Don’t blend in when it comes to ensuring compliance.

When it comes to safeguarding compliance in the current mortgage market, you can’t afford to just blend in.

CSi’s IntelleDoc Solutions™ give you the edge over traditional approaches to documentation. You get a proven, rules-based system that evaluates transaction data, then automatically selects and assembles accurate, fully warranted documents.

- A single system streamlines data management for mortgage, consumer, and commercial lending.
- Data-driven, dynamic document creation does it right the first time.
- Document configurability lets users take control of lending documents.

Think strategically.

CSi IntelleDoc Solutions™. A smarter way to ensure quality, once-and-done compliance documentation.

For more information, please contact Roger Gudobba at 239-292-5225 or at rgudobba@compliancesystems.com.
On The Cover

The Paperless Advantage  
Eric Kujala of DocVelocity talks about why going paperless is so important in today’s market. In fact, the new update to the DocVelocity tool makes going paperless even easier.

Inside Track

Process Improvement  
Tony Garritano notes that just because you may be using new technology, that doesn’t mean you’re using smart technology.

Future Trends  
Roger Gudobba says that maybe mortgage can benefit from using a “smarter” computer.

Business Strategies  
Michael Hammond reveals how more companies can use mobile technology to get an edge.

Market Vision

Editor’s Note  
This section discusses the value of having the next good idea.

Your Voice  
Mortgage Cadence shares what to do after switching your LOS.

Recovery Tips  
Mortgage Success Source talks about how to get new customers.
Features

Uncharted Territory 23
Detailing how to lend to the over 9 million unbanked borrowers.

M&A Cultures 29
The word “culture” as it pertains to M&As has many meanings.

Work Together 43
Capsilon says lenders have to get beyond buzzwords and collaborate.

A Must Know 49
Preparation is the key to reducing problems with new appraisal rules.

In The Trenches

Market Pulse 12
A new study put together by Mortgagebot indicates that online origination is on the rise.

ENGAGE 2011 35
See what happened as over 125 mortgage executives gathered to fix the mortgage business.
There’s Strength in Connections.
BlitzDocs XE expands document connectivity to borrowers

Xerox Mortgage Services’ BlitzDocs eXtended Edition increases the reach of the BlitzDocs network to borrowers - electronically deliver documents, capture ink signed documents and eSignatures, and enable direct upload or fax to the eFolder. With BlitzDocs XE and our growing network of providers, we can help you soar.

Schedule a demo now!
Call 877-200-8700 or visit xerox-xms.com/blitzdocsxe

©2011 XEROX CORPORATION. All rights reserved. Xerox,® XEROX and Design® and Ready For Real Business are trademarks of Xerox Corporation in the United States and/or other countries.
The old saying goes, “There’s strength in numbers.” I think that’s certainly true, but I would say that there’s strength in numbers when those people are coming together to solve a problem. The value of engaging multiple people in a cause is the sheer number of ideas that result. As you probably know, PROGRESS in Lending Association held ENGAGE 2011 on October 9 to provide a forum for industry participants to share ideas. And sharing ideas is exactly what happened. Opinions of all shapes and sizes flew about. It was a real lively exchange. And after all, that’s why we started ENGAGE 2011 and will continue with it next year.

We heard breaking news from Larry Huff at Optimal Blue as he discussed why his company acquired Sollen. Industry consolidation is certainly a product of a very tense market. In addition, new partnerships were announced at the event. a la mode announced that Xerox Mortgage Services will use Mercury Network’s DataCourier service to add a new appraisal management service to the BlitzDocs intelligent collaborative network. Xerox Mortgage Services’ clients will now be able to receive and store appraisals in the BlitzDocs electronic loan folder (eFolder), submit appraisals to the GSEs in compliance with the Uniform Appraisal Dataset (UAD), and also send the appraisal and all related documents to investors.

Mercury Network will allow BlitzDocs users to manage the newly required “UAD” MISMO 2.6 Errata 1 GSE Extended format appraisals inside their eFolder, and receive Native XML directly from the largest panel of appraisers in the country. The Native XML eliminates the need for error-prone PDF conversion and the fees and possible delays associated with sending PDFs to the GSEs. In addition, Mercury Network runs an extensive set of quality control and compliance rules on the appraisal so users can correct any compliance issues before submitting it to the GSEs’ Uniform Collateral Data Portal (UCDP).

