



WHEN DISASTER STRIKES:

Data Helps Lenders and
Servicers Be More Prepared

VEROS REAL ESTATE SOLUTIONS | SEPTEMBER 2019

Intentionally blank.

INTRO

The striking increase in natural disasters across the country forces the real estate industry to pause and figure out how it will prep for the storm and aid in the relief efforts. Looking at the last 50 years, the number of natural disasters worldwide continues to increase, with more than 400 happening every year. America ranks as having the greatest number of natural disasters, right next to China and India.¹ This shows that while it may be difficult to predict exactly when a disaster will hit, it is safer to prepare for one than assume it will never happen.

This is especially true when it comes to America's housing market. Industry experts have listed natural disasters as one of the reasons for the slowdown in the housing market, with the Mortgage Bankers Association Chief Economist Mike Fratantoni saying that the natural disasters cloud the picture of the housing market's overall strength.²

After a surge in natural disasters in 2018, the U.S. Department of Housing and Urban Development allocated more than \$35 billion to support recovery efforts among 16 states and local governments.³ The impact has become so big that the department even included supporting effectiveness and accountability in long-term disaster recovery in its Strategic Plan for 2018-2022.⁴

"With natural disasters becoming more frequent and more costly, improving the resilience of America's communities is an important area of focus for research and policy. Resilience relates to the ability of systems and places to mitigate the risk of, withstand, and quickly recover from extreme events," HUD's Strategic Plan stated.

As floods, wildfires and hurricanes continue to threaten families across America, the real estate industry has the opportunity to work together to create solutions that will get them back to their lives as fast as possible. Technology has revolutionized so many parts of the real estate industry, including building a seamless and high-quality origination process for borrowers, but this need for transformative technology doesn't end

¹ The Data Team (2017). *Weather-related disasters are increasing*. *The Economist*. <https://www.economist.com/graphic-detail/2017/08/29/weather-related-disasters-are-increasing>

² Lloyd, A. (2018). *Natural disasters hasten housing market slow down*. *HousingWire*.

<https://www.housingwire.com/articles/47552-natural-disasters-hasten-housing-market-slow-down>

³ Guerin, J. (2019). *HUD lists 2018 housing accomplishments*. *HousingWire*.

<https://www.housingwire.com/articles/48093-hud-lists-2018-housing-accomplishments>

⁴ HUD (2019). *U.S. Department of Housing and Urban Development Strategic Plan 2018-2022*. <https://www.hud.gov/sites/dfiles/SPM/documents/HUDSTRATEGICPLAN2018-2022.pdf>

there. In fact, recovering from a storm is when innovative technology may be needed the most, so attention can focus on the rebuilding process.

Behind the scenes, the lending and servicing industry works in overdrive after a natural disaster. From providing borrowers forbearance to conducting property inspections, many parties are involved in the housing recovery process. However, this dedication to help doesn't guarantee they're operating as smooth as possible. There are numerous inefficiencies and costs associated with doing property inspections that are unnecessarily delaying borrowers. However, there are solutions to the post-disaster assessment and housing recovery.



TIME TO REBUILD

After a natural disaster, the Federal Emergency Management Agency (FEMA) quickly opens the channel for federal assistance by declaring the impacted region a “disaster area.” In attempts to expedite the process, FEMA uses county boundaries for its designations, which results in the entire county being declared a disaster.

But, the reality of the situation is that natural disasters are never that straightforward. Hurricanes and tornados never decide to stay within the lines. This means that all properties within the county are flagged as being in a disaster area, even though it only affects a portion of the properties located within the region. It also halts loan funding to borrowers in the area.

What was originally intended to make the process easier has created a significant backlog of properties that do not need to be inspected. Few lenders are located close enough to the disaster to be able to truly know whether or not a specific property is actually impacted.

Lenders are left to waste significant amounts of money on inspections and create a lot of unnecessary work all in the name of helping borrowers. However, while FEMA goes by county boundaries for its designations, this doesn't mean lenders can't hold themselves to an even higher standard. It would be beneficial to everyone involved if they did.

