TAKING THE PULSE OF MORTGAGE SERVICING: INDUSTRY LEADERS ON WHAT'S AHEAD

MortgagePoint speaks with servicing executives about the current state of the industry, the challenges they are currently navigating, and what they expect for the year ahead.

By **DAVID WHARTON**

The mortgage servicing landscape has long been a crucible of change, where today's decisions lay the groundwork for the industry's future. Servicing teams must manage shifting delinquency rates, regulatory demands that may pivot with each new administration, and ever-increasing operational costs while keeping their fingers on the pulse of the modern consumer and advancing technology. In this month's cover story, *MortgagePoint* gathered perspectives from industry executives who shared how they're navigating these challenges and what they expect servicing teams may encounter in the year ahead.

Many of this month's subject matter experts were drawn from two of the Five Star Institute's industry membership groups: the National Mortgage Servicing Association (NMSA) and the Mortgage Servicing Executive Alliance (MSEA).

With a membership comprising more than 90% of the mortgage servicing market, the NMSA is a nonpartisan organization driven by senior executive representation from the nation's leading mortgage servicing organizations, formed to effect progress and change on the key challenges that face the mortgage servicing industry. By bringing together decision-making executives from across the nation, the NMSA drives the conversation on shaping the American housing industry for the benefit of homeowners.

Formed in 2023, the MSEA is a platform for nurturing the next generation of mortgage leaders. MSEA offers exclusive access to mentorship, collaboration, and professional growth opportunities within a network of industry experts and visionaries.

Here's what our panel of mortgage servicing executives had to share.

DAVID WHARTON, *Editor-in-Chief of* MortgagePoint, *has 20 years' experience in journalism and previously worked at Thomson Reuters as an Associate Content Editor, focusing on producing media content related to tax and accounting principles and government rules and regulations for accounting professionals. He has worked at Five Star since 2017, having previously served in Associate and Managing Editor roles. Wharton has an extensive and diversified portfolio of freelance material, with published contributions in both online and print media publications. He is a graduate of the University of Texas at Arlington, where he received his B.A. in English and minored in Journalism. He can be reached at David.Wharton@thefivestar.com.*

EXECUTIVE EXPERT

Mike Blair

EVP & COO, LoanCare

As LoanCare envisions the mortgage servicing industry evolving in 2025, several key themes emerge that will shape our strategy and adaptability in meeting upcoming challenges. Our strategic approach has been focused on addressing these trends and challenges to ensure we remain at the forefront of the industry.

1. Evolving Industry Landscape and Key Trends

Digital Transformation: Technological advancements will continue to drive change in the mortgage servicing industry. Borrowers will expect a seamless, digital-first experience, and servicers must adapt by investing in advanced technology solutions.

Generative AI and Regulatory Considerations: AI-driven solutions will continue to transform mortgage servicing, enhancing customer experience, and streamlining processes. However, with the increasing adoption of AI, regulatory scrutiny will also grow. Servicers must strike a balance between leveraging AI's potential while maintaining compliance and addressing regulatory concerns.

Return of the Graceful Exit: In anticipation of some borrowers exhausting loss mitigation options, servicers must be prepared to help these borrowers transition out of their properties gracefully, especially those with accumulated equity. Providing guidance and support during this process will be crucial for servicers in 2025.

2. LoanCare's Strategy and Adaptability

Our approach involves investing in cutting-edge technology, including generative AI and machine learning, while closely monitoring regulatory changes to ensure compliance with emerging guidelines.

We are refining our loss mitigation and default management strategies to better assist borrowers who may need help exiting their properties, emphasizing empathy and personalized support.

3. Risk Mitigation Strategies

Diversifying our client base and loan portfolio helps mitigate risk in the face of economic fluctuations.

Continuously monitoring and assessing market conditions allows us to be proactive in our approach and adjust our strategies as needed.

Maintaining a strong focus on customer service and borrower support helps build trust and loyalty, ensuring long-term stability for LoanCare and our clients.

By staying attuned to these key trends and focusing on adaptability, LoanCare's focus on balancing technology advancements, compliance, and borrower support will enable us to navigate the mortgage servicing industry's evolving landscape effectively and deliver exceptional results to our clients.

EXECUTIVE EXPERT

Wes Iseley

EVP and Senior Managing Director, Carrington Mortgage Holdings LLC

Q: How do you envision the mortgage servicing industry evolving in 2025? What key trends do you anticipate will shape the landscape?

Next year will be highly focused on the consumer, with many companies expanding their customer-facing technology to include AI and chatbots to provide high-quality service levels through automation. We believe regulation will still be very strong, with a continued emphasis on consumer accessibility and ease of assistance/resolution of consumer concerns. The test will be how successful AI is at increasing customer satisfaction, or if people become frustrated with it, similar to voice response phone trees. How well they are set up will dictate how good the customer experience is. Additionally, many will be watching to see what kind of regulation regarding AI is adopted.

