



MortgageCadence[®]

Enterprise Lending Solutions



Top 10 List - What Your Solution Should Provide to Ensure Compliance

Quality Control

With increased attention on loan quality, originators face challenges with enhanced quality assurance testing, which will force a shift away from the traditional notion that discretionary or random loan sampling is an effective means of identifying an institution's overall production quality and risk. The overly onerous traditional manual quality review process that many lenders have relied upon historically has clearly failed the industry. As a result, lenders must rely on enterprise lending technology as a cost effective solution to reduce the need to hire internal quality auditors, eliminate ancillary software testing vendors and create an atmosphere of pure origination guideline compliance to meet all necessary Regulatory and Investor-specific requirements. When a lender can rely upon its lending platform to validate and verify all necessary guideline and regulatory requirements, the lender can reduce overhead, streamline origination processes and increase overall compliance efficiency.

Virtual Paper Trail

In the world of paper loan files that pass from the Loan Officer all the way to the Closer, errors and lost documentation can easily occur. A platform that creates an electronic file, permits authorized individuals access to certain information and establishes specific accountabilities set into a predetermined pipeline of progressive requirements not only streamlines an operational process but also reduces instances of possible fraud and permits centralized reporting and monitoring. Importing vital documentation directly from verified third-parties (such as Bank Statements directly from the Bank or Paycheck Stubs directly from the Employer) into a viewable document "lock-box" can reduce instances of Income or Asset fraud and permit the originator to have proof that particular guideline requirements were met by originator at the time of the underwriting. Preset operational accountabilities can automatically route electronic tasks to the proper predetermined individuals to authorize credit or collateral decisions, creating a loan history that will efficiently task and track decision making to ensure the proper escalation and remediation of issues or vital decisions.

Reduce Manual Processes

While new Federal and State requirements continue to surface that blur the line between credit decisioning and anti-predatory lending compliance, the use of manual underwriting spreadsheets and checklists expose lenders to significant risk. "Ability to Repay," "Benefit to Borrower," "Net Tangible Benefit," "Tangible Net Benefit," are phrases that may impose particular underwriting considerations and subjective thresholds upon a lender and are traditionally done with a worksheet that remains in the underwriting file (with the hope of being validated by a quality control auditor prior to funding). This worksheet then may or may not make its way into the closed loan file, which is necessary for investors as



the loan is sold to the Secondary Market, to substantiate the decision-making that occurred during underwriting. Managing the content of such calculations, uniformly applying these requirements throughout an organization's various channels, sufficiently documenting the decisioning and gathering this information into a closed loan file has been a thorn in the side of many lenders. The solution is simple: automate the calculations, lock down the logic, implement into your ELS so the calculation is done automatically and export into a worksheet to be drawn as part of your closing documents.

Manage Your Guidelines

Automating your guidelines permits lenders to maintain a comprehensive, achievable library with real-time change management capabilities to create an electronic record of specific guidelines that were in effect on any given day or time. Real-time Guideline Change Management is an absolute must for any institution that wants to ensure timely and accurate adherence to any shift in loan level risk. Whether it is driven by a fluctuating Interest Rate environment that may see 250 basis point shifts in pricing on an hourly basis or by a particular investor that requires an immediate change in a loan program's qualifying criteria, having the ability to manage pipeline risk from a single dashboard in real-time enhances the efficiency of an origination platform. Implementing and managing these controls instantaneously creates the potential to increase profit margins by millions of dollars.

"Real Time" Automated Reporting

The ability for "real-time" automated reporting and issue escalation creates a workflow that is transparent providing Senior Management and Executives with the necessary information to control and efficiently manage operational risk while creating a clear trail for auditing purposes. For example, under the new RESPA requirements, to control the circumstances that would trigger a re-disclosure of the GFE, a lender may standardize change tolerances and prompt the user to provide supporting information to substantiate the decision to re-disclose. This automated control has the effect of standardizing a subjective decision-making process while digitally memorializing the unique details and circumstances that may be relied upon to offset questions or defend against claims made by Regulators, Investors or Auditors.

Represented and Warranted Documents

It is no secret that GSE's and Capital Market Investors have recently made a significant commitment to auditing non-performing loans in an effort to enforce the Representations and Warranties made by sellers/originators under their Loan Purchase Agreements. Once a material breach is uncovered, the GSEs or the Investor make a repurchase demand requiring the seller/servicer to buy the loan back at par regardless of the current market value or performance status. The traditional Representations and Warranties within these Loan Purchase Agreements are drafted with very broad language that will permit a repurchase demand for any deviation from the approved guidelines and for any compliance violation. In



this new world of mortgage lending, loan originators must commit significant resources to ensure every loan is reviewed for compliance with all origination guidelines, as well as all federal and state compliance requirements.

Fees/HUD Management

With the recent revelations of the financial health of the Mutual Mortgage Insurance Fund, lenders can count on timely audits by HUD to insure compliance within areas of concern, such as validation of source of funds, borrower's ability to repay, documentation of compensating factors for loans with low qualifying ratios and general data integrity. Violations such as these have already severely impaired the financial well being of lenders, and in some cases have completely shut down operations because FHA has the ability to impose fines of up to \$7,500 per violation or \$1,375,000.00 for all violations within a one year period.

Product and Pricing Solutions

Post-closing quality control reviews that test only a small sample of production can no longer be relied upon by lenders to identify loan level, portfolio and repurchase risk. In a competitive pricing market with paper thin margins and ongoing constraints on the type and amounts of fees collected, the financial burden associated with committing significant Quality Control resources to ensure the credit, collateral and compliance quality of all assets is overwhelming and not practical for many lenders. The ability to select the right product for a loan based on defined rules and guidelines will help ensure the quality of the loan long before it gets to post-closing.

Security and Audit Log

Preset operational accountabilities can automatically route electronic tasks to the proper predetermined individuals to authorize credit or collateral decisions creating a loan history that will efficiently task and track decision-making to ensure the proper escalation and remediation of issues or vital decisions. Field-level auditing capabilities that capture and timestamp any and all field value changes (including both original and updated values) and associate them with users responsible for relevant changes adds to the electronic loan history.

Integrations with Fraud Solutions

Integrating with Fraud vendors (i.e. InterThinX, Data Verify) can reduce instances of possible fraud and permit the originator to have proof that guideline requirements were met. These integrations also allow for centralized reporting and monitoring.