VeroVALUE™ AVM reports and portfolio review services leverage the power of property-specific disaster data so all parties involved can more effectively and efficiently assess whether or not properties have been impacted by a disaster. The VeroVALUE AVM can identify disaster area impact at the parcel level through the power of satellite imagery, property-specific boundary information, base maps, aerial imagery and other data sources from federal and state government agencies, along with physical inspections and geospatial data. This allows them to map a polygon of the true disaster zone, one that is significantly more accurate than FEMA's broad stroke of the zone.



The rest of this white paper demonstrates how accurate property-specific disaster data can:

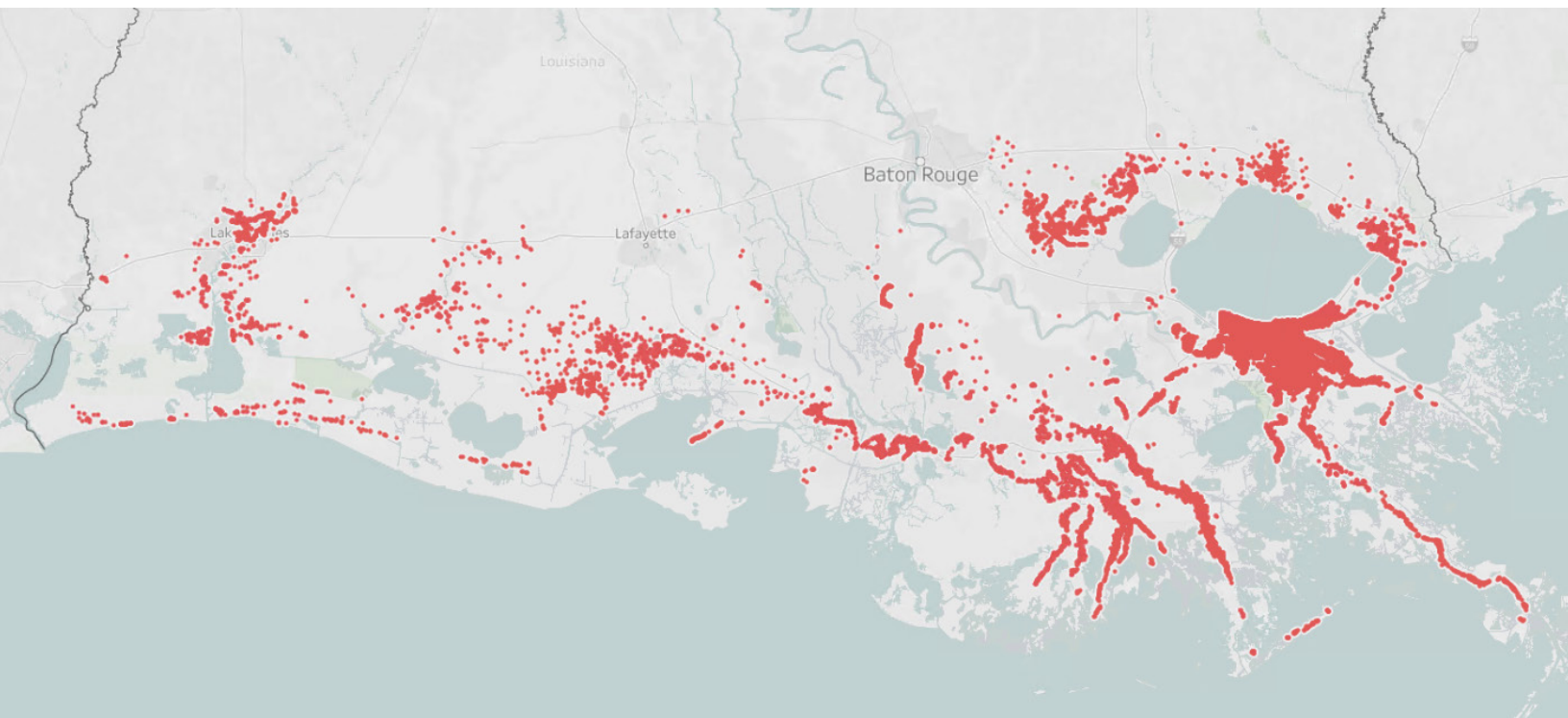
- ✓ Drastically improve industry response time to a natural disaster
- ✓ Reduce unnecessary costs
- ✓ Create a more efficient process
- ✓ Save much-needed time to give homeowners the best service possible when they need it the most

AN INSIDE LOOK: Tropical Storm Barry

Let's take a look at the natural disaster: Tropical Storm Barry.

