

A Case for Strategic Default Management

Problem

Fannie Mae, the leader in the secondary mortgage market industry and a regular member on Fortune-500 list, realized soon after the real estate market meltdown that its Default Management process and capabilities are not in a state to address the current market conditions. It needed to make an enterprise wide change and update to its business model to take advantage of industry changing opportunities.

The current process was marred by complexity, inconsistencies and inefficiencies. Fannie guidelines are often used by the servicers as the de facto industry standards. However, the same guidelines were interpreted in different ways by different servicing systems. To add to this issue, the guidelines changed intermittently to reflect the market and regulatory requirements. As a result, borrowers often received different resolutions from different servicers.

Approach

Fannie Mae formed a carefully chosen special team to design and implement a strategic plan to win this business challenge. StrategicIT Solutions based on its years of experience in Financial Services industry and subject matter expertise in IT strategic planning, was selected to lead the technology work-stream. The target outcome of this project was to bring clarity, consistency and efficiency to the process.

Solution

StrategicIT Solutions and its team designed and implemented component-based architecture with multiple layers – an UI Layer, an Integration Layer, a Loss Mitigation Lifecycle Layer, a Data Layer and a System Interface layer. It used a Service Oriented Architecture using TIBCO to enable simplified integration with third-party Loss Mitigation systems used by Servicers and a centralized Rules Engine using IBM ILOG to standardize the guidelines.

Result

This highly-acclaimed system is expected to process 24 million submissions a year. Depending on the purpose of each loan submission, every call results in anywhere between 35 to 80 transactions (including the XML records and messages; but excluding reporting data). The system has been designed to handle the resulting 10 billion transactions or more over the next five years. This initiative is expected to generate a net income of \$90 MM over a five year period.