



GinnieMae

Our Guaranty Matters

2015

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GAMECHANGERS
2015 GINNIE MAE SUMMIT

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Managing Sub-Servicer Relationship and Oversight Roundtable

Participants

- Leslie Meaux, Director of Monitoring & Asset Management-Ginnie Mae
- René Mondoñedo, Senior Mortgage Banking Analyst-Ginnie Mae
- Julio Aldecocea, Managing Director-Lakeview Loan Servicing, LLC
- Trinity Henton, Executive Vice President-Pingora Asset Management
- Adela Martinez, Vice President -Planet Home Lending, LLC



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Requirements for Ginnie Mae Sub-Servicing

- A sub-servicer of a Ginnie Mae loan portfolio must be an approved Ginnie Mae Issuer. Guide Chapter 4-2(B)
- All sub-servicing arrangements must be approved via the HUD Form 11707.



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Landscape of Ginnie Mae Sub-Servicing

- Currently, 22 sub-servicers sub-service for 169 out of the total 368 active Ginnie Mae Issuers which represent 46%.
- Over \$510B in RPB is being sub-serviced which represents almost 33% of Ginnie Mae's total \$1.56T in RPB.
- The four top sub-servicers handle about 21% of Ginnie Mae's total RPB or 65% of the sub-serviced portion.
- Ginnie Mae's Guide Chapter 4-2(c) and 4-3(a) spell out what the sub-servicer can and cannot do in terms of servicing Ginnie Mae loans/pools.
- Ultimately, Ginnie Mae will always look to and hold the Issuer responsible for the actions of their sub-servicer.



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Sub-Servicing Oversight

- Based on your organization' business model, what were the reasons for choosing the sub-servicing strategy?

Panelist responses

Audience feedback



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Sub-Servicing Oversight

- Based on your organization' business model, what were the reasons for choosing the sub-servicing strategy?

Lakeview's response

- High barriers to entry
- Timing & learning curve associated with a start-up
- Prior business relationships
- Loans sub-serviced by banks
- Specialized knowledge
- Focus on our core competencies
- Customer service



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Sub-Servicing Oversight

- Based on your organization' business model, what were the reasons for choosing the sub-servicing strategy?

Pingora's response

- Cost to Service
- Economies of Scale
- Platform Diversity



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Sub-Servicing Oversight

- Based on your organization' business model, what were the reasons for choosing the sub-servicing strategy?

Planet Home's response

1. Resource availability & timing to support MSR transfer in-house
2. Maximizing expertise re: niche product or high delinquency concentration, if applicable
3. Oversight ease and efficiency:
 - i. Dedicated investor interface and default servicing oversight teams
 - ii. Best practices reporting & processes per regulatory standards
 - iii. Focus on communication and transparency via technology links
4. Availability of private labeling – allows for borrower cross-sells and/or retention to be maximized
5. Opportunity to create long term partnerships



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Sub-Servicing Oversight

- In addition to cost to service as a key element in deciding to use a sub-servicer, what other factors entered into the decision?

Panelist responses

Audience feedback



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Sub-Servicing Oversight

- In addition to cost to service as a key element in deciding to use a sub-servicer, what other factors entered into the decision?

Lakeview's response

- **Partner and not just a vendor!**
- **Servicing to applicable requirements?**
 - **Statement of Works (SOW)**
- Are they customer service focused?
- Reputation?
- Can they work with our investors, warehouse lenders, document custodians, etc?
- Capacity to grow as we grow?



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Sub-Servicing Oversight

- In addition to cost to service as a key element in deciding to use a sub-servicer, what other factors entered into the decision?

Pingora's response

- Scalability
- Compliance Risk
- Operational Risk
- Reputational Risk
- Performance



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Sub-Servicing Oversight

- In addition to cost to service as a key element in deciding to use a sub-servicer, what other factors entered into the decision?

Planet Home's response

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Sub-Servicing Oversight

- What do you consider essential to establishing a successful sub-servicer surveillance framework?