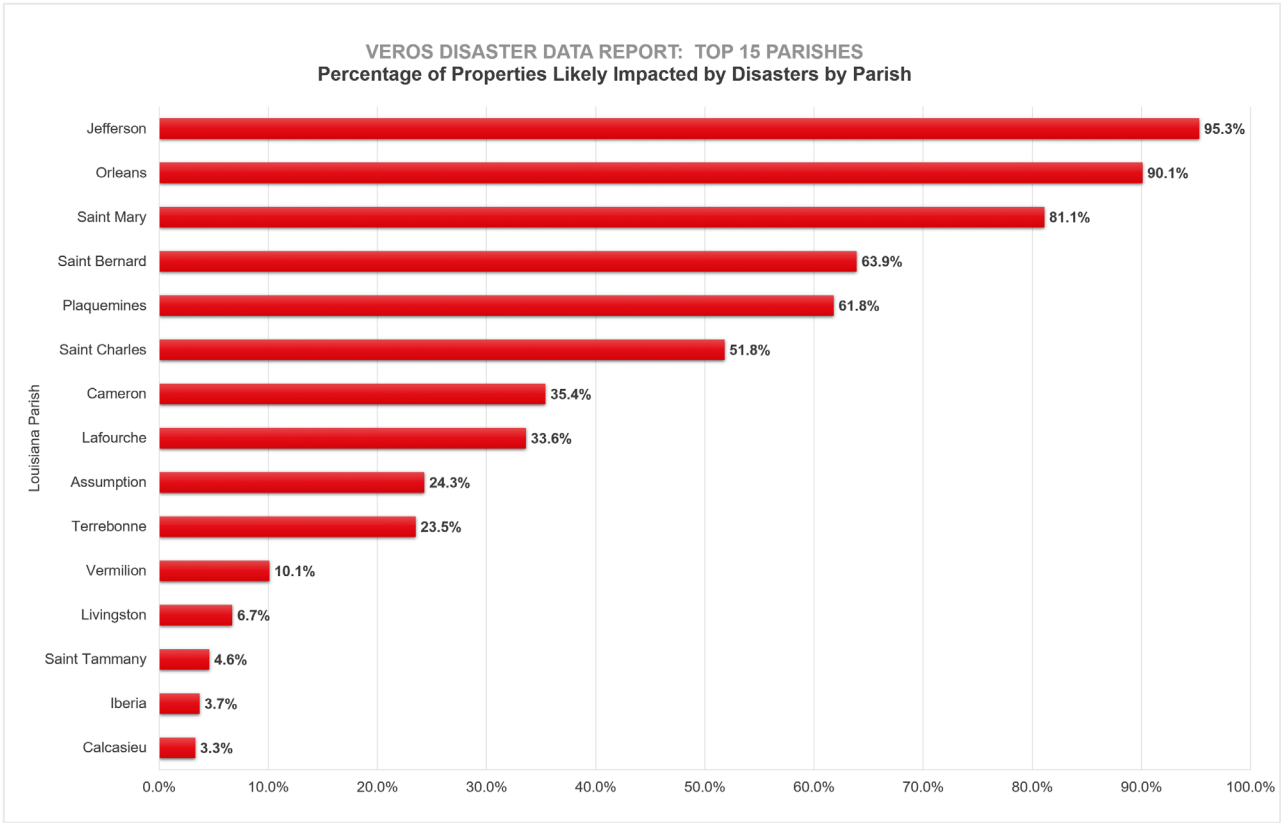
According to FEMA, Tropical Storm Barry's damage occurred June 10th through June 15th 2019, and was classified as an Emergency Declaration disaster, with 41 affected Parishes in Louisiana.⁵

