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Servicer Evaluation: Reverse Mortgage Solutions Inc.

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Servicer Evaluation: Reverse Mortgage Solutions Inc.

| Ranking Overview | | | | |
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| Servicing category | Overall ranking | Subrankings | | |
| | | Management and organization | Loan administration | Outlook |
| Residential reverse primary | STRONG | STRONG | STRONG | Stable |
| Financial position | | | | |
| INSUFFICIENT | | | | |

Rationale

S&P Global Ratings' ranking on Reverse Mortgage Solutions Inc. (RMS) is STRONG as a residential reverse mortgage loan primary servicer. On Nov. 13, 2018, we affirmed the ranking (please see "Reverse Mortgage Solutions Inc. STRONG Residential Reverse Mortgage Servicer Ranking Affirmed; Outlook Is Stable"). The outlook for the ranking is stable.

Our ranking reflects:

- Solid senior and middle management experience levels;
- A robust internal control environment with multiple lines of defense and an effective use of automation;
- The leveraging of its parent company's, Ditech Holding Corp. (DHC), and affiliates' operations to avoid duplication and enhance controls and productivity;
- No noted material internal or external audit issues;
- Good overall reverse servicing performance metrics, including limited turnover for management and staff; and
- An average tenure of senior and middle management that is lower than we typically experience with other STRONG ranked servicers.

Since our prior review (see "Servicer Evaluation: Reverse Mortgage Solutions," published Nov. 9, 2017), the following key changes and/or developments have occurred:

- The Charlotte, N.C. office was closed and certain affected functions were moved to the headquarters location.
- An onshore vendor was engaged to handle customer service calls.
- The handling of bankruptcy loans as a shared service was consolidated with its affiliate company's operations to leverage its operational scale.
- A specific single point of contact (SPOC) team was created for short-sale and deed-in-lieu transactions.
- Certain back-office claims administration processes have been transitioned to an offshore vendor.

The outlook is stable. We believe RMS will remain a capable residential reverse mortgage servicer supported by a solid

internal control environment and its experienced senior and middle management teams. We will continue to monitor the tenure and stability of RMS' senior and middle management teams, as well as the stability of DHC's financial position and any effects on RMS' operations.

In addition to conducting an on-site meeting with servicing management, our review includes current and historical Servicer Evaluation Analytical Methodology data through June 30, 2018, as well as other supporting documentation provided by the company.

Profile

| Servicer Profile | |
|---|----------------|
| Primary servicing location | Houston, Texas |
| Loan servicing system | RM Navigator |
| Portfolio types | Reverse |
| As of June 30, 2018 | |
| Number of servicing employees | 504 |
| Volume (mil. \$ unpaid principal balance) | 19,025.6 |
| Loan count | 98,881 |

RMS began servicing reverse mortgage loans in 2007. DHC formally acquired it in November 2012. RMS exited the reverse mortgage origination business in 2017, and the company has focused its growth strategy on subservicing for other servicers, real estate-owned (REO) marketing agreements, and further savings through process improvements. RMS' client base includes banks, credit unions, and private investment firms.

RMS' main servicing facility is in Houston, Texas. Since our last review, the company closed its secondary site in Charlotte, N.C. and moved the affected functions to Houston. RMS is an approved servicer for Fannie Mae, Ginnie Mae, and the U.S. Department of Housing and Urban Development (HUD) loans. The company also receives some flow business from certain lender clients, and private investment firms.

RMS' total portfolio has declined since year-end 2016 by approximately 17% in unit count and 8% in unpaid principal balance (see tables 1 and 2). Approximately 40% of RMS' total portfolio is subserviced for others, which has remained stable since our last review. Management says the portfolio decline was expected and is part of the ongoing strategy to transition to a subservicer. The strategy also includes acting as a backup servicer for another industry peer, and pursuing reverse mortgage special servicing portfolios.

