



INVESTING IN THE FORCES OF CHANGE

by ALAN JAFFA

TOO MANY COOKS IN THE KITCHEN, too many hands in the pot—whatever the saying, it describes the mortgage servicing industry and the multitude of external regulatory and compliance forces that continue to mold the industry. But these forces are not limited to those coming from clients, the federal government or local municipalities. They are coming from within the industry as well.

In response to the overwhelming and constantly changing compliance landscape, field services companies are proactively developing industry best practices and quality-control procedures to ensure compliance with existing regulations, and to plan for those yet to come.

Evolution of the industry

The volume of vacant and foreclosed properties will remain high for some time. Yet the frenetic pace has slowed, which offers field services companies like Safeguard Properties breathing room to enhance their focus on technology research and development.

Smart devices, coupled with business intelligence, are changing the industry paradigm and shaping the way technology is used to ensure that vendors in the field operate effectively and efficiently through every facet of the default management process.

At Safeguard Properties' annual Vendor Conference this past June, attendees were asked how many had integrated mobile technology into their business practices—94 percent responded positively. The increased reach of mobile networks and lower costs have helped with rapid adoption of mobile devices among vendors.

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Safeguard's investment in the development of mobile technology is by far our largest dollar spend. We recognize that it is not going to be the only driver for us as a company, but it is going to be a significant part of what we are doing and where we are headed.

For example, INSPI Mobile®, our proprietary mobile inspections platform, was designed to ensure the accuracy, quality and timeliness of inspections. The platform uses smart script technology to guide the inspector through the entire inspection reporting process, including the tracking, labeling and time-stamping of all photos. Because all photos are time-stamped, photos taken dur-

ing a prior visit cannot be reused, thus further minimizing the risk for fraud.

More than 98 percent of all inspections Safeguard's inspector network performs are completed through this application, with close to 70 percent of the inspections Safeguard performs in a given month reported in under two hours of completion—a process that was previously counted in days.

Another new proprietary application we've begun to roll out to our vendors is PhotoDirect. Vendors can take pictures of property damage, upload them while still at the property and transmit the photos in real time. These photos can then be made available for client viewing.

More than 1 billion photos flow through Safeguard annually, along with many millions of data points. We have invested in end-to-end processes and the supporting technology that can help our clients make informed decisions, many times in real time, while we have someone at a property. In addition, our clients can in turn use this information to document their own compliance with industry and regulatory requirements.

Forward-looking approaches

New and tighter regulations are squeezing an already highly regulated mortgage industry, putting players at greater risk than before. This scrutiny not only affects mortgage companies, but cascades down to field services companies and their vendors and employees. But it doesn't stop there. It cascades even further down to subcontractors who also must comply with all regulatory requirements.

Safeguard has always conducted audits of our vendors, but over the past year we have instituted additional audit procedures to align with the new laws and regulations and the increased level of third-party oversight.

Safeguard's business process and compliance audits are a proactive way to provide vendor network support to ensure effective operational controls, adequate screening, training and quality assurance. We firmly believe that just as our client audits have helped Safeguard improve our own business processes, vendors will experience similar benefits.

Background checks of employees and vendors are a key component of Consumer Financial Protection Bureau (CFPB) regulations. Safeguard performs background checks on the principals of all of its vendor companies as part of the initial onboarding and credentialing process.

Additionally, as part of our guidelines, we require our contractors to perform background checks on their employees and subcontractors who perform services on our behalf. As an additional compliance measure, and part of the annual business process and compliance audit, Safeguard audits our vendor's employee/subcontractor files to ensure that background check information is available for anyone who steps on a property where Safeguard is performing services.

We are in an environment where we have to minimize the risks to our clients and to properties. By being proactive, and in a sense by self-regulating, we will help our industry comply with the new requirements.

Creative thinking

Safeguard has long been the standard bearer for introducing best practices into the field services industry. By utilizing the vast amount of metadata col-

lected daily at properties across the country, valuable business intelligence is helping to improve the accuracy and efficiency of the work completed by the vendors who are at properties every day. This information also is being used by clients to make more effective business decisions about the properties in their portfolios.

By looking at industry problems or situations from a fresh perspective, Safeguard has been able to optimize mobile location and tracking to help ensure the right people are at the right property at the right time.

By utilizing mobile's GPS functionality and the millions of data points in our system, each property is geocoded, feed-

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ing real-time location information to our mobile technology platforms. This satellite information is used to triangulate where the vendor is, and because it is fully integrated into the company's secured internal system, it can provide additional guidance through property verification information.

Embedded metadata also is being used as a control when photos are submitted from the field. Technology has advanced to the point where date, time and GPS coordinates associated with a photo can be locked. By deploying an automated process that looks at embedded metadata, Safeguard is able to identify if work orders are submitted with reused, cropped, altered, fraudulent and other ineligible photos tagged as suspect and block their submission.

To house the massive amount of data being collected and stored, data centers are an integral part of a field services company's infrastructure and data security strategy. This exponential data growth led to a strategic decision

by Safeguard to shift its technological paradigm.

Traditional disaster-recovery models and regional Internet service providers had to be replaced with global Internet active/active data centers as well as geographically dispersed. This data-center model gives Safeguard the necessary agility and scalability, and protects the company's technology from environmental threats and regional disasters through its physical construction and service offerings, in line with Safeguard's geographic-dispersion strategy.

In addition, Safeguard's investment in technology ensures that the data centers can support the company's current and future needs by providing real-time disaster-recovery capabilities and scalability options to provide excess capacity as needed.

The next technological evolution that will enhance quality will be the use of real-time video from the property. For example, the field services industry's No. 1 risk is determining if a property is occupied or vacant. With video, if there is a question about a property's status, the inspector can share the live video stream right from the property and another set of eyes

can help with the property status determination.

Or, when a vendor is submitting a damages bid, it can use video to provide a detailed view of the issue and get approval while still on site, potentially eliminating additional trips to the property to repair damages.

Moving forward

As the industry continues to evolve to meet new requirements, the field services industry, whose job it is to protect and preserve vacant properties on behalf of the mortgage servicing industry, has made the business decision to embrace this new world head-on. We're proving we can adapt quickly to market changes by looking ahead and using creative thinking to advance industry standards and quality control procedures.

Alan Jaffa is chief executive officer of Valley View, Ohio-based Safeguard Properties, the largest mortgage field service company in the United States. He can be reached at alan.jaffa@safeguardproperties.com.