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# 'Now Hiring' Signs Still Up for Servicers

With many subprime mortgage shops closing their doors in recent months, it would seem that finding a job in the sector might pose a challenge.

But most of the jobs being cut are in the origination sector and the challenges facing the subprime industry are actually increasing demand for some servicing positions, according to a leading employment recruiter for the industry.

Rick Glass, president of R.T. Glass and Associates, Sacramento, has helped many of the largest subprime firms meet their recruiting goals. He said that while the B&C mortgage production sector suffers from overcapacity at the moment, servicers continue to be in a hiring mode.

"We are extremely active on behalf of some of our clients," he told *National Mortgage News.*

On the servicing side of the business, executives with expertise in information technology and loss mitigation remain in especially high demand, Mr. Glass said.

And the emergence of Wall Street integrators as major players in the servicing sector of the nonprime mortgage industry also is fueling changing employment demands. Those Wall Street firms that traditionally package and sell mortgage-backed securities are seeking vertical integration by acquiring nonprime mortgage originators and servicers.

Those firms want to exercise more control over the cost of acquiring assets for securitization and the performance of those assets that back securities.

It's not difficult to see why demand for specialized default management and loss mitigation talent is rising. Just about every day, new stories appear in the media about falling home prices, rising defaults and mortgage fraud activity. According to the Mortgage Bankers Association, the overall delinquency rate in the subprime credit sector was 12.56% as of Sept. 30, 2006, up substantially from the second quarter.

**RICK GLASS,** President of R.T. Glass & Associates, said demand for IT and default management expertise is especially strong.

Additionally, 3.86% of subprime loans were in the foreclosure process.

With home price growth slowing, any number of measures suggest the default management workload is growing. Default notices in California recently reached an eight-year high, Mr. Glass notes.

The industry has anticipated a cascading increase in defaults and loss severity for some time as the housing sector cools, knowing that home price gains won't be able to bail out as many troubled borrowers as they have in the past.

"We are seeing a huge spike in demand for loss mitigation across the board."

One top nonprime servicer has doubled its loss mitigation staff in the last year. But the industrywide nature of the challenge means that everyone is competing for the same resources as defaults rise. Another servicer, Mr. Glass said, that would normally manage 1,200 loans per full-time employee expects to see that ratio drop to around 800 per FTE as a result of a rising default workload.

In some markets, such as the Dallas area, demand for mortgage servicing loss mitigation experience is so strong that prices for new employees are being bid up, Mr. Glass said.

And the more challenging environment is forcing loan servicers to change their approach to managing loan defaults, Mr. Glass said.

"We need to look at loss mitigation more creatively and have more innovation in our approach to loss mitigation," he said.

For lenders that hold loans in portfolio and therefore own the credit risk, they can have more leeway to modify debt and extend loan terms, for example. But servicers managing portfolios for third parties have more restraints on what they can do with the loans.

They can, however, pay more attention to data analytics and strategic issues.

Some lenders have turned to greater levels of outsourcing, and others have created more robust training programs so they can bring in employees with less servicing experience and develop them. Those employees might be introduced to early stage default management and then worked into later stage positions as they gain expertise.

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