Table 1

| Total Portfolio Volume | | |
|------------------------|-------------|------------------|
| | Units (no.) | Volume (mil. \$) |
| June 30, 2018 | 98,881 | 19,025.64 |
| Dec. 31, 2017 | 106,969 | 19,548.03 |
| Dec. 31, 2016 | 119,046 | 20,678.94 |
| Dec. 31, 2015 | 119,816 | 19,828.77 |
| Dec. 31, 2014 | 109,655 | 17,907.00 |

Table 2

| Portfolio Distribution By State | | | |
|--|------------------|------------------------|-------------------------------------|
| Top five states | Units (%) | Top five states | Unpaid principal balance (%) |
| California | 13.79 | California | 23.17 |
| Texas | 11.92 | Texas | 8.20 |
| Florida | 8.09 | Florida | 7.87 |
| New York | 5.19 | New York | 7.88 |
| Pennsylvania | 3.71 | Pennsylvania | 2.67 |
| Other | 57.30 | Other | 50.21 |
| Total | 100.00 | Total | 100.00 |

Management And Organization

The management and organization subranking is STRONG for primary reverse servicing.

Organizational structure, staff, and turnover

RMS' president is responsible for overseeing the operations. The senior vice president (SVP) of loan servicing reports to the president and is responsible for the loan servicing and default operations. Eight managers report to the SVP of loan servicing.

RMS leverages either DHC or Ditech Financial LLC (Ditech) for several functions, including human resources, vendor management, policies and procedures development, and certain internal controls. Ditech provides dedicated staff as applicable to perform some of these functions. In addition, dedicated personnel within RMS oversee and administer these relationships.

The RMS management team and staff display sound experience levels and good overall turnover levels, while senior and middle management tenure levels are lower due to certain changes in management in the past several years.

Characteristics include:

- Senior managers average 28 years of experience and five years of tenure;
- Middle managers average 25 years of experience and five years of tenure;
- Turnover levels for management and staff are approximately 4% and 16%, respectively, which we consider to be good levels.

Training

RMS provides a well-developed training program and curriculum for its staff to remain knowledgeable of regulatory, investor, internal, and industry requirements. There are dedicated training staff in the main servicing location and at the vendor sites, and DHC provides training support and administration. Highlights of the training program include:

- A one-day, new hire orientation introduces staff to the company, policies, and systems.
- A supplemental program introduces staff to reverse mortgages and product life cycles.
- Reverse mortgage and curtailment events 101 training courses are required annually of all staff.

- All staff must complete at least 40 hours of continuing education training and 21 hours of compliance training annually.
- Customer service and SPOC personnel complete 40 hours of classroom training and 80 hours of on-the-job training.
- Specific Fair Debt Collection Practices Act instruction is provided for applicable staff.
- DHC's learning management system is used for the tracking and administration of training requirements and resources.
- Claims administration has required formal classroom instruction due to its complexity.

Systems and technology

We believe RMS operates in a solid technological environment, with dedicated staff and support, and a sound disaster recovery plan. RMS' systems are designed to download relevant data to HUD's accounting and servicing system, Home Equity Reverse Mortgage Information Technology (HERMIT). The company continues to focus on technology enhancement projects to further streamline and automate servicing tasks across various loan administration functions.

Servicing system applications

The proprietary systems have a product manager, developers, testers, etc. The technology infrastructure includes the following systems and support:

- RM Navigator® is the system of record for most servicing activities.
- REOCentral is the acquired properties management system.
- SeaBreeze is the contract and invoice management system.
- Servicing technology on reverse mortgages is the reverse mortgage servicing system used by all reverse servicers for the HUD collection and claim filing process.
- BlackKnight's LoanSphere Desktop is the software that manages default workflows and communication with attorneys.
- BlackKnight's Invoice Management is the module used to assist with default related invoicing processes.

