

# NEW IDEAS IN COMPLIANCE

From cloud-based document sharing and centralized workflow to automation software and collaborative platforms, technology is changing the way industry professionals keep up with compliance.

By Nicole Holland Pearce

**B**orn from a deluge of defaults and the half-decade of unprecedented foreclosure and REO volumes that resulted, new compliance laws and regulations are popping up across all facets of the mortgage industry. Increased oversight and scrutiny has come in the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Consumer Financial Protection Bureau's (CFPB) national servicing standards, the Ability-to-Repay stipulation of the new Qualified Mortgage (QM) standard, California's Homeowner Bill of Rights, federally mandated background checks and vendor management policies, and the retooling of Real Estate Settlement Procedures Act (RESPA) disclosures—not to mention the yet-to-be-defined Qualified Residential Mortgage (QRM) benchmark, the outcome of countless unsettled legal actions, and the many additional consumer protections likely to come from the CFPB. These new standards require strict adherence. Compliance in today's mortgage industry is not just here, it is here with a vengeance, according to Seán Ryan, CEO of enterprise software provider Aspen Grove Solutions.

Ryan stresses mortgage professionals today must not only conform and acquiesce to regulations but must also yield to scrutiny. "It is not enough to comply; you must also be able to prove you have complied," Ryan said. "This means that you must keep records and audit trails. You must be able to say who completed a task and when, and who authorized signoff and when. You must ensure that the correct process was followed and that the right decisions were made by the appropriately trained personnel, whether in the field or in the office. You must ensure third parties working on your behalf are equally well trained, tracked, checked, and managed. And by the way, you must do all of this while the rules change and evolve around you."

The modernization of compliance via today's technological tools makes keeping up with compliance—and its complicated register of checks and balances—a little easier by integrating with strategies already in place and plugging gaps in protocol with standardized procedures. Furthermore, today's compliance technology allows for efficient analysis of results with the capability to recognize violations electronically, reducing the chance of human error. To help lenders, servicers, valuation professionals, agents, brokers, and compliance personnel stay ahead of compliance issues, *DS News* profiled a handful of innovative technology providers that are leading the way to ensure the industry remains current and compliant on all rules, codes, and procedures.

## Communication and Transparency

The Office of the Comptroller of the Currency (OCC) has established standards on the way defaulting homeowners must be handled, and appropriately communicating with these borrowers is of utmost importance. A provider of loan document and electronic delivery solutions, DocMagic has introduced an interactive smartphone application that serves as a communication tool between lenders and borrowers. Known as BorrowerMobile, the app was developed with the understanding that the modern borrower is on the go—and in order to keep up, the mortgage loan process must be adaptable enough to respond to the borrower's nature. The process is simple: Lenders invite borrowers to download the application onto their devices, and the system creates a communication channel between lender and borrower, which allows the parties to interact and share from any location—providing instant and secure communication.

The app also ensures transparency in the loan process as borrowers can, at all times, access their loan status. This in turn provides the borrower an opportunity to anticipate the next steps of the process as well as electronically satisfy loan conditions and sign documents with eSign capabilities. Lenders can provide borrowers with a to-do list, allowing them to satisfy a catalog of conditions—and as they do so, their application notifies the lender which conditions have been met.

**"As the gains in business process improvement are clawed back by the extra steps and overhead of compliance, technology must ensure that it can achieve enhanced productivity, speed, auditability, and traceability."**

**—Seán Ryan, Aspen Grove Solutions**

Keeping up with the range of documentation that touches the lender-borrower communication cycle requires adroit attention to detail. Xerox is also simplifying the process with BlitzDocs Servicing. Its eFolder, an electronic loan folder, as part of BlitzDocs Servicing, provides a single point of reference for all documentation used by the borrower. BlitzDocs' document management capabilities support lenders' and servicers' customer service requirements and default loan servicing, which helps meet the lengthy requirements set by the CFPB. Providing additional transparency, the BlitzDocs eXtended Edition can send important documents, namely solicitation packages and loss mitigation documents, directly to troubled borrowers.

