



Automate to Comply

Paperless isn't just a nice-to-do technology strategy anymore, **paperless processes streamline** the new Reg Z requirements and help lenders comply.

NEW RULES AND UPDATES TO CURRENT REGULATIONS in the mortgage industry are being implemented at an astonishing pace. During the last few months, regulators have crafted revisions to a number of the regulations that have been a part of the mortgage industry for many years. As a result, lenders are forced to quickly change policies and procedures within their organization to comply with these changes.

The Regulation Z changes have effective dates of July 30, 2009 and Oct. 1, 2009. The July 30 changes add very significant new timing and delivery issues for early truth-in-lending disclosures, which will now be required for all closed-end mortgage loans.

Additionally, the rules will alter the timing for the collection of mortgage related fees, such as application and appraisal fees.



In a final rule published in the May 19, 2009 issue of the Federal Register, the Federal Reserve Board amended Regulation Z mortgage disclosure requirements that implement provisions of the July 2008 Mortgage Disclosure Improvement Act. In essence, lenders are required to provide truth-in-lending disclosures (early/ initial disclosures) within three business days after receiving a mortgage loan application and before any fees are collected from the consumer, other than a reasonable credit check fee.

The rules also impose a waiting period of seven business days between the early disclosure and closing date. Additionally, lenders must provide revised disclosures, including a revised annual percentage rate if the existing interest rate

significantly changes between the time the early disclosure is provided and the closing date.

In order to more effectively comply with these revised rules and regulations, Liberty Bank made the decision to strategically use technology to handle these new timing requirements. The changes to Reg Z not only impacted our compliance team but also our business processes. In adapting our processes to handle these regulatory changes, our goal is always to provide our customers with a dynamic, user-friendly experience. For that reason, we turned to one of our longstanding technology partners to collaborate with our team to ensure we were meeting our regulatory obligations while enhancing our customers'



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experience and driving down costs.

Lenders are constantly looking for ways to streamline their organizations, optimize costs and effectively handle regulatory changes. One obvious way to cut costs in the paper-intensive mortgage industry is to take advantage of paperless processes like electronic document delivery. The cost of paper in originating mortgages is not confined to just the paper itself, but includes printing, handling, copying multiple times, faxing, shipping and labor. This process is inefficient and reduces the profitability of each and every loan.

Not only can the use of secure electronic document delivery cut costs, but we quickly realized that this same technology when applied to initial disclosures creates a better, more compliant process. Immediate secure document delivery of initial disclosures means that these new requirements are met. We have been able to fully automate this process, one that automatically dates and time stamps each initial disclosure. This allows us to efficiently meet the timing requirements with a significantly faster process so that we can move forward with the customer's loan application.

We have found that by working with our current technology partner we were able to use paperless technology solutions and apply them in a new way to more effectively handle these constantly changing rules and regulations in addition to driving down costs. We have found that there are certain attributes that a solution needs to have in order to successfully go paperless.

Loan Level Pricing: Free redraw capabilities will allow you to achieve true loan level pricing, providing you with a fixed document delivery fee per

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loan, regardless of the number of redraws that may be required. This allows you to realize immediate and significant cost savings over traditional courier-based services.

Ease of Use: Ease of use is critical in a paperless solution as you are working with a number of different types of users from closing attorneys, internal staff to the end consumer. The solution must require little or no training.

Collaboration: Collaboration is key for improving the paperless process. Virtual document folders allow you to view critical lending documents from anywhere, at anytime, regardless of the individual's location. Individuals can be in different locations to view and discuss without having the cost of paper copies in front of them through the power of the Internet. This significantly reduces the time and cost of tracking down paper files and sending them to multiple branches or locations.

Document Tracking and Verification: Onscreen delivery confirmation ensures that all of your transactions are completely traceable for audit purposes mitigating risk within your organizations. Automatic e-mail notifications can be sent to designated individuals indicating your documents were successfully transmitted.

Document History and Audit Trails: Your paperless solution should maintain a complete history and audit trail of all transactions relating to the sending and delivery of your documents. Online reports showing you the details of these transactions should be available to you in real time, every day.

Security: To maintain the appropriate levels of security for your data it should be designed to meet the Interagency Guidelines Establishing Standards for Safekeeping Customer Infor-

mation. In accordance with the above guidelines, your provider should offer a world-class data center and the latest in online security, which contains redundant servers, networks and communication lines allowing for no single point of failure. It should be constantly monitored for both bandwidth and CPU usage.

Annual SAS 70: Make sure that your provider maintains a high level of security, completes annual SAS 70 Type II audits and penetration analysis tests of all internal and external systems. These audits should be conducted by a nationally recognized independent firm. A copy of the report should be available to all customers upon request.

Customer Service: Any technology is only as good as the support staff that is there to back you up. Check to ensure that your provider has a proven track record of outstanding customer support.

We have been using Data-Vision's RemoteDocs for over a decade to electronically deliver closing documents in a secure environment to our closing attorneys and staff. RemoteDocs eliminates the time and cost involved in printing and overnight delivery of critical lending documents through industry-leading paperless delivery solutions. Documents may be sent to multiple recipients simultaneously. Last-minute changes to our documents can be made within seconds and our revised documents can be resubmitted and instantly made available to the recipients at no additional charge.

In summary, paperless processes can not only deliver cost savings but also allow lenders to streamline the process for handling rapidly changing rules and regulations. **MT**

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