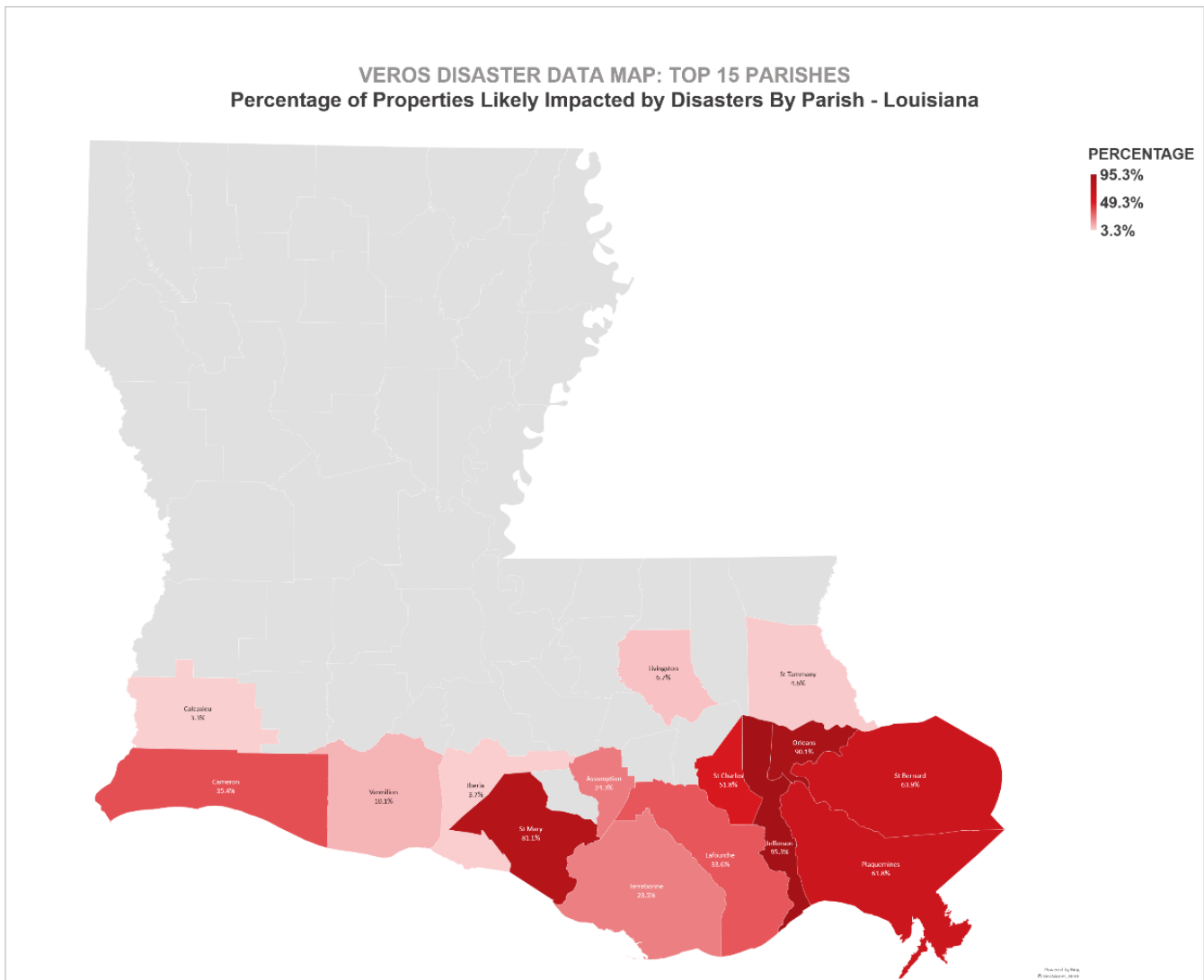
The map below details the extent of affected Louisiana properties located within the disaster polygon, based on Veros' disaster analysis.



⁵ FEMA (2019). Louisiana Tropical Storm Barry (EM-3416). <https://www.fema.gov/disaster/3416>

The chart and map below detail the top 15 affected Louisiana parishes, by percentage of affected residential properties located in the disaster polygon.





