

# SERVICING MANAGEMENT

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## Fairbanks CEO Talks Shop

*According to James H. Ozanne, Fairbanks Capital's chief executive officer, the company has identified its past weaknesses and is emerging from troubled times.*

BY MICHAEL BATES

James H. Ozanne, chief executive officer of Fairbanks Capital Corp., recently spoke to *Servicing Management*, discussing how the company's problems with consumers and regulatory bodies developed, what remedies have been implemented within the company, and what servicers can do to avoid a similar turn of events in their shops.

Ozanne says "a combination of two colliding events" drew the close scrutiny of government agencies. The Federal Trade Commission had just completed its review of Associates and its front-end activities, Ozanne says, and the FTC subsequently turned its attention to servicing.

"I think there probably was some noise coming from, particularly, the Conti-Fairbanks Web site," he notes. "I think that stimulated the FTC and, at the same time, stimulated Senators Mikulski and Sarbanes."

Also, Fairbanks had recently completed its acquisition of a large Credit Suisse First Boston alt-A, subprime and delinquent loan portfolio, on the heels of others, such as a voluminous portfolio from Bank of America.

"As it built the portfolio up to 500,000 loans, it just got to more than the system could manage," Ozanne says.

"You put the two of those things together, along with a 30-percent delinquency rate in the portfolio, you get what Fairbanks got. There were 150,000 unhappy customers," he remarks.

"I don't mean to make excuses - I haven't made one excuse for Fairbanks from the very beginning," Ozanne stresses. "But no matter how good Fairbanks was, with 150,000 delin-

quent accounts, it may just have been to the point where it was going to receive significant attention from HUD, from Fannie, from state regulators, and from the FTC."

Which, as we all know, it did.

But pointing to staggering growth and a watchful governmental eye is the simple answer to Fairbanks' troubles, Ozanne admits. The red flags had substance, for certain, but that is not something on which Ozanne dwells.

"You can go on and on with these things. There's a whole lot of actions that should have been," he says.

"I've not spent a lot of my time worrying about what should have been. We've been trying to worry about what we should be doing going forward. And we've been in the process of fixing it ever since."

What needed fixing most, in Ozanne's opinion, was Fairbanks' corporate culture. "I think the inherent flaw - and it's a very simple one - was the definition of who the customer was.

"If you went back a few years ago or a year ago at Fairbanks, what you'd find is a whole series of metrics around the client and around producing results for the shareholders, but no metrics around the customer. The customer was just 'there,'" he notes.

"If you had to point to one failure, that was the failure. That was *the* number-one issue."

Now, Ozanne says, Fairbanks recognizes that the borrower is, indeed, the customer. "We have a culture that says, 'The borrower is the customer.'"

Ozanne considers the organizations that provide Fairbanks with business, such as the conduits or financial guar-

antors, to be Fairbanks' "clients." It's a subtle alteration in definition, but at the same time an extraordinarily important one for the company.

"Our clients are to be treated like customers, and our customers are to be treated like clients," Ozanne says.

To assist the company along these lines, Ozanne points out that Fairbanks has established relationships with some major consumer advocacy groups, who send problem accounts to the company, engage in regular dialogue concerning everyday issues and help Fairbanks explore the many virtues of best practices.

"We're seeing the side of the world that represents the consumer, and the side that is really making itself known to all the different government agencies and the regulators," Ozanne says. "I think it's important to have a relationship with them.

"If you go back two or three years, I don't think you would have heard anybody suggesting that," he adds.

"The consumer advocates in the country are becoming far more powerful as a voice for the consumer, and they're not to be ignored," Ozanne stresses. "These consumer advocates will find a way to get to you, if you don't come to them first."

### **The changes**

So, what are the most important changes Fairbanks has made within the company, other than featuring 17 new faces among its top 25 executives?

"We've gone back and looked at all of the issues that have been raised internally, by our new management, and by external consultants who have

come in to look at the company, as well as by the rating agencies and by the regulators," Ozanne says.

Out of these efforts came a whole series of operational practices, which the company brought to the FTC.

"The FTC took some of those and incorporated them in the consent decree," Ozanne explains. The company, he says, has implemented every operational practice the FTC demanded, and it is working diligently with the rating agencies to recover its ratings.

Also, there is much the loan servicing industry can learn from Fairbanks.

"The caution to everybody is, you see these portfolios look like they're interesting and profitable projects to work on, but there's a point beyond which you don't want to go in having delinquent accounts in your portfolio," Ozanne says.

### ***Disputes and drop rates***

On top of that, servicers need to "really pay attention to the level of their written disputes and to their drop rates on customer service calls."

"What percentage of your customers are being abandoned on their calls, and what's the aging of your written disputes?" Ozanne says keeping written disputes unanswered or unresolved for, say, 10 working days might be acceptable. And when you address those written disputes, you can't simply send the letter back confirming receipt. You must go through the work to resolve the borrower's issue.

"If you can get to that point, odds are, at least for one measurement, things are not out of hand," he notes.

"It's the measure of written disputes that are coming in that will tell

you whether or not your customer service people and your cash applications are being handled properly."

Further, Ozanne explains, "It's a matter of having a whole series of daily metrics that you look at." Keep an eye on how many disputes you're receiving and the reasons for those disputes, how fast you post cash, and abandonment rates.

For the company itself, Ozanne is optimistic. "The changes have been made," he declares. "They've been made across the board." This includes how the company handles customer disputes, foreclosure timelines, lender-placed insurance guidelines and more.

The raw materials are there, and a new corporate culture may very well give Fairbanks the vigor it needs to leave its troubles in the past. **SM**