

SURVEYING THE FIELD: THE FUTURE OF FIELD SERVICES



Economists say that although the U.S. has come a long way since the recession a few years ago, we still have significant work to do for the economy to bounce back. Speaking at this year's National Property Preservation Conference in Washington, D.C. on November 5, Leonard Kiefer, Freddie Mac's deputy chief economist, said that the housing market will play a big part in the country's economic recovery.

Defaulted mortgage volumes are down, the market has seen significant gains, and housing prices are up 20 percent as the economy continues to improve, according to Kiefer. He predicts that the overall U.S. economy will improve in 2015.

What is difficult to predict is how this new, highly scrutinized era in housing will impact the market in the coming year. Regulations and new legislation have been implemented quickly to ensure borrowers and communities are protected, but we are navigating uncharted waters as the industry tries to regain the trust from borrowers and manage these new directives created by investors and regulators. It is difficult to forecast, without a crystal ball and a little magic, what the future holds for mortgage servicers and the housing industry. What we can do in the field services industry is provide support and implement processes and controls to ensure compliance for our mortgage servicing clients.

As we prepare to enter the new year, the field services industry also is faced with new challenges, all of them centered on the heightened scrutiny from investors and regulators. Servicers are taking a deeper dive into the operations and

processes their field services partners utilize to stay in compliance with these new and expanding requirements. As we enter the new era in housing, field services companies must stay ahead of the curve by focusing on compliance and quality control, utilizing new technology, ongoing internal training programs, and learning opportunities in vendor management.

NEW REGULATORY ENVIRONMENT LEADS TO INDUSTRY CHANGES

Local ordinances are a big theme in 2015. Cities are getting more aggressive in passing and enforcing legislation and codes, and investors require that field services companies follow all of these local laws and ordinances. National businesses are challenged to comply with the thousands of regulations across the country, even when they contradict some of the requirements from servicing clients and investors.

For example, one city ordinance requires field service vendors to use vegetable oil in the winterization process. The city claims this needs to be done for environmental reasons; however, vendors are specifically instructed by our clients and investors to use antifreeze. It's a no-win situation. Either method field servicers choose to utilize, they will be performing work that is out of compliance.

Bonds are another emerging trend in municipal regulation as cities try to cover the cost of maintaining abandoned properties. Several cities across the country have implemented these bond ordinances, requiring servicers to pay up to \$10,000 up front for each abandoned property in case any code issues arise. If something needs addressed at the property, cities use some of that bond money to cover the cost of the work. Once the property is sold, any leftover funds are returned to the servicer or bank minus an administrative fee that varies by city. This is a great example of cities being unaware of the role of field servicing companies in maintaining these properties. In 2015, field services companies will be challenged to continue outreach and education of municipal officials across the country.

On the state level, several have created regulations that specifically target property preservation rather than the servicers or banks. For example, Maine recently passed legislation that requires field services vendors to be licensed as debt collectors. Again, many of these

A high-angle, low-key photograph of a person standing in the center of a large, circular stone maze. The person is holding a glowing torch that illuminates the path ahead and casts a long shadow. The maze's walls are made of dark, textured stone, and the overall atmosphere is mysterious and challenging.

Field services companies remain focused on compliance as mortgage servicing clients continue to face heightened regulations.

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regulations are created based in misperceptions of the field services industry. Developing a partnership and open dialogue with all levels of government is essential for field services companies to foster relationships and steer appropriate property preservation legislation.

As regulations continue to change, so does the servicing industry and scope of services. For example, field services companies want to see a shift toward servicing abandoned presale properties in “neighborhood-like” condition to help mitigate neighbor complaints and code violations. This includes the possibility of mulching, weeding, and cosmetic trimming of shrubs, in addition to replacing gutters, power-washing the house, and mitigating other common code issues.

Another shift in field services toward the installation of clear boarding has already begun; however, in the next year or so, it will become more of a requirement. Products like SecureView will be required for boarding broken windows and doors rather than using plywood or other materials that make the home stand out and cause blight in the neighborhood.

Pre-conveyance inspections are another industry change on the horizon. These will help to significantly reduce reconveyance and other common presale property issues by identifying discrepancies prior to conveyance. This will save servicers the extra time and money reconveyances demand.