Business continuity and disaster recovery

RMS partners with DHC to test and maintain its established business continuity and disaster recovery program. Highlights and controls of the program include:

- The continuity plans, business impact analyses, and risk assessments, which are contained in DHC's governance, risk and compliance (GRC) system.
- The backup data centers, which are Statement on Standards for Attestation Engagements (SSAE) 16 Type II compliant and are located in Florida and Texas.
- Periodic disaster recovery tests, which are performed of servers and system applications, with successful results noted in the last test in February 2018.
- DHC's vice president of procurement, who performed a comprehensive pre-engagement review of RMS' new customer service vendor's business continuity plans.

Cybersecurity

RMS leverages DHC's global information security program and department that is responsible for developing, deploying, and managing information security and managing risk. DHC maintains the security of its networks and systems with industry-recognized password requirements, role-based security access, multifactor authentication, network scanning and intrusion detection systems, enterprise-wide antivirus solutions, and network firewalls monitoring. Additionally, an independent third party performs an annual penetration and vulnerability test. Staff also undergoes an enterprise-wide information security awareness program to learn about data security, and DHC performs periodic phishing tests to validate employees' understanding.

Internal controls

RMS works with and leverages certain DHC functions to form a robust internal control environment with three lines of defense to detect risk and provide necessary oversight. The lines of defense comprise three departments: internal controls and quality call monitoring (QM), compliance and quality control (QC), and internal audit (IA).

Policies and procedures (P&P)

RMS has sound controls for developing, revising, and disseminating its policies, procedures, letters, forms, and letter library administration. We considered the following characteristics and controls in our analysis:

- There is online access to the P&P's, and annual reviews are required by management.
- There are dedicated technical P&P writers that liaise with subject-matter experts to create a draft document.
- The business unit, compliance, and executive management (if necessary) review the draft before publishing.
- A centralized system is used to track the change processes and all required approvals.
- Training activities are coordinated between the business units and training departments for any significant revisions.

Quality assurance and call monitoring

Internal controls and QM comprise the first line of defense. Since our last review, RMS transitioned its transactional testing to Ditech's QC department. Some of this line of defense's attributes and controls includes:

- Internal controls partners with the business units for issues and change management.
- Complaint trending analyses, business self-identified issues, and QC and IA findings are analyzed to identify control gaps and monitor the business units.
- The QM function is embedded within the internal controls area and monitors agent calls.
- QM requires a minimum score of 95% for all calls monitored to achieve a "Satisfactory" rating;
- QM reviews its results with business unit managers in weekly meetings.
- Internal controls, QM, and business unit managers score calls and identify best practices during monthly calibration sessions.
- There is also a monthly meeting with the internal controls manager and the business unit executives to discuss results, trends, etc.

Compliance and QC

Compliance and QC comprise the second line of defense. Some of this line of defense's attributes and controls include:

- The chief risk and compliance officer (CRCO) oversees the compliance department, which primarily audits various servicing processes on a regularly scheduled basis.
- The audit scope incorporates various functions within the operations to validate compliance with applicable federal, state, and investor requirements.
- Compliance testing occurs on a monthly and quarterly basis depending on investor requirements, with business unit action plans and remediation tracked in the GRC.
- Compliance and legal are also responsible for monitoring various external resources for changes in regulatory, federal, and state legislation, as well as investor guidelines. Additionally, compliance helps ensure consistent policies are created and applied, and it reviews the training and education curriculum.
- QC includes a traditional monthly transactional testing and a statistically valid sample of business processes that are reported to management quarterly. Remediation plans are tracked in the GRC.
- QC performs reviews on a monthly, quarterly, and semiannual cycle.
- QC has monthly management meetings to review executive summaries that reflect performance trending by audit type.

Ditech's enterprise risk management (ERM) function reports through the CRCO and is responsible for tracking and reporting on identified key risk indicators, conducting periodic risk assessments, mitigating and monitoring risks, and providing quarterly risk reports to stakeholders, such as the CRCO. Additionally, the ERM function consolidates findings from the lines of defense to understand the enterprise risk profile.

