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REACHING THE FRIGHTENED BORROWER

Fear, confusion, mistrust, and financial ineptitude can get in the way of mortgage assistance for many borrowers, but unconventional outreach methods can put them back on course.

MINIMIZING LOSS IN TODAY'S MARKETPLACE

Representatives from the servicing, legal, and risk management sides of the business share strategies for keeping loss severities at a minimum.

ATTACKING FORECLOSURE AT ITS ROOTS

A new and unique program at Fifth Third Bank takes proactive steps to bring relief to unemployed borrowers.

DOES BILL OF RIGHTS EXCLUDE BILLERS' RIGHTS?

Views on how California's enactment of a Homeowner Bill of Rights has impacted the market vary along the West Coast.

ATTACKING FORECLOSURE AT ITS ROOTS

By Sandra Lane



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That old adage about necessity being the mother of invention manifests in a unique—and highly effective—loss mitigation program at Cincinnati's Fifth Third Bank. According to Jon Meade, SVP and default servicing manager, the bank was approached in early 2012 about an innovative program to help its unemployed customers who were in serious risk of default on their mortgages. Studies have shown that a large percentage of all mortgage delinquencies are due to job loss. The plan—the first of its kind—was developed by NextJob, a re-employment service located in Bend, Oregon. Together, Fifth Third and NextJob offered a 39-week re-employment training program to borrowers who'd lost their jobs, and the program has produced significant results.

The pilot program was offered to approximately 75 to 100 customers per month for a period of one year. “[The] program was a winner, and I knew the customers were going to love this service,” Meade said. He says the bank tracked the program closely and as a result compiled enough information to determine return on investment on the project. “This information and the response from our customers proved that the pilot program was a great success,” he said. “The results were amazing—even greater than we had anticipated.”

Customers who participated in the pilot had been out of work for an average of 22 months, but after going through the program, almost 40 percent were fully employed within six months. Now that the program has been proven, Meade says, if a customer is two months behind on their mortgage payments, they are contacted and encouraged to participate in the program immediately. Presently, the average duration from the time a borrower enters the program to the time of hire is 105 days.

NextJob's re-employment service consists of one-on-one job coaching, job search software, and a weekly webinar on a critical job search topic. Training topics include how to create an effective resume and cover letter to get the attention of hiring managers, developing and

carrying out a detailed job search action plan, how to evaluate one's career direction, and identifying skills that could transfer to another industry or field.

One of the most important aspects of the training teaches borrowers how to discover jobs that are available but never advertised. Participants in the program are also instructed in the use of the latest and most effective Internet tools and techniques for securing a job, as well as interview etiquette. Practice interview sessions are part of the training regimen as well.

Feedback from participants has been very positive, according to Meade. “Our customers loved NextJob's services, and in particular liked the online help in building a better resume,” he explained, noting that some of the resumes did need a little polishing. In addition, Fifth Third customers were very pleased with NextJob coaches and their instruction in all aspects of job search training, Meade says.

As a result of the success seen with the pilot, the program was recently expanded. Now the bank is offering this unique re-employment service to 250–300 customers each month. The original program was offered only to first mortgage customers, but Meade says the bank has extended it to second mortgage customers as well.

Fifth Third now has a dedicated staff devoted exclusively to supporting the program. “They look for customers who may need this service and explain the program to them,” Meade explained. “This has become part of our day-to-day operation.”

It's estimated that the average foreclosure costs the bank \$50,000 to \$60,000, so keeping people in their homes is a win-win for both parties. However, Meade said, “This wasn't all about money. It was about doing the right thing for the customer. The bank has more than recovered the cost [of the program], and the real benefit is to the customer.”

Realizing the value of this service, Fifth Third has consented to help NextJob make the program available to other lenders. Initially, Fifth Third had exclusive rights to the program for one year. “We are pleased that Fifth Third's senior leadership thought it was a good idea to allow NextJob to discuss this program with other lenders,” Meade said. “It's worked well for us, and we would like to share this unique idea with others.”

Fifth Third traces its origins to the Bank of the Ohio Valley, which opened its doors in Cincinnati in 1858. In 1871, that bank was purchased by Third National Bank. With the turn of the century came the union of Third National Bank and Fifth National Bank, and eventually the organization became known as the Fifth Third Bank. Today, Fifth Third Bancorp is a diversified financial services company with \$121 billion in assets and 18 affiliates in 12 states.

Fifth Third Bank has a rich legacy of community support. In 1948, it became the first financial institution in the United States to establish a charitable foundation. Today, it continues to invest the time, resources, and people to help build a better tomorrow in the communities it serves. This year, the bank is celebrating its 155th anniversary.

Teaching the Tricks of the Trade

“More than half of those who receive mortgage modifications are behind on their payments again within 18 months. We took that as a clear sign that there needed to be a solution to solving the underlying problem, which is unemployment.”

— John Courtney, CEO, NextJob

The vision of NextJob is that everyone who wants a job should have one. Founded on the Golden Rule, the company’s mission is to provide high-quality, one-on-one coaching and online education to help all job seekers find the employment they desire. CEO John Courtney says since 2007, the company has provided re-employment solutions to corporate America during layoffs. “We helped employees land their next job more quickly than they could on their own,” he said. “We thought this same solution could work well in banks.”