Panelist responses

Audience feedback



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Sub-Servicing Oversight

- What do you consider essential to establishing a successful sub-servicer surveillance framework?

Lakeview's response

- Sub-servicing is not a spectator sport
- **Key areas of surveillance**
 - Agency compliance
 - Regulatory compliance
 - Servicing Transfers
 - Customer Service
 - Portfolio performance
- Annual operational review by an independent third-party



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Sub-Servicing Oversight

- What do you consider essential to establishing a successful sub-servicer surveillance framework?

Pingora's response

- Experienced personnel
- Staffing / Capacity model for oversight staff
 - # of Sub-servicers
 - # of Investors
 - # of Loans
 - Delinquent vs. Performing
- Sub-servicer data feed
- Written oversight plan with reporting and corrective action



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Sub-Servicing Oversight

- What do you consider essential to establishing a successful sub-servicer surveillance framework?

Planet Home's response

- Independent, seasoned mortgage servicing executive with extensive background and understanding of mortgage servicing practices
- Customized Risk Management Approach, with solid Program Framework
- Active Oversight and Relationship management
- Good communications with Sub-Servicer
- Effective reporting, review and analysis
- Ongoing Monitoring and Performance Management
- Document Management



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Sub-Servicing Oversight

- What skills and experiences do you look for in establishing a sub-servicing oversight function?

Panelist responses

Audience feedback



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Sub-Servicing Oversight

- What skills and experiences do you look for in establishing a sub-servicing oversight function?

Lakeview's response

- **Individuals who can get the willing cooperation of others to achieve results**
- **Experienced chief compliance officer**
- Industry experience in originations & servicing
- Prefer generalist with diverse background
- Experienced investor reporting individuals
- Experienced data analysts
- Individuals that can leverage AllRegs



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Sub-Servicing Oversight

- What skills and experiences do you look for in establishing a sub-servicing oversight function?

Pingora's response

- Servicing experience directly related to GNMA
 - GNMA Investor Reporting
 - FHA/VA Default
 - Investor Accounting
- Broad understanding of all mortgage servicing areas
- Organized and detailed
- Communication and influence



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Sub-Servicing Oversight

- What skills and experiences do you look for in establishing a sub-servicing oversight function?

Planet Home's response

- Extensive knowledge and experience of mortgage banking/servicing practices
- Focus on Operational and Risk Management controls, compliance and issue resolution
- Ability to identify need for escalation of non-conforming issues and ensuing penalties
- Active relationship management and communication skills
- Conducts more complicated oversight reviews and necessary sampling, document/report reviews (*according to contractual and regulatory guidelines*)
- Sub Servicing Oversight operates independently and within a team environment, while exercising independent judgment and decision making



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Sub-Servicing Oversight

- How do you evaluate the operational performance of your sub-servicer?

Panelist responses

Audience feedback



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Sub-Servicing Oversight

- How do you evaluate the operational performance of your sub-servicer?

Lakeview's response

- **Actual portfolio performance vs. model performance**
- **Post-mortem reviews**
- Scorecard
- Champion challenger
- Annual operational review
- Monthly on-site meetings or conference calls
- Day to day interactions



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Sub-Servicing Oversight

- How do you evaluate the operational performance of your sub-servicer?

Pingora's responses

- Investor Reporting
- Data Accuracy
- Billing Accuracy
- Transfers
- Loan Performance
- Manageability
- QC Results
- Financial



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Sub-Servicing Oversight

- How do you evaluate the operational performance of your sub-servicer?

Planet Home's response

- Performance Scorecards
- Corporate Governance Reviews
- Investor Reporting/Accounting Reviews
- Monitoring customer service, litigation and regulatory issues
- Servicing Operations/Loan Administration Reviews
 - *(Loan Level Testing, Call Quality and QC Reviews)*
- Monitoring of default management processing and timelines
- Effective reporting review and analysis
- On Site Reviews



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Final Comments

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Panelists

Audience



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