Internal and external audits

The IA function is the third line of defense. Since our last review, DHC hired a chief internal auditor and discontinued its outsourced vendor relationship and process. The chief internal auditor reports to the audit committee of DHC's board of directors. DHC also hired a separate vendor, as a co-source relationship, to provide additional expertise in certain audits.

IA reviews high-risk-rated functions on an annual basis. The following are additional key attributes of the IA department process:

- Staff must have appropriate professional certifications, such as a certified internal auditor.
- Annual risk assessments are completed to make any adjustments to the audit plan.
- IA tracks all issues and timelines in the GRC to ensure corrective actions are completed on a timely basis.
- There is a quarterly continuous monitoring process with the business unit leaders to document strategic changes and update the audit plan, if necessary.

We reviewed the RMS IA plans for 2017 and the projected plan for 2018, including descriptions of each internal audit and review schedule. We also examined the completed reviews and audits for 2017 and 2018 from the lines of defense,

which detailed findings that have been remediated by the business unit. These findings are closed or are waiting validation by internal audit. We believe the internal audits and other reviews are thorough and appropriately communicated to departmental managers for corrective action as necessary. There were also no findings reported in RMS' 2017 Uniform Single-Attestation Program (USAP) and no material issues were noted in its SSAE 16 report.

DHC maintains board and management oversight through periodic committee meetings to oversee the risk within the servicing and default operations.

Complaint management

Since our last review, the complaint management process was transitioned to the customer service department. Customer service handles all verbal and written inquiries, and the legal department is involved in escalated, regulatory, and other high-profile complaints. Characteristics and controls of the process include:

- There is specific training for staff to identify and track verbal complaints received by phone agents.
- Customer service staff are responsible for tracking the complaint, performing initial research, determining the complaint's validity, and resolving the issue, if possible.
- Verbal and written complaints that cannot be resolved are escalated to senior management or legal, as appropriate.
- The legal department also responds to all regulatory, media, and other high-profile sources of complaints.
- Trending and root cause analysis of issues are communicated to business units and to senior management, and complaints are analyzed for trends in the DHC second line of defense and at the first line by internal controls.
- The legal department investigates all escalated complaints for merit and root cause, and reports monthly on those results to senior management. The board of directors receives quarterly reports from legal on complaint numbers and trends.
- All complaints are also tracked for timely acknowledgement and resolution, and the quality of responses to customers is reviewed by management.
- RMS forwards an acknowledgement letter within five days of receipt, and the average days to resolution and response to the customer, for the first-half 2018 SEAM period, is 26 days.

Vendor management

RMS partners with and relies on Ditech's vendor risk management and procurement processes for engaging, onboarding, and managing vendors. Since our last review, Ditech implemented a new vendor management model to separate the vendor risk governance (VRG) and procurement and supplier management (PSM) functions. VRG reports through the CRCO, while the PSM functions report through the human resources department. This change also created a formal procurement and sourcing group that removed those functions from the lines of business.

VRG is responsible for the vendor risk management program's implementation and oversight, including the vendor risk-tiering methodology. PSM is responsible for establishing and maintaining policies, procedures, and standards of engagement, as well as onboarding and managing third-party vendors. PSM is also responsible for coordinating risk assessments, managing relationships with third-party service providers, and re-assessing the vendor per the risk-tiering methodology requirements. Key highlights and controls of the vendor management process include:

- Vendor management conducts initial and ongoing risk assessments of the vendor and the service provided.

- A risk tier is assigned to a vendor based on an aggregated score that considers items, such as information security and access to data, customer interaction, complexity of services, etc.
- Critical Tier 1 vendors have monthly scorecards, annual due diligence requirements, and onsite reviews at least every 24 months.
- The scorecard results and annual due diligence items are used to monitor a vendor's adherence to the contract service level agreements and other requirements.
- A GRC is used to manage third-party vendor contracts, tier alignment, and issue and management action plans.
- When issues identified with vendors are considered significant, a formal remediation is drafted and tracked within the GRC.
- The vendors are required to provide borrower complaint logs that VRG trends the complaints and escalates individual issues as appropriate.