Q: How are you and your organization working to meet those challenges? How has your strategy evolved over the past year?

We are testing technology and seeking consumer feedback on changes made to improve our online presence and create a higher ease of use for our customers. We are doing more beta testing before releasing enhancements to ensure we're meeting consumer needs and expectations. For AI, we're working on our internal controls and regulations, while testing AI use cases within our organization. We're also continuing to focus on consumer education to build our partnership with our customers because we believe the more mortgage-savvy a customer is, the happier that customer will be.

Q: How are you preparing for potential economic downturns or fluctuations within the housing market? What strategies are you implementing to mitigate risk?

There is a continued shift in the industry as we move away from COVID protections enacted during the pandemic. This means some retraining of customers because customers seeking assistance with delinquency previously did not experience negative credit reporting and had a larger set of options for resolving delinquency, such as pandemic-era home retention options and the availability of HAF (Homeowner Assistance Fund) funds at the state level. Some of those retention options are no longer available, and others are less appealing to the customer due to higher interest rates.

We have expanded our team member training to [include talking to customers] about their home value and equity if the customer truly can no longer afford the home and none of the retention options are available or appealing to the customer. In some cases, selling the home will be the customer's best option while home prices are still strong. With the housing supply still tight, this should keep home values fairly stable, which means we expect many customers will continue to pay their mortgage ahead of unsecured debt. We again believe customer education is the best way to reduce risk. Homeowners insurance is another big topic, and by encouraging customers to shop the policy and to bundle policies where possible, we can partner with customers to make their homeownership costs as affordable as possible.

EXECUTIVE EXPERT

Michael Keaton

SVP, Subservicing Business Development, Onity Group Inc.

Q: How do you envision the mortgage servicing industry evolving in 2025? What key trends do you anticipate will shape the landscape?

I anticipate that mortgage servicers will begin making more use of AI, and I hope AI will be used to accentuate the homeowner's customer service experience. We've all used voice bots on the phone and chatbots on the web. I used a chatbot recently when I had an internet outage. It asked me some questions and then put me in a queue to speak with an agent. My request was categorized, but it didn't fulfill or resolve the reason for my inquiry. I believe AI done right will take that a step further. It will determine the conditions present on the loan, it will listen to our feedback, and then it will synthesize that combination of information to diagnose the problem and fulfill the request. When AI is done right, both the homeowner and the servicer come out ahead.

Q: How are you and your organization working to meet those challenges? How has your strategy evolved over the past year?

For over a year, we have been testing and training our voicebot and our online chatbot, both with the goal of using these tools to answer homeowner questions more quickly and enhance homeowner satisfaction. Both are in production, and we anticipate greater homeowner adoption of these self-service tools in 2025.

Q: How are you preparing for potential economic downturns or fluctuations within the housing market? What strategies are you implementing to mitigate risk?

We continually monitor the performance of our portfolio, as well as our subservicing population for trends large or small in delinquency and vacancy, as well as foreclosure timelines in judicial states. Everyone wins when we avoid foreclosure. We are constantly working to create and test new types of loss mitigation plans to help preserve homeownership.

Sharing my personal opinion, based on 32 years in mortgage subservicing, I'd say we need to keep a close eye on FHA delinquency trends. Credit card balances are at an all-time high. This will start to put a strain on the younger generation of homeowners. These homeowners typically have the smallest down payments—on homes purchased at the peak of the market. Micro-changes in FHA delinquency may give us a sense of broader impacts on delinquency overall.

EXECUTIVE EXPERT

Jason Kwasny

Chief Servicing Officer, Servbank

Q: How do you envision the mortgage servicing industry evolving in 2025? What key trends do you anticipate will shape the landscape?

I tend to look at this question in two different ways. 1) How do I believe it will evolve, and 2) how should it evolve? Historically, absent some "black swan" event such as COVID, I'd expect the mortgage servicing industry to continue to evolve on the "slow to adopt change" pace it has always been on. There will be a continuation of the consolidation we have seen over the past couple of years, and there might be some small

"Historically, absent some 'black swan' event such as COVID, I'd expect the mortgage servicing industry to continue to evolve on the 'slow to adopt change' pace it has always been on."

—**Jason Kwasny**, Chief Servicing Officer, Servbank incremental changes, but as a whole, the industry, and servicers in particular, will look much the same as they did at the end of 2024.

Now how it *should* evolve is the other side of that coin. As challenging as it was, COVID forced servicers to innovate and change rapidly to adapt to the needs of their customers and the market. This black swan served as a catalyst that saw more change over just a couple of years than what we had seen in the prior 10 years. This was a net positive for the industry and our customers. We saw an expansion in self-service offerings, advancements in user-friendly technology, and a clearer focus on the customer experience, just to name a few.

