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**Outsourcing Helps Banks and Law Firms  
Overcome the Challenges of Increased Workflow  
and Limited Resources**

In association with



Many banks and law firms continue to face a number of key challenges related to the economic downturn, and often they're grappling with these challenges using limited resources.

Volumes of mortgage defaults have increased sharply in the past two years, requiring banks to quickly scale up workflow processes and services such as default management and collections, and the buying and selling of mortgage portfolios while maintaining due diligence. At the same time, law firms have had to handle a growing number of cases related to mortgage defaults.

Without adequate resources and office space to handle critical processes and maintain a high level of customer service, banks can potentially suffer additional financial losses, and law firms can find themselves overwhelmed with the workload. Finding and hiring the right resources in the U.S. to handle the extra workflow is difficult and costly. By outsourcing mortgage-related services to an experienced service provider with a presence in offshore markets, banks and law firms can quickly and cost effectively address the challenges. But choosing the right partner is critical to success.

### **Challenges Times**

Since the economic downturn began in 2008, banks and law firms specializing in services connected to mortgages and foreclosure have had to deal with a significant increase in mortgage defaults, decisions on foreclosures, and related legal cases.

As of the end of June 2010, 11.4% of consumer debt in the U.S. was in default, notes Andy Efstathiou, a director at Nelson Hall, an analyst and advisory firm that focuses on the global outsourcing market. "This is far above industry norms, and is very time-consuming and expensive to resolve," Efstathiou says.

According to the Federal Reserve Bank of New York's quarterly report on household debt and credit, in the quarter ended June 30th, 2010, 496,000 foreclosures were initiated. That represents an 8.7% increase from the first quarter of the year.

Processing mortgage defaults in the U.S., where labor costs tend to be higher, is the single largest expense in mortgage servicing. At the same time banks and law firms are coping with these mortgage-related challenges, many are facing severe resource constraints that jeopardize their ability to address the increased workflow.

"Recent reports about 'robo-signing' of foreclosure documents reflects how resource and staff constrained most mortgage default management operations are at this point," Efstathiou says. Because the skills required for this type of work is specialized and complex, he says, hiring staff to address this challenge is a slow process.

"We are in one of the worst default periods in recent history, and banks are not properly staffed," adds Rudy Casanova, director of global sales at Global Strategic Business Process Solutions Inc., a Bayshore, N.Y., provider of business process, IT, call center and legal support outsourcing. "They don't have the people or the office space to handle the increase in workflow."

Part of the resource shortfall involves lack of expertise. For example, prior to 2008, there were minimal collection capabilities at banks or at third-party services. They had downsized these capabilities because they were not in high demand.

Now, with collections volume spiking, banks have had to scale up their collections activities. But it's difficult for the banks to get the expertise they need because finding resources is much harder given the increased demand for this type of expertise.

### **The Outsourcing Solution**

Outsourcing mortgage-related processes can help banks and law firms address the shortage of resources and high volume of defaults, collections and cases. Efstathiou says there are several key reasons to outsource: To bring on additional talent quickly, enable best practices to be adopted rapidly across client organizations, increase flexibility to add or reduce staffing as required, and re-engineer workflow.

Banks that outsource mortgage services can redirect their own personnel to other critical or more complex issues. Law firms can position themselves to better handle the growing default caseloads. Service providers with offshore personnel can provide the needed expertise at a much lower cost than if these processes were being handled in the U.S.

In addition to gaining improved resource allocation at a reasonable cost, banks can also benefit from faster process workflow. A service provider can help implement straight-through processing to re-engineer the way banks handle defaults. This eliminates multiple handoffs of documents and provides a more streamlined flow of forms, such as legal documents, related to the default process.

Re-engineering the workflow is something only a few service providers offer, Efstathiou says, and when it works it can provide huge benefits.

Outsourcing companies can provide other advantages for banks and law firms, such as call center expertise to improve customer service and response rates.

And outsourcing firms can help banks and law firms address variability in operating volumes. These businesses need to be able to increase staffing and decrease or reassign staffing as volumes decline or move to different geographic regions.