Ditech has an in-house, dedicated law firm oversight team to manage and monitor default law firms. The team is staffed with attorneys and a paralegal, who review monthly service level agreement metrics, issue scorecards, and make periodic on-site visits to measure attorney and firm performance. On-site visit frequency is determined based on the risk assessment, which considers the inherent and individual risks the firm faces.

Insurance and legal proceedings

RMS has represented that its directors and officers, as well as its errors and omissions insurance coverage, is in line with the requirements of its portfolio size. As of Sept. 17, 2018, there were no material servicing-related pending litigation items.

Loan Administration--Primary Servicing

The loan administration subranking is STRONG for primary reverse servicing.

New-loan boarding

RMS has effective processes in place to board reverse mortgage loans. The company does not originate or purchase reverse mortgages, but it continues to board and de-board loans received through flow agreements and as a subservicer. We considered the following characteristics and controls in our analysis:

- RMS uses its electronic data exchange system to board third-party originations.
- A series of automated edit checks occurs before the accounts are released into the servicing system.
- As part of an additional QC process, an analyst inputs critical data into the system, which then electronically compares that information against the information loaded.
- The company issues welcome packages to all new reverse mortgage loan clients within 15 days of loan boarding.

Payment processing

Unlike traditional forward mortgage borrowers, reverse mortgage borrowers are not required to remit monthly payments of principal and interest to reimburse funds advanced against the loan. Borrowers repay advances (with the

exception of corporate advances for taxes or insurance payments) at their discretion.

Any physical checks received undergo a dual logging process. There is no lockbox operation, nor is one required given the small number of payments received on a daily basis. The department also handles other cash-related functions, such as posting loss drafts, REO sales proceeds, liquidations, and HUD settlements. There are monthly audits of borrower funds received and payoffs. The cashiering area also operates from a secure location requiring keycard access.

Investor reporting

In our view, RMS has solid controls to provide timely and accurate reporting to investors (see table 3). Reverse mortgage servicers are required to provide various loan activity reports to investors, including unscheduled payment requests, payment suspensions, foreclosures, bankruptcies and payment plan change requests. Noted features and controls include:

- Daily and monthly reconciliations of custodial accounts;
- All investor reporting and remitting is completed electronically to investors;
- Monthly supervisor and management reviews of all investor reports and reconciliations;
- No penalties incurred for late reporting or remitting;
- All internal audit and quality control audits have a satisfactory rating;
- No deficiencies and findings noted for the Ginnie Mae, Fannie Mae, and internal Sarbanes-Oxley control audits ;
- Minimal open items aged more than 60- and 90-days, with all aged items reviewed monthly by a supervisor and manager;
- Monthly data reconciliations occur to HUD's HERMIT system to validate correct loan balance and general loan information;
- Daily quality reviews performed on all paid-in-full and HUD claim postings; and
- Borrower advances that exceed 100% or the maximum claim amount (MCA) require approval from an assignment claim's manager.

Table 3

| Portfolio Breakdown By Investor (%) | | |
|-------------------------------------|-----------|------------------------------|
| Investor | Units (%) | Unpaid principal balance (%) |
| Ginnie Mae | 76.73 | 71.05 |
| Fannie Mae | 9.41 | 9.24 |
| Other MBS | 1.20 | 2.59 |
| Portfolio | 5.68 | 6.33 |
| Other | 6.98 | 10.79 |
| Total | 100.00 | 100.00 |

MBS--Mortgage-backed securities.