What we’re really talking about here is innovation. Obstacles bring about new and creative solutions. We heard about some of these new and creative solutions to pressing business problems at ENGAGE 2011 and we want to continue that dialogue. How you might ask? By once again putting the spotlight on industry innovation through our INNOVATIONS Program. I encourage everyone reading this that has done something new and creative to tell us about it. You deserve to be recognized, so submit your application online at http://www.progressinlending.com/innovations today. The winners will be announced in April so apply today to be rewarded for all that you are doing to improve the mortgage space.

Tony Garritano

Tony Garritano
tony@progressinlending.com

PS. Your comments are welcome. Please E-mail letters to letters@progressinlending.com. Include your name, address and a daytime telephone number. Letters are subject to editing and are presumed to be for publication unless the writer specifies otherwise.
Only one provider offers loan support from every angle. Fiserv addresses every point in the loan lifecycle – from origination to servicing to disposition. Whether high-volume lending, mortgage, home equity, installment, auto or niche lending, Fiserv helps you optimize your business, grow customer relationships, reduce risk and meet regulatory compliance requirements. Get the depth of data and capabilities to tackle market challenges, and experience lending from a new perspective. With Fiserv, you have the power to achieve success in every dimension. The power within. www.fiserv.com
As the dust settles from the financial crisis and rates reach a historic low, lenders are turning their focus on managing an increase in loan volume while simultaneously looking to capture increased profit margin. To remain competitive, many lenders are quickly recognizing they must start automating their back office. Automation is the only way to increase profits while managing high volumes, without it, lenders are forced to increase their staff and, in turn, their costs. In order to introduce automation into an organization, these lenders will look to implement true, end-to-end, enterprise loan origination systems, offering workflow automation through an advanced rules engine.

With this need comes a hesitation to take the plunge in looking for, let alone implementing, a new loan origination solution. So many lenders have been burned in the past by unending, over-budget implementations filled with empty promises. However, there are steps that can be taken to ensure such a situation does not reoccur. Choosing the right partner (with a proven track record for delivering on their promise) and making sure your team is on board with the necessary changes can help streamline the implementation process.

The new loan origination system is no longer just a central database of record. It is a compliance window into the very heart of the transaction. The new system is a fully connected nexus at the center of an enterprise lending system that extends beyond the corporate walls to interface with partners and other service providers.

The loan origination system of the future makes it possible to track compliance concerns throughout the loan origination process and immediately halt a process should a concern arise.

While lenders are realizing that technology can be a great enabler when dealing with current market conditions, investing in technology and selecting new software is a major decision for any organization as it can significantly impact its day-to-day activities. It can be especially challenging to complete an implementation on time and within budget, while improving operational processes.

When handled correctly, not only can organizations benefit from dynamic new technology, they can also accomplish success in the implementation process. To ensure such success, lenders need to focus on the following areas to avoid implementation failures.

- Set Proper Expectations
- Override the “Smart Guy” in the Room
- Need for Executive Sponsorship
- Minimal Customization
- Define Process
- Define Roles
- Internal Project Manager
- Establish Buy-In

Set Proper Expectations: All software implementation projects bring about change – they are solving problems, addressing pain points, seizing new opportunities and ultimately will require some change...
Wish it could be this easy to keep your eDocuments safe and compliant? Try SmartSAFE™

“eSignSystems® SmartSAFE™ allows organizations to seamlessly and securely manage the complete eDocument life-cycle”
~evo

eDocuments offer better security for your client’s privacy, dramatically cut document transportation and storage costs, and lower your risk by ensuring documents are available wherever and whenever they are needed. The award-winning eSignSystems® SmartSAFE™ enables you to electronically sign, store and manage eDocuments while remaining legally compliant. By adding on additional modules to form the SmartSAFE™ Bundle, your SmartSAFE capabilities are expanded to suit your organization’s specific requirements. It actually is that easy!

SmartSAFE is Your Bridge to the Electronic World.

Find Out More Today
1.602.840.1199 | 1.609.297.4038
info@esignsystems.com
www.esignsystems.com
Set proper expectations. If you listen to every stakeholder’s ideas and try to implement each of them from the onset, you will most likely fail. Change is difficult. Don’t try to deliver every new bell and whistle in the first phase of the project. Users are still coming to grips with the change; don’t throw too much at them. If it is not critical to day-one operations, it is not critical to phase one.

