently and cost-effectively monitor their portfolios. With technology like Lien Alert, which automatically flags loan events like bankruptcy, default and more, as well as property, loan, and owner alert solutions, servicers can essentially have a second set of eyes on their portfolios to proactively monitor for changes.

ICE applies stringent quality control measures so servicers can be confident the alerts they receive are based on reliable, timely information to help them respond quickly to changing conditions.

Use case

Streamlining the loan life cycle with data and document automation

ICE has developed advanced data and document recognition capabilities that are streamlining long-standing inefficiencies in the mortgage industry. For example, these capabilities now make it easy to deliver loans originated on the ICE Encompass® LOS directly into servicing on MSP, reducing the time and complexity of boarding and lowering costs.

Servicer-defined API triggers within the ICE Boarding DX solution can automatically begin the transfer of data and documents for newly originated loans from Encompass to MSP, removing the need to move loans in time-consuming batches and making the cumbersome transfer process virtually hands-free.

Plus, ICE's advanced data and document capabilities facilitate exceptional quality control measures. Boarding DX audits 100% of loans after moving them into MSP, so users can focus less on "stare and compare" post-boarding review activities and more on tasks that require human intervention.

Why ICE?

Servicing is a complex and ever-changing landscape, especially with the headwinds in today's mortgage market. ICE is focused on helping back-office teams work more efficiently and on providing servicers the tools to create more meaningful experiences with their customers, manage operational processes, reduce costs, and mitigate risk.

ICE's mortgage technology solutions work in concert with one another to digitize the entire loan and home finance life cycle, which in turn helps our clients seamlessly service their customers' loans and retain them for future home financing opportunities. Our technology platforms and automation tools, combined with our data and analytics solutions, work together to deliver a consistent experience at every stage of the homeownership journey – helping to create lifelong relationships that keep customers coming back.

Plus, the experts on the ICE team have deep industry expertise in both financial services and technology, ranging in product development, delivery, implementations and client support. ICE is committed to continual innovation, integrating our capabilities and delivering quickly to help clients stay ahead of market changes, remain competitive and satisfy compliance requirements.

Selecting the right technology can help servicers succeed in any market

Regardless of the market, gaining and keeping a competitive edge starts with selecting technology – and a mortgage technology provider – that excels in the four key areas this eBook has explored. Before you invest in new technology, ask yourself:

- Does it help me deliver a meaningful customer experience?
- Is it simple and intuitive to help my back-office teams save time and work more efficiently?
- Is it flexible enough so I can scale my operations when the market is up and down?
- Does it offer deep data insights that will allow me to improve customer retention while managing portfolio risk?

While today's market conditions continue to be challenging, they also present an incredible opportunity. ICE's powerful, agile technology helps innovative servicers meet the needs of homeowners and employees to compete in the mortgage market of today – while preparing to succeed in the mortgage industry of tomorrow.