Set-aside administration

We believe the department has sound controls for managing its tax and insurance set-aside accounts. Set-aside accounts may be established at closing to pay for tax and insurance items, though most borrowers do not. Homeowners paying their own property tax and insurance obligations must provide RMS proof of payment to the servicer within 30 days after the property tax or insurance premium due date. Separate third-party vendors monitor tax and insurance payments, though only the insurance vendor handles customer phone calls. Since our last review, RMS also transitioned the loss drafts claims process to the insurance vendor. The following are set-aside administration processes and controls:

- The vendor initiates a series of calls and letters if there is no evidence of insurance coverage or non-payment of taxes.
- RMS uses unpaid advances from the borrower's line of credit (LOC) to pay delinquent taxes or insurance, if the borrower has a LOC plan.
- In the event of tax and insurance default and advance, the loan is transferred to loss mitigation for follow up.
- Loss draft claims are coordinated with the vendor, borrower, and servicer to schedule timely repairs and distributions.
- The vendor's average speed of answer (ASA) was 44 seconds, and the abandonment rate was 2.30% for the January 2018-June 2018 period, which we consider to be good.
- Vendor monitoring occurs through weekly reporting, service level agreement reviews, monthly performance scorecards, and QM listens to a monthly sample of the insurance vendor calls.

Mortgage reconveyance

RMS uses a vendor for the satisfaction or lien release process. The vendor sends and tracks all lien-release packages by certified mail and follows up with the recording office at regular intervals. RMS has incurred no penalties for reconveyance noncompliance.

Special loans administration

Interest rates adjust monthly if the borrower has an adjustable-rate mortgage. An information technology analyst uploads the index rates, which a customer service employee validates in the system. There is an audit trail in the system that reflects the entry, review, and approval processes.

Customer service

In our view, RMS provides a good level of customer service to its borrower base. Customer service handles common reverse mortgage items, such as customer calls, welcome packages, payment plan changes, unscheduled draw requests, and correspondence (non-complaint related). Since our last review, the customer service call handling was outsourced to an onshore vendor. Attributes and controls of RMS' customer service unit include:

- The staff turnover rate is very good at 12.5%.
- The department's call metrics are a 100-second ASA and 4.17% abandonment rate, and we consider the ASA to be elevated.
- There is dedicated training staff at the vendor location.

- QM monitors eight calls per month per agent, while supervisors conduct a minimum of one side-by-side coaching session per month lasting at least one hour, to review agent results and listen to live or recorded calls.
- Monthly call calibration sessions occur between QM, the first line of defense, and business unit management to assess the vendor's call quality.
- New agent training includes a minimum of 32 hours of listening to calls and 20 hours of side-by-side training, with a 90-day monitoring and evaluation period.

The disbursements department handles draw requests, and cashiering generates all disbursements. For unscheduled requests, all signatures are verified before any funds may be disbursed. All draw requests require a signature and validation of the same signature, and the requests are tracked in RM Navigator with management approvals. Amounts greater than \$25,000 require an obituary search, and amounts greater than \$50,000 require an additional verbal contact and confirmation from the borrower.

Repair administration

In our view, RMS has well-controlled repair administration functions. As a condition of loan closing, any required property repairs must be completed within six months of the closing date. In such cases, a portion of the reverse mortgage loan proceeds are set aside to pay for the repairs. These funds are subtracted from the principal limit and are not available to the borrower. RMS' repair administration processes and controls include:

- The department assigns a repair administrator (RA) at boarding to monitor for repair completions as a condition of closing and for loss draft claims exceeding \$10,000.
- Welcome letters outlining repair procedures are sent to borrowers, and the RA makes phone contact within seven days of boarding.
- Completed repairs require an inspection to confirm remediation of the issue.
- For repairs not completed within 60 and 120 days, the RA sends letters and attempts phone contacts to ascertain the status.
- If repairs are not completed after 120 days, all further loan payments are suspended and the loan is transferred to default for consideration of a due and payable filing.