### Minimizing Risk and Errors

Aiming to reduce errors and risk in default loan processing, ISGN offers Tempo, a default management platform that links automation and vendor management functionality. The intuitive product readily provides processes for loss mitigation, REO, foreclosure, document management, and litigation. Tempo's workflow engine allows users to change or add tasks throughout the process, saving cost by scaling to timelines with real-time work assignments. All the while, both internal and external parties are kept apprised of changes with fully reportable communication. The platform is also fully compliant with Freddie Mac and Fannie Mac guidelines.

While many large organizations have adopted compliance technology, smaller firms may be hindered due to the upfront cost of standardization software. Tempo's pricing is tiered by loan volume, says Cindy Walton, senior product manager of default products for ISGN, so even smaller companies can integrate the

software into their processes, thereby increasing efficiency and reducing the chance of costly human-calculated error. As the company's portfolio grows larger, the Web-based software will simply adjust to accommodate the increased property volume.

Mortgage servicers must also ensure a high level of security for their clients as compliance requires strict standards of privacy. Capsilon, a provider of cloud-based document sharing and management solutions, released a new version of the DocVelocity Mobile app, which provides secure access to mortgage servicers from any location. To maintain a high level of security, documents viewed through the DocVelocity Mobile app are encrypted on the mobile device—so in the event the device is lost or stolen, vital information remains in a controlled environment. Secure authentication and access control settings are managed by the system administrator to make certain documents are viewed by authorized personnel.

Bringing a neutral, nonprofit collaborative technology platform to borrower outreach, Hope LoanPort offers a consistent and transparent process to foreclosure alternatives—such as short sales and loan mods. The free program is available to delinquent borrowers across the nation. Homeowners who find themselves unable to meet their standard mortgage payments can use the platform to communicate with their HUD-approved housing counselor. Counselors and mortgage servicers will find the portal updated consistently in order to stay aligned with changing assistance programs. Hope LoanPort facilitates real-time messaging between a servicer and counselor, provides status tracking, and stores documents electronically. Without programs such as these, the U.S. Treasury's Making Home Affordable (MHA) borrower

outreach and intake program would be difficult to implement.

Clarifire by eMason, conceived by founder Jane Mason, is a Web-based workflow solution that automates the processes of compliance. One of its functions, Clarifire Community, serves to simplify single point of contact guidelines under HAMP. "It's an interactive gateway to workflow, creating collaboration and connectivity with others," said Jane Mason, CEO and president of eMason, Inc. Borrowers access the system and, if they're interested in a workout plan, for example, can set up a profile and input their needs. They then choose their preferred method of contact—phone call, text, or email—and the request is sent to the dashboard, where a bank or servicer can interact with them, if they so choose, via chat. The system also helps servicers keep up with borrowers by sending out document download notes. For instance, Mason says, if a borrower only downloaded three out of four necessary documents, Clarifire sends a text reminder to complete the process. One of the reasons for such automation is to ensure each borrower is treated like the other—and in the case of an audit, the system serves as proof that no disparate treatment exists from one borrower to the next.

### Code Compliance in the Field

In addition to the numerous new compliance regulations, code compliance is still an important issue that helps reduce economic distress such as neighborhood blight. To that end, Safeguard Properties offers Compliance Connection, a Web-based tool that helps lenders identify at-risk properties in a neighborhood, which ensures an efficient resolution to the problem. By automating workflow and facilitating real-time communication, the platform helps property stakeholders avoid penalties by ensuring notifications and citations aren't overlooked or delivered to the wrong point of contact.

"Municipalities can immediately post notices that are delivered electronically to the appropriate contact at the mortgage servicer, eliminating the delays and miscommunications associated with mailed notices," said Steve Meyer, assistant VP of high-risk and hazard claims for Safeguard

Properties. "As a result, mortgage servicers can respond more quickly to address property issues, reducing potential violations and fines, and preserving the value and condition of real estate assets and the communities in which they are located."

