

A Pioneer in Loss Mitigation

Though she may come across as unassuming, Claudia Sanchez has often been at the forefront of change in the mortgage industry. Sanchez, one of the co-founders and the chief information officer of Irvine, California-based Decision Ready Solutions, has been instrumental to the company's growth, according to Ravi Ramanathan, president and chief executive officer. She served in leadership positions in default servicing at Bank of America, Downey Savings and Loan Association and Option One Mortgage.

One of the most interesting, if little-known, stories about Sanchez relates to the creation and early history of loss mitigation. While a commonly accepted practice today, the notion of loss mitigation—the effort to negotiate mortgage terms with homeowners and banks in order to prevent foreclosures—was largely unheard of prior to 1990.

Today's loss-mitigation techniques were originally shaped in the late 1980s by a very small group of executives inside Bank of America, including Sanchez, along with one representative each from Fannie Mae and Freddie Mac. At that time, the mortgage business was just starting to experience high delinquencies on A-paper products, something previously limited to B- and C-paper mortgages.

Looking for possible ways to cope with the increase in delinquencies, Bank of America pulled Sanchez from her work in a specialized escalation group to work on a new project. The assignment? To come up with a way to help homeowners who were struggling to make their mortgage payments, and at the same time keep investors in the mortgages happy. "At the time, there was no true definition of mitigating losses," Sanchez recalls. "Assets were either performing or non-performing, with no middle ground."

Sanchez, along with the other team members, needed to consider all parties that might be affected: servicers, investors and borrowers. She led the effort to create a completely new concept—loss mitigation. In the late 1980s, few banks had even heard of the idea, but the notion of mitigating losses quickly took hold.

Starting in 2006, loss mitigation became even more important as

the rate of foreclosures in the country began growing dramatically. By focusing on finding a way for homeowners to avoid foreclosure, loss-mitigation efforts have helped countless borrowers remain in their homes.

As chief information officer of Decision Ready,

Claudia Sanchez continues to be a leading force in finding new solutions to deal with delinquencies and foreclosures.

Ultimately, the technology helps ensure that struggling homeowners are treated fairly and looks after the best interests of both the mortgage servicer and the borrower. That's not too far away from the goal Sanchez achieved when leading the effort to create loss-mitigation techniques more than 20 years ago. In both endeavors, Sanchez is helping to change the way the industry views and manages homeowners who are struggling to make their mortgage payments.

—BY MARY MCGARITY

Sanchez is helping to change the way the industry views and manages homeowners who are struggling to make their mortgage payments.

