Executive Summary

Loss mitigation is a critical function for every servicer, yet it often becomes complex due to the varying demands and guidelines imposed by different investors and agencies, including the FHA and VA.

This white paper explores how one organization, Essex Mortgage, was able to streamline its adoption of the FHA Payment Supplement Agreement (PSA) and the VA Veterans Assistance and Support Program (VASP) and successfully adopt both programs far ahead of the deadlines given by both agencies. In doing so, Essex Mortgage was not only able to enhance its loan portfolio and keep more borrowers in their homes, but also distinguish itself as a forward-thinking GNMA subservicer.

This white paper also details how early adoption of these programs can provide lenders and servicers with significant competitive advantages, which include maintaining low default rates, enhancing borrower retention, improving loan portfolios, and increasing borrower satisfaction rates.

Essex Mortgage Profile

Based in Ocala, Florida, Essex Mortgage is a full-service mortgage lender, servicer and subservicer dedicated to providing comprehensive financial solutions to homeowners. Specializing in FHA and VA loans, Essex Mortgage plays a pivotal role in facilitating homeownership for a diverse clientele, including first-time buyers and military families.

ESSEX EST. 1986 MORTGAGE

TOP 30
Ginnie Mae Sevicer

70k Loans
being serviced

Essex Mortgage originates and services a substantial volume of loans annually. The company is a top 30 Ginnie Mae Servicer and services 70,000 loans, specializing in FHA products. The company's commitment to government loan programs underscores its expertise in helping first-time homebuyers achieve and maintain the American dream of homeownership and supporting healthy communities nationwide. For nearly three decades, the company's primary focus has been to educate and provide exceptional service to every customer.

“Essex prides itself on being a leading servicer of GNMA loans, and our partnership with WaterfallCalc has been a key factor in this success,” Sands says. “By swiftly implementing innovative programs like the FHA PSA, we are better equipped to assist borrowers facing financial hardships, ultimately helping them retain their homes and achieve financial stability.”

Veterans Affairs Servicing Purchase (VASP) Overview

The Veterans Affairs Servicing Purchase (VASP) program is a targeted loss mitigation strategy designed to assist veterans and active-duty service members facing foreclosure. This initiative by the Department of Veterans Affairs is meant to be a last-resort measure when other home retention options, such as the VA’s Home Retention Waterfall, are exhausted.

Under the VASP program, the VA will directly buy back VA-guaranteed home loans and modify the loan terms to a fixed 2.5% interest rate, enabling borrowers to significantly lower their monthly payments. This is beneficial for struggling VA borrowers, as most current loss mitigation programs do not offer such assistance. Servicers must implement the program by October 2024, at which point they are required to identify eligible VA borrowers and submit requests to the VASP program on borrower’s behalf as part of the VA’s loss mitigation waterfall.

VASP Compliance Challenges

Like the FHA PSA program, the VASP program is both a timely and valuable tool for veteran homeowners who are experiencing difficulty making their mortgage payments. The issue is that VA has not released sufficient details for most servicers to feel comfortable in launching this program prior to the required start date. From the perspective of many servicers, the agency also does not have very good track record when it comes to loss mitigation issues.

For instance, the VA recently began offering its own version of a partial claim to help delinquent borrowers who were impacted by COVID-related loss of income. It was only after many partial claims were completed that VA clarified its documentation requirements, which forced many workouts to be completely redone at major costs to servicers. So, despite the potential benefits of the VASP program, most servicers are hesitant to be the first to implement it until the VA provides greater clarity. The fear of having loans rejected or facing criticism after adopting new guidelines adds to their reluctance. Furthermore, servicers must implement VASP by October 2024, so there is mounting pressure to adapt the program swiftly.

VASP Compliance Automation Implementation

As with the FHA PSA program, WaterfallCalc was the first loss mitigation calculation provider to implement the VASP program. Because Essex Mortgage was already a client and services a significant number of VA mortgages, the company chose WaterfallCalc to implement the VASP program early to automate waterfall calculations for struggling VA borrowers.

About the Report

This report derives from an in-depth analysis of Essex Mortgage's servicing and subservicing operations, supplemented by direct interviews with Essex Mortgage's servicing executives and staff, and a detailed review on the implementation of the WaterfallCalc system. Additional insights into the FHA Payment Supplement Agreement (PSA) and the VA Veterans Assistance and Support Program (VASP) were provided by servicing experts at DLS Servicing. External information was rigorously sourced from industry reports, the U.S. Department of Housing and Urban Development (HUD) and the Department of Veterans Affairs (VA).

About WaterfallCalc

WaterfallCalc is a leading provider of loss mitigation analysis technology for small and mid-sized mortgage servicers. The company's affordable, easy-to-use solutions enable servicers to streamline their default processes and stay compliant by quickly and accurately calculating the best loss mitigation options for distressed borrowers. WaterfallCalc's cloud-based technology, WaterfallCalc+, enables servicers to help borrowers who apply for assistance directly from their mobile device, tablet or PC while tracking the loss mitigation process. The company's solutions are integrated with Fannie Mae's Servicing Management Default Underwriter, and Freddie Mac's Resolve. WaterfallCalc is based in Grand Rapids, Michigan. For more information, visit www.waterfallcalc.com.

About DLS Servicing

DLS Servicing provides expert loss mitigation review and support services, servicing compliance advice, training and proprietary technology to help residential mortgage servicers quickly and effectively reduce default rates and increase productivity. The company's loss mitigation support services and quality control analyses ensure its clients can easily maneuver through mortgage regulations and stay compliant with agency and government requirements. DLS Servicing is a certified Minority Business Enterprise (MBE) based in Grand Rapids, Michigan. For more information, visit www.dls-servicing.com.