Mortgage Contracting Services (MCS) developed its own technology to ensure a neighborhood is marketable by stabilizing the value of its properties. The MCS Mobility app allows users to upload photos directly to MCS360 from their mobile devices, which allows MCS to receive real-time reviews of photos to determine the appropriate next steps quickly. "If there was a question about a work order or if additional photos were needed, it could be a day or two days later and we had to send the vendor back out to the site," said Chad Mosley, MCS' SVP of business development. "Now, the review process can be done in real time and corrections can be made while the vendor is still at the property."

RepairBASE by Bluebook serves to simplify property preservation through a user-friendly, intuitive Web-based interface. The software provides a property's "cost to repair and maintain" data based on a national database focused by ZIP code. Designed to increase the accuracy of inspections and produce spot-on estimates and reports it enables vendors to submit a report, after which the in-house quality control personnel can compare the price against Bluebook's data. Specific costs for services such as winterization, lawn maintenance, and re-keys are provided. In the realm of field services, the system delivers detailed lists of repairs to clients based on the national data of standardized labor and material costs. The "cost to repair" solution is compliant with HUD guidelines, meeting the standard of a commercially available online platform for local cost estimates. And, of course, lenders, investors, agents, and appraisers can turn to the software to produce standardized estimated repair costs.

### Collecting Debt

The Federal Trade Commission has its own set of rules and regulations to follow, making sure those looking to fulfill a debt, such as

mortgage servicers acting as debt collectors, follow a procedure in their debt collection practices. Such procedures deter unfair or abusive measures, such as calling borrowers repeatedly or during unreasonable hours or disclosing their affairs to third parties. While these regulations have been in place for decades, in recent years, unfair collection practices resulted in lawsuits and settlements after servicers made false representations about loan accounts.

These regulations require strict vigilance and, paired with determining a borrower's capacity, can make collecting outstanding debt a challenge. To that end, the Equifax Decision 360 platform developed the tools for a cost-effective collection strategy. The system helps locate debtors while managing the complete database of collections. Accounts can be divided by capacity and propensity using information provided by employers, as well as credit data and recovery scores. Equifax Decision 360 also improved recovery rates by identifying identities and locating hard-to-find debtors with the freshest contact information.

**The modernization of compliance via today's technological tools makes keeping up with compliance a little easier by integrating with strategies already in place and plugging gaps in protocol with standardized procedures.**

Equifax also developed a recovery model based on the borrower's employment status, finding those who reported they were employed had a higher recovery propensity, including a higher percentage of dollars collected. With this innovation, mortgage professionals may be more likely to fulfill the debt, and by adding other technologies that provide increased efficiency, improved borrower communication, and reduced risk, it's clear that companies have technology in their corner to stay compliant with the growing assortment of new regulations.

### Tech for Today's Challenges

Aspen Grove Solutions' Ryan concedes that the many new rules and regulations may translate to higher costs and slower processes—the result of myriad additional steps and necessary tracking. Therefore, he says, it is imperative to employ technology that can rapidly adapt to change while simultaneously ensuring operational capability is maintained. "You have to build the car as you drive it, so you have to choose a technology partner and platform that can successfully accomplish this," Ryan said.

With the breakneck pace of regulatory change in the mortgage space, all core applications must be adaptable, Ryan notes. He contends only those who deliver targeted solutions using agile methodologies will survive in today's marketplace. "However, the enemy of agile is risk," according to Ryan, "and given that the mortgage industry is, and must be, risk averse, new thinking must be brought to the fore in developing solutions in order to mitigate that risk."

Ryan says integrators and solution providers can achieve both agility and risk aversion with automated testing on a continuous basis, programmed deployments to reduce human error,

and the ability to build multiple technologies on-the-go and simultaneously. "These are not insignificant challenges and require investment," Ryan noted. "For example, automated testing means regression test scripts must be kept up-to-date, but investment in automated testing can pay huge dividends while also significantly reducing risk." Businesses that engage with agile technology partners will maintain a distinct competitive advantage as they are ideally positioned to deal with compliance, he adds. So the question you must be prepared to answer is: How does your technology deal with constant change while also mitigating risk? ■