

REAL ESTATE | APRIL 8, 2009, 12:11 A.M. ET

Mortgage Servicers Try the Softer Touch

Some Hire Psychologists to Help Get the Right Staff to Address Borrowers; 'Saving' the Homes

By CARRICK MOLLENKAMP

WESTLAKE, Texas -- Mortgage-servicing firms are turning to psychology experts as they tackle a coming wave of borrowers wanting to change the terms of their loans.

As they scramble to hire enough employees to deal with the onslaught, some firms are using psychologists to help them attract the right people to help talk borrowers through potential changes, and hiring from competitors.

They also are paying more attention to psychologically pitch-perfect telephone scripts to use when speaking with customers in an attempt to find a way to change, or modify, terms of a loan to ensure payment and avoid foreclosures.

Finding the right employees with the right temperaments is among numerous struggles facing mortgage-servicing firms. With millions of loans needing to be considered for modifying, the firms also are finding their computer systems outdated and incapable of processing the data.

At the same time, the mortgage-servicing firms are under pressure to meet the mandate laid out by the Obama administration to help keep people in their homes.

Once working in a backwater industry that collected and processed loan bills, mortgage-servicing firms are now at the epicenter of efforts to stem the U.S. housing crisis.

The firms, for example, are critical to the federal Home Affordable Modification program that is being rolled out this month. That plan provides incentives to servicers that find ways for borrowers to keep up with loan payments.

On Tuesday, Paul Koches, general counsel at servicing firm [Ocwen Financial Corp.](#), said the West Palm Beach, Fla., company last year hired psychologist Seth Carter to help the company screen for employees to work with borrowers to counter a shortage of industry experts.

"You've got a situation in the industry where all of the trained, experienced collectors -- the resolution consultants -- anybody who's out there with training, they're hired. They're sopped up," Mr. Koches said. "There is an unprecedented demand. So we've got to go out there and find people who don't have that training background."

Mr. Koches, who spoke on a panel about loss mitigation, said Mr. Carter, who helps oversee employee screenings, also had helped design telephone scripts that help paint a more optimistic picture for anxious borrowers.

Instead of telling a borrower that Ocwen has empathy because the borrower is one of thousands in financial peril, Ocwen tells the borrower that he could be one of many whose homes have been saved.

"That's a much more positive spin," Mr. Koches said.

Costs for the smaller firms are on the rise and productivity is down, according to the Mortgage Bankers Association. Data for larger firms is being collected.

"Bogged down," is what Suzanne Boas, the president of Consumer Credit Counseling Service, calls it. The Atlanta agency helps put borrowers in contact with servicing firms.

Ms. Boas and Mr. Koches were among industry executives who spoke Monday and Tuesday at a servicing conference in a suburban Dallas Marriott hotel that featured one room for panels with such titles as "Beyond the Bubble: A New Servicing Reality" and a room next-door for vendors to hawk their souped-up servicing systems.

Jay Meadows, the president and chief executive of Fort Worth, Texas-based Rapid Reporting, said servicing firms are clamoring for an Internet system that can quickly verify income.

Mr. Meadows said his firm was processing some 20,000 income verifications a month in January 2008. At the start of this year, Rapid Reporting was handling 240,000 a month.

"We literally have 10 servicers calling us every day," Mr. Meadows said.

In a small office in a north-Dallas suburb, Wingspan Portfolio Advisors LLC is overseeing a portfolio of 6,000 souring loans on behalf of a group of investors. Steven Horne, Wingspan president and founder, so far has hired 14 so-called loan-resolution experts to man the phones in working with borrowers. Those employees work in the Carrollton, Texas, office as well as in satellite offices in West Palm Beach, Fla.; Greenville, S.C.; and Minneapolis.

"We're hiring aggressively," said Mr. Horne, a lawyer and former Fannie Mae servicing director who formed Wingspan in January 2008 and has hired employees who worked at firms such as Ocwen.

Competition for employees is coming from established firms such as Ocwen and new companies working with investors who need loan-workout assistance for the loans they have bought.

In 2008, 40 new funds raised \$35.7 billion to invest in distressed real-estate properties and debt, according to Preqin Ltd., a London research firm. That compares with 33 funds that in 2007 raised \$20 billion and 20 funds that in 2006 raised just \$6.3 billion.

Write to Carrick Mollenkamp at carrick.mollenkamp@wsj.com