Back to the question of how the industry should evolve: I believe that it needs to continue to drive forward and innovate as servicers did during COVID, without a catalyst forcing them to do so. The key to that is to double down on technological advancements, particularly the adoption and integration of AI. Embracing and adopting AI has limitless benefits for both customers and the servicers themselves. Just to name a few things, automation and AI can streamline processes, make operations more efficient, and reduce the need for manual interventions. The use of data analytics will help servicers better understand customer needs, predict trends, and make more informed decisions, all of which reduce the cost of servicing. But in the end, the true and most powerful benefit is that it will enhance the customer experience. And just like how we don't get to pick our parents, the customer doesn't get to pick their servicer. On that basis, we owe it to them to deliver the best experience possible. Plus, if you are truly a servicer that cares, it is simply the right thing to do. That really should be the only catalyst we need in the industry to "evolve" by adopting and embracing AI.

Q: How are you and your organization working to meet those challenges? How has your strategy evolved over the past year?

At Servbank, we have and will continue to always be tech-forward, pushing the boundaries of what is possible using technology and caring people to deliver the best-in-class customer experience while offering full transparency and genuine and collaborative partnerships with our clients. [Next year] will be no different for us. We will continue to heavily invest in and expand on our already measured adoption of AI in all areas. The use of AI has already allowed us to significantly increase our operational efficiency, lowering our cost of service while improving accuracy across the board. Along with our culture of care and three lines of defense, AI will continue to strengthen our already solid compliance and exceed the standards of regulators, regardless of who is in office. But in the end, it's our customers and clients and their experience that is paramount.

Our utilization of technology and AI has allowed us to further enhance the customer and the client experience with more personalized and impactful service. As a result, we have seen our Net Promoter scores, one-call resolution rates, and customer satisfaction scores consistently reach record levels—levels that are on par with some of the largest and most beloved companies on the planet. This is something we are extremely proud of. It validates our operational philosophy and belief that if we continue to invest in and listen to our people and embrace a frictionless, tech-forward business model, we will create excellence for our customers and clients.

Q: How are you preparing for potential economic downturns or fluctuations within the housing market? What strategies are you implementing to mitigate risk?

To answer this question, you really must look at how companies and people fundamentally think. People and companies continue to think that what is happening "today" will continue in perpetuity. Humans and companies are flawed in that way. The status quo and recency biases are powerful and usually drive and dominate decision-making. This ultimately leads to minimal preparedness to absorb any shock or change. However, if you are a mortgage servicer, or any company worth your salt, change is something that you should always be prepared for. It should be expected and embraced, as we do at Servbank. We have it ingrained in our culture and have built our business around that, which positions us to be prepared for any sort of economic downturn.

Assuming, as a servicer, that you have a finite amount of financial reserves to weather market fluctuations as you adapt to change or a downturn, then it comes down to the speed at which you can adapt. This goes back to my earlier point about the adoption of technology and AI. The more you have leveraged its capabilities—as we have at Servbank—the more agile you can be. The response and acclimation to any market change can happen in a fraction of the time and at a lower cost than if you were still operating with antiquated technology and a "slow to change" business model. Tech aside, the more proactive you are, the more prepared you will be, and that proactivity should run the gambit from operational controls to regulatory compliance to customer outreach—the more proactive you are the better.

As an organization, you should regularly be scenario-planning and stress-testing your ship from stem to stern to evaluate the impact of various economic scenarios on the portfolio and business. Make sure you know your gaps, weaknesses, and tolerances. Always be looking to discover your blind spots. And back to the ship analogy, don't be like the crew of the *Titanic* and operate under the assumption that you can turn the ship quickly enough to avoid an approaching iceberg—or even worse, operate with the hubris that you are "unsinkable."

EXECUTIVE EXPERT

Brent Potter

Operations Executive Director Default Servicing, ServiceMac

Q: How do you envision the mortgage servicing industry evolving in 2025? What key trends do you anticipate will shape the landscape?

In 2025, there needs to be a strong focus on technological advances within servicing, maintaining compliance standards, and bringing the entire picture together to improve the customer experience. Simply put, we need to get on board with the technology that is available to us and raise the standard for customer experience.

Q: How are you and your organization working to meet those challenges? How has your strategy evolved over the past year?

We are working to accelerate the pace of change with clear strategies on when to build the technology internally and when to partner with an expert that has a product available. It's not as simple as one or the other ... in today's environment, we must have a clear vision, strong strategic partners, and the ability to execute together.

Q: How are you preparing for potential economic downturns or fluctuations within the housing market? What strategies are you implementing to mitigate risk?