Occupancy administration

We believe RMS has appropriate controls to administer rules and determine the occupancy status of the property and borrower. Oversight and administration include:

- The mailing of three letters on the loan's anniversary date to confirm occupancy, and three in-person contact attempts and phone calls until receipt of a signed occupancy certificate.
- An inspection is performed after the second unanswered letter, and a certified mail letter is sent following the inspection.
- A property inspection is ordered if all prior efforts are unsuccessful to try and obtain written confirmation.
- If all attempts are unsuccessful, the department requests a due and payable declaration.

Default management

Reasons for reverse mortgage loan defaults include not paying tax and insurance items, death of last surviving borrower, occupancy issues, failure to complete required repairs, and conveyance of title.

RMS' default operations has separate areas that address different stages of default, such as due and payable maturities, tax or insurance defaults, occupancy administration, and short sales. Another group handles more legal-related matters, such as foreclosure, bankruptcy, REO activities, and deed-in-lieu matters. Given the product type, RMS does not measure many of the customary collection and loss mitigation performance metrics, which companies that offer traditional forward mortgages have.

Delinquency rates have remained mostly stable since our last review with limited increases due to the boarding of new subservicing portfolios. As of June 30, 2018, 7.25% of total delinquencies were related to tax and insurance defaults, 1% related to death, and 0.58% were occupancy (see table 4).

Table 4

| Delinquency Rates(i) | | | | |
|----------------------|-----------------------|---------------------|-----------------|-------------|
| Year | Total delinquency (%) | Bankruptcy (%) (ii) | Foreclosure (%) | REO (units) |
| June 30, 2018 | 8.84 | 1.26 | 6.61 | 1,852 |
| Dec. 31, 2017 | 7.54 | 1.12 | 6.30 | 2,205 |
| Dec. 31, 2016 | 5.82 | -- | 6.71 | 2,254 |
| Dec. 31, 2015 | 5.96 | -- | 8.23 | 2,336 |
| Dec. 31, 2014 | 9.69 | -- | 5.24 | 2,493 |

(i) REO data include Fannie Mae accounts, which are not marketed by the company. (ii) Bankruptcy data for the 2014 to 2016 timeframe was unable to be provided by the servicer. REO--Real estate-owned.

Collections and loss mitigation

We believe RMS has appropriate policies in place to proactively manage its defaulted accounts. The company operates a SPOC model with these agents focused on contacting borrowers in default to cure through repayments plans and establishing occupancy certification, where possible. SPOCs also manage loan default events related to tax or insurance nonpayment, death, and lack of occupancy certification. Departmental statistics, controls, and workout methodologies include:

- Department managers and staff average eight and two years of experience, respectively, and tenure remains manageable for both management and staff at two years.
- There was no reported management turnover, while staff turnover was 15%, which we consider to be good.
- Borrowers unable to reach their assigned SPOC have their calls transferred to another available SPOC.
- The call metrics have an ASA of 28 seconds and an abandonment rate of 3.25%, which we consider to be good.
- New SPOC agent training includes a minimum of 32 hours of call listening and 20 hours of side-by-side training, with a 90-day monitoring and evaluation period.
- QM monitors 10 calls per month per agent, while supervisors conduct a minimum of one side-by-side coaching session per month, lasting at least one hour, to review agent results and listen to live or recorded calls.
- The primary loss mitigation solutions are short sales, and deed-in-lieu or heir payoff.

- RMS has specific teams to remedy curtailment events and create more timely property liquidations, and there are specialized SPOCs focused on short sale and deed-in-lieu transactions.
- Tax and insurance defaults generally result in repayment plans that RMS notes are performing well with 94% of borrowers on plans being current in the first-half 2018 SEAM period.