Define what a successful implementation looks like within your organization. It is okay to create your wish list and include all of the things you would like this new solution to be able to handle in the future. Define every possible process improvement the new solution can bring about, and then ask yourself, “What is the easiest way to achieve improved efficiency in the most straightforward manner?” When you determine that answer, set the proper expectation and lock down the project scope.

Projects typically become too complex for initial implementations. The most successful implementations are those that utilize a very simple approach in the first phase and add additional complexity and automation in future phases. Just because your new application has the ability to do everything under the sun and completely eliminate your entire back office, does not mean that you should tailor your phase one project to those specifications.

Override the smart guy in the room: Scott Johnson, chairman and founder of ATtask, stated, “The smart guy in the room is the person who, while you are trying to get something done, will dream up all manner of complicated scenarios that he or she perceives will be ‘absolutely essential’ for any successful system to have. This is an easy trap to fall into”.

He goes on to state, “To override the ‘smart guy’, you must deliver these messages over and over and over:

<<< Phase one is the minimum acceptable improvement. It is the beginning, not the end.

<<< Phase one is the proof of concept – we have to prove that we can do something simple before we can do something complex.

<<< We are designing for the masses, not for the exceptions.

When objections or needs outside of the scope of phase one are presented, ask questions like, “What percentage does that particular circumstance occur right now?” or “How are we handling that right now?” There are times when a real need must be addressed through added complexity. However, if exceptions occur less than 5% of the time, affect less than 5% of the people, or worse… have never happened, throw them out or put them in a subsequent iteration.

Need for Executive Sponsorship: The main roadblock facing any organization implementing a new system is the lack of executive sponsorship. Every department and every user is going to want something different in the application. It is the job of the executive sponsor to help drive consensus and ultimately make the final decision to move forward. They need to decide which elements should go into phase one, which should be tabled for a later time and ultimately, control the scope of the project.

Minimal Software Customization: Keep the scope limited to what can be accomplished in phase one of the project. Look to the project plan and only include those items that must be in the initial roll-out.

Define Process: As you define what the new system needs to accomplish and what your new lending process needs to look like, enlist feedback from each department and include them in the process. This enables departments to understand how their processes affect other groups and in reaching a consensus on the best approaches in moving forward.

Define Roles: A critical area for any implementation is ensuring that employees are assigned the appropriate roles and granted the necessary access so that they can accomplish and work on what needs to be done.

Internal Project Manager: It is absolutely critical to assign an internal project manager to work with the vendor’s project manager to ensure implementation success.

Establish Buy-In: During the implementation process, it is vital to remind your team why you are making the change and the positive outcomes that will occur when the process is complete.

In today’s lending environment, it is more important for lenders to embrace new technology now than ever before as it enables them to respond to the constantly changing market.
The networked mortgage.
You need to collaborate with all the participants, partners, and services that are involved in processing your loans. Only eLynx gives you a complete end-to-end data-driven workflow with single-point connectivity to your entire mortgage ecosystem.


See why hundreds of banks – including 25 of the top 50 banks – trust eLynx to support their data-centric document collaboration, distribution, and connectivity needs, getting them to a true eMortgage workflow. Since 1994, eLynx has processed more than 50 million loans, built the nation’s largest settlement agent database, and is a recognized leader of electronic closing services.

For more, visit us online at www.elynxis.com.
Hearing great comments and feedback from a satisfied client is a beautiful thing. You feel good, the client feels good, everyone is sharing the love…but if you don’t capture it as a testimonial, you’ve missed a huge opportunity. Testimonials act as proof to prospective clients that your advice and service actually delivers in the way that you have promised them. And think about it – aren’t you more inclined to do business with a company because you’ve heard great things about them from their own past clients, over a company that has simply told you great things about themselves?

One of the most valuable and cost-effective marketing tools you could have for your business are testimonials…but only if you follow two important rules. 1) GET THE TESTIMONIAL, and 2) USE THE TESTIMONIAL. The good news is that it’s easy, and here’s how you can do it right away.

To gain some great client testimonials, try these ideas. First, simply ASK. All too often, we do not have because we do not ask! Think of the clients you’ve had a great working experience with over the past year, and use an email script like this one:

“Hey Bill – I know you’ve mentioned that you’ve really enjoyed working with me, and I’ve sure enjoyed the relationship too! Would you mind giving me a short blurb I could use in some of my marketing, so that others can get a feel for the service that I offer? I know your time is valuable, so I really appreciate it – thank you!"

