Servicers, Expecting Refi Wave, Work on Retention

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An Article Written By Kate Berry

Terry Wakefield, the chief executive officer of Wakefield Co., a Grafton, Wis., mortgage consulting company, said that “aside from defaults, retention is the No. 1 deficiency in the mortgage space.”

Servicers, he said, “are lucky if they can retain 10% of their customers. It's really that bad. Customer turn[over] is very expensive.”

Though data on retention and prepayments enables servicers to deliver customized offers to customers, Mr. Wakefield said, many companies are so focused on cutting costs that they will not make the necessary investment of roughly $15 million to $20 million for retention systems.

“The data is largely unused,” even though the benefits, when weighed against the costs, are compelling, he said.

Servicers typically can retain a customer at a cost of $800 to $900 per loan, compared with the average $1,600 cost of originating a loan.

“There’s no need to reunderwrite a loan; all they need is a new credit report,” Mr. Wakefield said.

900 Cheyenne Avenue, Suite 100 | PO Box 210 | Grafton, WI 53024
262.375.8000, ext. 6640 | 262.375.2835 f | 414.313.2803 c
twakefield@twcllc.com

www.thewakefieldcompany.com