Courtney says experience has shown that mortgage modifications all too often simply buy a homeowner a little more time when what they really need is help with their underlying problems of unemployment. “More than half of those who receive mortgage modifications are behind on their payments again within 18 months,” he explained. “We took that as a clear sign that there needed to be a solution to solving the underlying problem, which is unemployment.”

NextJob had the idea; the next thing to do was to select a bank that would be enthusiastic about offering this service to its customers, one that was not hesitant about implementing new and different

programs. “We researched the industry and found that Fifth Third Bank was a true innovator,” Courtney said. “Then we reached out to some contacts we had in Cincinnati, they connected us with the Fifth Third team, and they were quite receptive to the program.”

NextJob provides each homeowner with what Courtney describes as one-on-one personalized job coaching, and that coaching can be delivered by phone, email, or video conferencing mediums such as Skype. Another tool is the company’s proprietary online job search training, a multimedia curriculum that includes videos of hiring managers and job seekers with links to the Internet and the best sites to use when searching for a job. “We provide tools and exercises embedded in the software so that a job seeker can learn a topic, see an example, and do their job search right there,” Courtney said.

Another component of NextJob’s service is a weekly online job search seminar. This is conducted in an interactive format with multiple job seekers. Information is imparted concerning a particular topic, and participants are able to share ideas and ask questions of each other.

Resume writing is another central component of NextJob’s training. “An important part of any job

search is preparing an effective and professional-looking resume,” Courtney said. “Our coaches give personal assistance to each job seeker in this effort.” He explained that being unemployed means that the job seekers being helped will have gaps in their work experience. “Our coaches work with them to explain what they have been doing during those gaps, and that’s an important thing to learn,” he continued. When job seekers finish the resume training offered by NextJob, they have a nicely formatted final product that speaks to the bottom line for hiring managers who will review it, Courtney says.

Until now, he adds, most foreclosure remedies have focused on mortgage modifications and relief. He and others at NextJob were glad to see that Fifth Third believed it is time to find a solution focused on helping homeowners find re-employment, he notes. “At the end of the day, what is true in medicine is also true in finance,” he continued. “To solve a problem, you can’t just treat the symptoms, you have to identify and treat the cause. With unemployment accounting for about half of all foreclosures, we thought it was a great opportunity to treat the underlying cause.”

When the two companies agreed to work together in achieving this goal, Fifth Third was granted exclusive rights to the program for a year. Now that the pilot has proven successful, Courtney says, both companies are joining together to educate and influence other banks concerning the benefits of this unique re-employment initiative. “This program is an important tool for banks and lenders that can help prevent more foreclosures,” he said.

Coaching, Counseling, and Training Make All the Difference

“I was nervous about finding another job because I had worked diligently job hunting eight hours a day before I landed the job that had just been terminated,” she explained. “I knew what lay ahead of me.”

— Marcy Novak, Michigan

Too many homeowners have known the stress of being unemployed and unable to make their mortgage payments. According to the April 2013 unemployment report issued by the Bureau of Labor Statistics, the overall unemployment rate for the month is 7.5 percent. The bureau also reported that the average time it takes to find a new job is 40 weeks. Of course, these statistics vary depending on the overall state of the economy and the job market in each particular area.

Other factors affecting job searches include a job seeker’s flexibility in terms of job preferences, quantity of jobs in a preferred location, level of demand for a candidate’s particular skills, and geographic flexibility on the part of the job seeker. In addition, studies have shown that the longer a person is unemployed, the longer it will take to find work.

Marcy Novak, a single mother living in Michigan with three teenage children, had been unemployed for 18 months and was in danger of losing her home, which was financed by Fifth Third Bank. Then she found a job that lasted for six months before becoming unemployed again, shortly before Christmas 2011. On the day she was laid off, she received a letter from the bank telling her about the new re-employment training program. “I was nervous about finding another job because I had worked diligently job hunting eight hours a day before I landed the job that had just been terminated,” she explained. “I knew what lay ahead of me.”

The offer of counseling and training from NextJob gave Novak the hope and courage needed to keep moving forward, she says. “Not being able to get a job in the kind of economy

we have in Michigan does something to your confidence,” she explained. “It helped to have a counselor I could call and talk to.” For instance, Novak’s career counselor asked questions about what kind of work she used to do. “That’s what got me to thinking that perhaps I could go back into teaching,” she said.

The main benefit of the services offered by NextJob, Novak feels, was that they helped her focus on priorities. “They showed me how to put together my resume in a different way and also opened up some new ideas, giving me a different way to think about my career,” she said. Novak participated in the training for five weeks, and as a result, returned to the teaching career she had left years ago. She now teaches a fifth-grade class at a charter school in the town where she lives. She has also taken advantage of a loan modification plan offered by Fifth Third Bank and feels she is getting back to a normal life again.

“I think the NextJob re-employment program is a great program,” Novak said. “I learned a lot during the five weeks I participated in it, and it helped me change the direction of my life.” **DS**