Because it’s in email form already, they are likely to take a minute to fire off a nice quick response to you on the spot. Wait, you don’t have their email address? Then you can make it easier yet on them. Give them a call and ask…but let them know that you’d even be happy to type it up for them if they wouldn’t mind just giving you a line or two. Make it easy on them by asking questions like, “What did you like the best about our experience together?” “What do you remember the most?” “What would you tell your friends or family about me?”, then jot some lines down as you talk. Ask for their email address – you should have it anyways – and fire it off to them for approval.

And from here on out – every time a client makes a great comment to you, ask them on the spot. “Wow – that would make such a great testimonial line for me! Would you mind if I write that down and attribute it to you?” Then make the notes right away, so you do get an accurate reflection of what they said.

If you’re just getting started in your industry and don’t have a wealth of past clients to call on, ask your peers, your manager, your mentor to write a short personal endorsement. You’ll want to replace them with client testimonials when you have them, but in the meantime, any testimonial is better than no testimonial!

So how do you use them? Anywhere and everywhere! You should have testimonials in all of your marketing.

Once you get in the habit of asking for the testimonial, you’ll be surprised at how many you get! Why wait any longer to start getting this powerful, free marketing strategy working for you? ✤
A recent trade show point-of-sale vendor Mortgagebot introduced its fourth Benchmarks study. This study is an update to the Benchmark studies conducted in 2005, 2007, and 2009. Why does Mortgagebot conduct these studies? The company says, “It is designed to provide Mortgagebot Partners with insights and information that will prove useful in managing their mortgage lending business. Many factors influence success in online lending including user behavior, site configuration, marketing strategies and borrower demographics. Our objective is to provide useful benchmarks to help analyze these factors.”

Mortgagebot touts that it has over 1,000 Partners using Mortgagebot technology to support over 6,600 sites. In part because of its market share, Mortgagebot believes that it is uniquely positioned to conduct this type of research.

In putting together the study Mortgagebot said that in order to assemble this report, the company supplemented data from its Mortgagebot PowerSite platform with independent research and responses to some of the questions from Mortgagebot’s Annual Partner Survey. All data is aggregated and presented in summary form throughout the report. Unless otherwise noted, system activity data reflects calendar year 2010.

The study revealed some interesting facts. First, it was clear that if lenders have a robust Web presence, borrowers will use it. The study showed that in 2010 the most frequently accessed content sections of PowerSite Consumer were the Check Rates module and the Application path with 54 percent and 25 percent of the total visits, respectively. The frequency with which consumers check rates supports industry research from Forrester Research and Deloitte Consulting that the majority of mortgage shoppers research rates online.

But research isn’t enough. Lenders want closed loans. In another important find, the study reported that those borrowers shopping online do actually go all the way to apply online, as well. By the numbers, Mortgagebot reported that almost two-thirds (64 percent) of all applications started on PowerSite Consumer were completed and submitted. Of the 36 percent that were not submitted, approximately one in three was ineligible, meaning that the process could not be completed because the transaction did not fit established online application parameters. The net result is that 72 percent of borrowers who were eligible to complete the online application did so.
Smart Choices

Sure everyone wants increased efficiency and transparency, but at what cost? Just because you’re using new technology, doesn’t mean it’s smart technology.

I know you’re stressed. Everyone in the mortgage business is stressed. In the end you have to rise above. Every vendor out there may be trying to sell you on this technology or that technology. And surely I’m not going to tell you not to invest in technology. You have to automate more, but do so in a smart way.

What do I mean? Choose your vendors and your technology solutions wisely. Everyone talks about the importance of doing your homework on the vendor, but not many people talk about what I call the innovation test. Of course the vendor has to be financially sound, but is their technology really innovative? Why invest in new technology when that technology is outdated? Be smart.

The saying goes that with adversity comes opportunity. Take compliance for example. There’s a lot of talk about UAD right now. The right vendor should use new rules as a vehicle to innovate your process. For example, a la mode, inc., the dominant player in the appraisal technology sector, announced its ‘UAD Reader’ product. UADReader is a free desktop tool which allows anyone to open, view, error-check, and manage appraisals in the new ‘UAD’ MISMO 2.6 XML format. It works with any UAD-formatted appraisal, regardless of which software was originally used to create the report.

Let’s back up: UAD (Uniform Appraisal Dataset) is the appraisal format designed and required by Fannie Mae and Freddie Mac, and adopted by FHA as well. All GSE-destined appraisals as of September 1st, 2011 must be in strict UAD format. FHA has announced it will require UAD after January 1st, 2012.