Offering transactions-based pricing for some or all services (which outsourcing providers are doing today) can help banks and law firms variabilize costs and reassign employees, which many of these companies have limited ability to do. In the case of banks, this can help better match revenues and costs.

When selecting an outsourcing provider for mortgage-related services, there are certain key traits to look for in addition to the standard factors such as a solid business model, strong senior leadership, high employee retention rate and robust security.

Attributes to look for, Efstathiou says, include: Experience in default management work (with employees who have work experience in this field and perhaps formal legal education); non-same time zone delivery centers for document work (to speed up overall workflow); same time zone call centers for voice work (to reduce staffing turnover and call consumers in U.S. at relevant times); language skills (for call center work); rigorous call scripting and decision tree technical support tools for employees; integrated data sourcing from credit agencies and law firms; and low cost of delivery.

It's vital that the service provider have a capable, experienced mortgage services workforce. Since cost is a huge factor, having an offshore workforce is critical. That's because the labor expenses offshore continue to be lower than those in the U.S., and it's not as difficult to scale staff up or down as needed.

"You can upsize or downsize the offshore process much more easily than you can here in the U.S.," Casanova says. He says cost control is extremely important, because "in default services everything is an expense. The people and process flows is all cost. Today banks are losing a lot on assets, and the cost of handling defaults further exacerbates the losses for banks."

Global Strategic's ability to scale staff up or down in the Philippines is a major competitive differentiator for the firm. "We're able to take on two people or 200, and we have the ability to do each immediately," Casanova says. "From a knowledge standpoint we've been in the default LPO market for three and a half years. We have employees who get the process."

Global Strategic recently helped a law firm client that lacked the personnel and office space to handle an increased workflow. The firm went from dealing with about 500 default cases a month to 1,000, and quickly finding qualified people in the U.S. proved difficult. The outsourcing firm within weeks provided the needed expertise to handle the sudden increase in workload.

When volume decreased, the firm was able to easily decrease staff. Employees from Global Strategic's group in the Philippines were able to quickly move into other jobs. Workforces are more flexible overseas because some countries have different support systems and workers can get other jobs due to the fact that business process outsourcing is in very high demand.

It's also critical that an outsourcing partner be able to handle exception management and address situations where something falls out of script.

“We have 15-year to 20-year veterans in this market who are senior managers, and when something falls out of script they can tell employees what needs to transpire and how to process that anomaly effectively,” Casanova says. “With another outsourcing firm that doesn't have that experience, exceptions can cause delays in the process. Everything is on a timeline in this market, so timing is important.”

Mortgage banks are experiencing some of the most difficult challenges to hit the financial services industry in decades. They've had to cope with huge losses related to the declines in real estate, the incursion of legal fees, and other factors related to the downturn.

Meanwhile, law firms that handle default cases have had to process an increasing number of such cases in recent years.

As these companies look to handle the continued high volume of defaults, they need to find ways to save money while ensuring a high level of productivity, quality and customer service.

Turning to an outsourcing provider with offshore expertise in handling default management and other processes not only helps these firms cope with the demand for these services, but keeps expenses down as well.

## About The Outsourcing Institute

Founded in 1993, The Outsourcing Institute (OI), located at [www.outsourcing.com](http://www.outsourcing.com), is a neutral professional association dedicated solely to outsourcing, providing information, research, networking opportunities and customized outsourcing services and solutions to the outsourcing industry. OI is recognized worldwide for its intellectual capital, outsourcing practice expertise and unbiased thought leadership. OI's commitment to innovation, along with its mission to advance the skills and knowledge of its membership, has made it the most respected and relied upon brand for the outsourcing marketplace. OI's executive network, which is comprised of more than 70,000 professionals worldwide, looks to OI as the go-to source for outsourcing thought leadership, information and advice.

## About Global Strategic

Global Strategic is a leading provider, of business process solutions, that deliver enhanced efficiency and improved productivity for a variety of business segments, including financial institutions, and legal professionals. Our global workforce is comprised of individuals in the U.S., Philippines and India, who design, implement and provide solutions that dramatically increase clients' production levels and profit margins. GSI's commitment to quality personnel, investment in the latest technology and continued training and education of our staff, enhance our ability to maintain a high level of employee retention. This model affords our clients a consistently high level of service.

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