COMPLIANCE, AUDITS AND QUALITY CONTROLS

Field services companies are inundated with requests for information from their servicing clients as they feel the increased pressure from regulators. From questionnaires to in-depth onsite audits, requests for information have gone from a security focus to reviewing every detail of the company’s business operations. It is important that field services companies have the appropriate resources to respond and manage these requests. A way to mitigate issues before the client sees them in an audit is to conduct internal comprehensive risk assessments. Coupled with the proper quality controls and checks in place, field services companies can minimize discrepancies identified in client audits.

Quality control for national field services companies begins at data collection and is consistent throughout all of their processes and procedures. Smart scripts currently guide inspectors and vendors completing work at properties across the country. They will continue to evolve in 2015 to reflect changing requirements and satisfy client needs.

As an inspector or vendor begins the script on a mobile device, each answer he/she gives initiates the next question. If pertinent

information varies greatly from one property visit to the next, the script is designed to flag the discrepancy to ensure that the vendor is at the correct property or is properly completing the script. For example, if an inspector arrives at a property and states that it has a one-car garage, but in previous inspections it was reported that the property has a two-car garage, that inspector will be instructed to follow steps to ensure he/she is at the correct property. These smart scripts allow the field services company to have better controls in place and mitigate issues in the field.

TECHNOLOGY IS KEY IN 2015

As servicers seek assistance from their field servicing partners in complying with new legislation and regulations, they want greater visibility, not only into the work completed by field services companies, but also into who is completing and processing that work. Field servicers need to continue to invest heavily in technology for 2015 to provide that level of detail and other data to servicing clients.

The best way to give servicers a full-scale look into the work field services companies complete on their behalf is by creating a customized interface with a real-time, two-way feed for data and information. That level of integration with servicing clients will allow them access to real-time property information and it gives them the transparency they are seeking.

We cannot mention technology without recognizing the huge impact mobile devices have had on the field services industry. Mobile devices have completely changed the way we do business, and continue to help improve timelines and enhance the quality of the information submitted to servicing clients. Field services companies are taking advantage of the “smarts” of smart devices to build controls into their processes to ensure the work is done right the first time.

Another technological trend that will continue to change the face of field services is geolocation technology. When a photo is taken with a mobile device, it captures the longitude and latitude of where that photo was taken. Field service companies have created applications to capture that data and apply it to the front-of-house photo requirement to ensure the inspector or vendor is at the correct property. If the photo is taken outside a pre-determined number of feet, it sets off a red flag within the app, prompting the request of more location information from the vendor or inspector within the app. Additionally, these apps can collect date- and time-stamp data to help eliminate the possibility of vendors or inspectors accidentally using an old or duplicate photo.

In addition to mobile and geolocation technologies, field services companies will be piloting the use of video in the field in 2015.

The first steps to utilizing video is to determine its best use and ensure field services companies, servicers, and investors have systems that can handle the larger video files.

Once the red tape is cleared, the possibilities are endless for video in the field. Inspectors and vendors can video-conference their field services partners to ensure they are at the correct property. Damage repairs can be authorized on-site and in real-time utilizing video because it can show that damage in more detail than a photo. Many other decisions can be made in real-time, helping to improve the maintenance of the vacant property, enhance quality controls and decrease the time it takes to relay the property information to the servicing client.

LEARNING OPPORTUNITIES AND VENDOR MANAGEMENT

As the scrutiny on the housing industry trickles down to field services companies, they too need to monitor and influence the behaviors of their inspector and vendor networks. Just like internal field services employees need consistent training to keep up with changing regulations and requirements, inspectors and vendors also need learning management for themselves and their crews to stay ahead of the curve.

Implementing a learning management system for their national vendor networks is a trend that will gain momentum in the coming year. This will allow field services companies to deliver content and track consumption to ensure the newest policies and requirements are properly communicated to vendors and that they are sharing this information with their crews and subcontractors.

Field services companies also need to ensure that their inspector and vendor networks are delivering the highest quality of work. To do so, they must audit their work and business processes. Compliance to licensing and background check requirements is reviewed, along with the vendor’s operations and systems during these audits, often conducted by third-parties.

It is difficult to predict the outcome of this new era in housing. Heightened regulations are governing how field services companies complete work on defaulted and foreclosed properties across the country. While borrowers and neighborhoods need to be protected, we are unsure of the effects these new rules will have on the servicing and field services industries in the future. But field servicers do play a big role in this new era of housing. We must continue to serve as the eyes and ears of the servicing industry and provide the support and compliance our servicing clients need. **DS**