Looking at the chart above, despite FEMA declaring 41 impacted parishes in Louisiana, in the top 15 alone, it shows the bottom couple have less than 4% of their properties impacted, resulting in a significant amount of unnecessary property inspections.

A lender processing physical inspections on the entirety of its properties located within the 41 FEMA declared parishes would cut property inspection costs substantially if they had focused on Veros' disaster polygon, as opposed to FEMA's parish level list. In addition, this would allow the lender to focus their resources on borrowers that are much more likely to have been affected by the disaster.

VeroVALUE AVM delivers this disaster data in two ways. The first is within the VeroVALUE AVM report on a per property basis, as it taps into the satellite imaging and data analytics. The second delivery option is a "match and append" basis for portfolio review use. This option indicates when a specific property is in the disaster area by matching the location and then appending the disaster data with one of several tiers of

confidence. The result is a more-tailored and specific report than the county level information commonly used by lending industry participants today.

VeroVALUE AVM is also unique in that the data is continually updated as the disaster unfolds, producing near real-time accuracy. This provides users with the most current information, so they can confidently make risk-based decisions.

If a lender does discover that there is a likelihood or certainty that the property was impacted by a disaster, they can easily and seamlessly take the process a step further and order VeroPHOTO+, Veros' Property Condition Report. This allows them to quickly gauge disaster impact and the extent to which further due diligence may be necessary, saving the lender time and getting the borrower moved through the process faster.

DISASTER DATA IN ACTION

When faced with a natural disaster, borrowers not only need good customer service, but they need to feel safe through the process. They have too many moving parts in their life after a crisis, and this shouldn't be one the parts they have to worry about.

The revolutionary part of property-specific disaster data is that it benefits all parties involved. The game-changing data empowers lenders to accelerate the clear-to-close time for unimpacted properties in the flagged disaster area counties, streamlines the property assessment process in designated disaster areas and eliminates unnecessary property inspections.

It also allows them to focus their risk management efforts on high risk properties, making their risk-based decisions on the most current disaster status information that is constantly being updated. This creates substantial financial savings for them and radically enhances borrower relations by proactively identifying at risk loans and rapidly initiating contact.

The surge in natural disasters hasn't been met with a similar increase in innovation that can help the industry partner with impacted borrowers to get through the recovery process as swift as possible. When applied across the industry, nearly everyone can benefit from property-specific disaster data due to the growing

Disaster Data for Borrowers and Lenders:

Knowing whether or not a precise property is impacted by a natural disaster can speed up mortgage loan decisions. Just because a home is located in a FEMA designated disaster area, doesn't mean the home or the potential loan is at risk.

Disaster Data for Servicing/Default:

By property or portfolio, disaster data helps to identify exactly which properties are and are not impacted within a FEMA designated disaster area.

influence natural disasters are having on key stakeholders. In the servicing and default area, it helps minimize loss severity by identifying potential default scenarios before they happen, and servicers will have the ability to proactively identify and assess disaster-related risk.

The industry doesn't have to look too far back to see the devastating impact of a natural disaster, with a lot of people still working through the recovery process. Property-specific disaster data has the power to drastically change the way the industry handles natural disasters. Lenders, servicers and all mortgage participants can start to move away from the rushed and reactive process and finally get ahead of the storm to give borrowers the partnership they so desperately need after a disaster.

For more info on Veros Disaster Data, go to or click on the following links:

veros.cc/disaster-data

veros.cc/avm-disaster-data

About Veros Real Estate Solutions

A mortgage technology innovator since 2001, Veros is a proven leader in enterprise risk management and collateral valuation services. The firm combines the power of predictive technology, data analytics, and industry expertise to deliver advanced automated solutions that control risk and increase profits throughout the mortgage industry, from loan origination to servicing and securitization. Veros' services include automated valuation, fraud and risk detection; portfolio analysis, forecasting, and next-generation collateral risk management platforms. Veros is also the primary architect and technology provider of the GSEs' Uniform Collateral Data Portal (UCDP). For more information, visit **www.veros.com** or call **866-458- 3767**.

For Media Inquiry

Toll Free:	866.458.3767
Corporate Office:	1.714.415.6300
Email:	communications@veros.com