Foreclosure and bankruptcy

We believe RMS has satisfactory foreclosure and bankruptcy processes and policies. The majority of RMS' foreclosure actions are judicial, while bankruptcy cases are mostly Chapter 13, and approximately 50% of defaults are due to unpaid taxes and insurance. Characteristics of the operations and controls include:

- Management in the foreclosure area average 11 years of experience and two years of tenure, while staff average four years of experience and three years with the company.
- A pre-foreclosure team performs various QC checks to ensure there are no issues with the account, and the team orders a 30-year title search and reviews any inspection and/or valuation reports.
- A document execution QC team conducts an independent review of all documents containing debt figures.
- BlackKnight's LoanSphere Desktop software is used to manage default workflows, track critical default timelines, and communicate with attorneys.
- Since our last review, RMS implemented BlackKnight's Invoice Management module, which provides rules based automation to receive, track, and approve invoices.
- RMS uses attorney performance scorecards and works with Ditech to monitor the default attorney firms.
- Since our last review, Ditech's bankruptcy department now handles RMS' bankruptcy loans. The loans continue to be serviced on RM Navigator and a legacy RMS manager oversees the processes and loans.
- Ditech performs QA reviews of all court-filed bankruptcy documents pre- and post-filing, and there is a review of all loans prior to the case's system closeout.
- The bankruptcy QA group reviews proofs of claim (POCs) before filing, reconciliations after discharge, and overall compliance with bankruptcy processes.
- The company reported that less than 1% of POCs were rejected or disputed.

Assignment and claims administration

RMS has effective processes for managing assignment, initial, supplemental, and investor claims. Since our last review, the company transitioned certain back-office claims administration processes to an offshore vendor, and all claim workflow processes are now handled in the servicing system. The department prepares, analyzes, and files the claims. Claims result from foreclosure, deed-in-lieu, and short sales, assignments to HUD when it reaches the MCA, and supplemental claims. Highlights and controls of the process includes:

- Claims staff must have at least 10 years of mortgage experience.
- Key performance indicators are tracked to monitor the critical points in the claims process.
- The initial claim review process begins once the account reaches 80% MCA, and the account is reviewed at various stages until HUD finally accepts the claim and the assignment is sent to the county for recording.

- Offshore vendor staff assist with packaging and disposition of initial and supplemental claims, perfection of document packages, and QC of the claims.
- There is a 100% QC checking of all offshore vendor work by onshore staff.
- A QC check of all processes and information occurs to validate the final information upload into the HERMIT system.
- The claim status is monitored with HUD, and the initial claim payment request and eventual payment received from HUD are reconciled.

REO

RMS continues to manage the REO processes for private investment firm portfolios, its own portfolio, and for investors. In our view, RMS has sound practices and effective results in liquidating REO assets. The process' highlights and controls include:

- Management and asset managers average 19 and eight years of experience, and seven and six years of tenure, respectively.
- RMS follows HUD guidelines to liquidate Home Equity Conversion Mortgage assets.
- There are seven asset managers, who are assigned on a geographic basis.
- Scorecards are used to measure and report asset managers' performance.
- The company's proprietary REO system automatically routes and assigns specific tasks to the applicable entity.
- There are dedicated staff for code violations and to review and reconcile valuations obtained on the property.
- Financial incentives are used to encourage borrowers to vacate occupied properties.
- Gross and net sales-to-market value ratios were 105% and 90%, respectively, with an average marketing time of 143 days.

Financial Position

The financial position is INSUFFICIENT.

Related Criteria

- Criteria - Structured Finance - Servicer Evaluations: Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List, April 16, 2009
- Criteria - Structured Finance - Servicer Evaluations: Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

Related Research

- Reverse Mortgage Solutions Inc. STRONG Residential Reverse Mortgage Servicer Ranking Affirmed; Outlook Is Stable, Nov. 13, 2018

- Select Servicer List, Sept. 26, 2018
- Research Update: Ditech Holding Corp. 'CCC+' Rating Affirmed, Outlook Remains Stable; Term Loan Rating Lowered To 'CCC+' From 'B-'; July 17, 2018
- Servicer Evaluation: Ditech Financial LLC, June 29, 2018
- Servicer Evaluation: Reverse Mortgage Solutions, Nov. 9, 2017

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