

# Loss Mitigation for Good Loans Goes Up

By AMILDA DYMI

*New York*—Adventity Inc. finds the newest market trend, beyond the unprecedented loan volume that has made outsourcing the best way to approach loss mitigation, is that foreclosure risk no longer involves subprime loans only.

According to Adventity CEO Niket Patankar, because the economy is bad and because people who bought their houses in better times when they expected growth are losing jobs instead, "alt-A and good paper is also coming into the market."

Job loss and inability to afford mortgages are increasing the pool of foreclosure risk loans and negatively affecting homeowners' credit scores. The executive said he could see how the crisis has deepened since late 2007 when Adventity opened its loss mitigation department in the unit's over 100% growth quarter-to-quarter.

"One of the trends we're seeing is that some of the good-quality loans which were in the A category now tumble." And that, he said, is "a very sensitive business," since enabling lenders to help borrowers retain their homes is not always successful and "in some cases nothing can be done."

Various options are available for the loss mitigation process. "Outsourcing and demand for loss mitigation services has definitely increased in the market. So far the volume of delinquencies has been limited to a certain manageable amount with banks and lenders being capable to handle that. Now, due to the subprime market crisis, even good A paper is slipping into delinquency as people lose jobs and incomes."

Following the rapid increase of delinquent loans lenders are challenged by the unexpected loan volume they need to process. "Mostly there are cases of one- to three-month delinquent loans, which are likely to go into foreclosure. It requires a different approach to handling it.

"We need to work with borrowers to really understand what their financial situation is and see how we can roll them into another plan either with the same bank, or with one of the federal plans, like the Bush administration program that is available now, if they qualify for that, or maybe roll them into some other bank's plan."

Processing these loans requires a lot of work, he said, which is why the current high loan volume is overwhelming for lenders. Moreover, "if it is not handled properly it can result in loss and foreclosure." Now lenders want to explore what is the best workout case scenario, he explained. "Earlier it used to be small errors, or small percentages of loans, today the volume is too large and workouts more complex, even difficult."

Responding to higher demand for loss mitigation expertise and processing, Adventity has increased staff. "We have hired new loss mitigation officers in our Houston operation center," he said. "Then the loss mitigation plan that is worked out for the

lender and the borrower is handled back in India. So we stepped up staffing in this branch of our business."

Adventity employs over 4,000 India-based analysts who cover the primary and secondary mortgage markets offering an end-to-end coverage of the mortgage business. Loss mitigation requires considerable human intervention and legal counseling, he said, so in the end loan processing is be-

coming more complex and labor intensive.

"Whatever you do you need to comply with state and federal laws. ...Otherwise, if the loan is not properly processed, you can get in trouble. Especially state-to-state the laws are different except the uniform standard of how houses can be processed."

Plus, he warned, there are lender guidelines to follow which each loan modification, or partial payment plan.



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