We continue to evaluate our high-risk processes and areas that have historically felt pressure during economic challenges to ensure we have proper automation and controls. Too many times in the past, our industry has waited until a crisis to invest in automation vs. being proactive. We also believe that, in those moments, we need to strike the right balance of self-service and old-fashioned customer care through conversations. Customers need to have easy access to assistance, but we must not underestimate the impact of a real conversation to understand their individual needs and match them with the right type of product.

EXECUTIVE EXPERT

Gagan Sharma

CEO, BSI Financial Services

Q: How do you envision the mortgage servicing industry evolving in 2025? What key trends do you anticipate will shape the landscape?

The servicing industry is set to undergo a transformative shift next year due to a constantly evolving regulatory environment and technological innovation. Artificial intelligence (AI) and machine learning, in particular, are rapidly being integrated into mortgage servicing processes and are already revolutionizing how servicers interact with data.

At a time of economic uncertainty, AI-powered tools are enabling servicers to predict borrower behavior more accurately, assess risks more effectively, and enhance overall operational efficiency. AI algorithms, for instance, can help servicers identify potential defaults before they occur, allowing for more proactive engagement with distressed borrowers.

We also anticipate new regulations and investor guidelines involving loss mitigation procedures, especially those involving loan modifications and borrower communications. For instance, the CFPB's recent post-pandemic servicing rule, designed to streamline loss mitigation processes and help borrowers avoid foreclosure, will be a significant hurdle for servicers. So will the agency's increasing attention on mortgage servicing operations in general. Both developments will continue to drive demand for new technologies and partnerships that can help servicers adapt their operations to meet higher standards of borrower engagement and transparency.

Q: How are you and your organization working to meet those challenges? How has your strategy evolved over the past year?

Over the past year, we've honed our approach to subservicing by focusing on integrating advanced technological tools that help servicers manage their loan portfolios more effectively while improving the borrower experience. A prime example of our strategic evolution is our recent launch of Portfolio Guardian℠, a predictive model designed to identify when a borrower is likely to refinance. As mortgage rates are expected to drop below 6% by the end of 2025, tools like Portfolio Guardian will become increasingly essential. By accurately predicting refinancing behaviors, our clients will be able to proactively engage with homeowners looking to lower their mortgage payments, which can improve borrower retention and support stable portfolio growth.

Additionally, our ongoing enhancements to our proprietary technology suite, including ASSET360 and Libretto, have been central to our strategy. Libretto scours our loan portfolio daily to identify and rectify over 1,200 potential exceptions daily and then routes exception reports to operations, administration, and onboarding teams for resolution. We recently upgraded Libretto, our regtech solution that uses AI, optical character recognition (OCR), and workflow automation tools to improve the speed, accuracy, and compliance of the loan data-boarding process. Libretto now integrates new business rules with automated workflows to board loans faster with fewer exceptions and address those exceptions to minimize risks on the portfolio. Both technologies not only improve the precision of our servicing operations but also align with our goal to deliver top-tier borrower experiences and support our clients through dynamic market conditions.

EXECUTIVE EXPERT

John Vella

Chief Revenue Officer, Selene Finance

Q: How do you envision the mortgage servicing industry evolving in 2025? What key trends do you anticipate will shape the landscape?

Based on industry evolutions, we will continue to focus on client- and borrower-centric initiatives, which include ease of engagement, the ability to drive decisions sooner, and self-service capabilities that will allow our clients and borrowers to navigate more effectively.

More emphasis will be placed on efficiency enhancements gained through automation and artificial intelligence to lower the cost of service, loans per FTE, and improve margins.

The industry will see more refinance opportunities that will require recapture capabilities built on sophisticated data mining and analytics to stave runoff.

With the [presidential] election, there will be changes in the regulatory environment that will mandate policy, process, and oversight challenges. Compliance and legal resources will be needed to focus on training, policy enhancements, and change management.

Q: How are you and your organization working to meet those challenges? How has your strategy evolved over the past year?

We continue to invest in people, with the expansion of teams across our key operation functions, as well as our technology platform, with a laser focus on tools and applications that prioritize the client and borrower experience and journey.

Our evolution has centered around perfecting the core servicing and relationship functions that are critical to providing superior performance. This process requires discipline centered around prioritizing and executing major initiatives that will impact our clients, borrowers, and investors.

Q: How are you preparing for potential economic downturns or fluctuations within the housing market? What strategies are you implementing to mitigate risk?

We monitor the housing market and trends on an ongoing basis to allow us to react and adjust very quickly. Working with our clients and investors, we develop loss mitigation and retention strategies to adjust and advance in fluctuating markets. Critical to mitigating risk is our attention to detail on employee training and our compliance infrastructure. We continue to monitor borrower and loan behaviors that would signal patterns or potential issues so we can address downturns aggressively and early on as they occur. MP