The UAD specification standardizes both the technical XML file structure as well as the particular words, number formats, and abbreviations that appraisers are allowed to use in the report. Some industry members will find UAD appraisals to be hard to read and understand as a result of the new terminology, but first they have to be able to view the reports on screen at all, which is harder than it seems.

The problem is basic and unavoidable, as Dustin Moore, president of a la mode’s Real Estate Solutions Division explained. ‘Appraisals are now delivered as ‘XML’ files, not as ‘PDF’ files, so anyone in the entire workflow chain will start encountering documents they can’t open, or which look like gibberish on screen’, said Moore. ‘UAD Reader solves that problem, plus others.’

With a la mode’s UAD Reader, anyone double-clicking a UAD XML file gets the embedded PDF on screen just as they’re used to seeing, along with a variety of appraisal document review and management features. It not only allows the user to save the PDF out separately, it also shows the XML appraisal data in a handy visual ‘split screen’ mode.

Beyond the visual display of the appraisal, the UAD Reader also verifies that the appraisal file passes the GSE’s tightly defined rules. Any errors flagged are hyperlinked to the actual GSE descriptions of what the form field should contain, and the offending data is also clearly highlighted on the form. For lenders or AMCs, this makes it easy to request revisions from the appraiser. For the appraiser, it allows errors to be caught before sending to the client in the first place.
Mortgage-specific CRM – and so much more
Integrating all aspects of the marketing process in a rules-based SaaS engine, MACH3 powers revenue growth, enhances operational efficiency and facilitates compliance and control – creating the next level of performance across the enterprise.

Print on-demand – fast, secure and affordable
Bringing together a sophisticated technology-driven print shop and spacious warehouse, the Center specializes in full-color digital print to support the production and fulfillment of value-added personalized products across a wide range of formats.

Professional support – maximize your marketing
Drawing on its subject matter expertise in automated marketing, The Turning Point offers a comprehensive range of support services – including Design and Copy, Pre-press Services, Template Setup and Data Preparation – to guarantee an unbeatable ROI.

Call 1.888.887.7880 or visit www.turningpoint.com

The Turning Point is recognized as “the first company to offer bankers, brokers and loan originators technology-driven marketing solutions specifically designed for the needs of the mortgage industry”.
With an appraisal on screen, several different UAD Reader communications tools streamline the client delivery process. Lender staff, as well as any real estate agents who encounter UAD files, are given a convenient ‘Send to Borrower’ e-mail function which not only provides proof of receipt to comply with Dodd-Frank timely disclosure rules, but also includes a ‘How to Read This Appraisal’ guide explaining the abbreviations, formats, and conventions of the UAD report. The delivery also ensures GLBA compliance by not attaching the files directly to the email. Borrowers follow a coded link, providing both security and an audit trail.

Due to a la mode’s direct integration with the GSEs’ Uniform Collateral Data Portal, or UCDP, lenders and AMCs can also submit the UAD appraisal report to UCDP from within the UAD Reader. The report is automatically pre-checked for any UAD rules compliance before it leaves the UAD Reader. Careless mistakes such as accidentally submitting the wrong XML file are also eliminated since the report is clearly displayed on screen at the time.

For appraisers, the same functions allow them to send the report to any lender or AMC using a la mode’s free DataCourier service, regardless of the brand of software used to create the report. DataCourier sends the client a GLBA-compliant email, provides access to the XML and PDF, and also routes the client to the links for convenient installation of UAD Reader itself.

By having UAD Reader at both ends, appraisers and their business partners can quickly discuss any issues while seeing the exact same XML data on screen. Since the XML data is checked by the GSEs for compliance errors, the content of the XML itself is not a tangential issue. Quickly drilling down visually to particular XML fields is a critical time-saver.

UAD Reader runs on any modern Windows PC, but also taps into the power of a la mode’s massive Mercury Network cloud-based appraisal management and review infrastructure. DataCourier is a la mode’s zero-configuration slimmed down ‘skin’ on the Mercury Network SaaS backbone. Lenders and AMCs can migrate from DataCourier to a full Mercury Network configuration in just a few clicks, with no loss of data and no account fees.

See what I mean? I’m not going to advocate on behalf of one vendor or another, but this solution is an example of how a vendor has devised a smart and innovative solution to solve a real industry problem. That should count for something when you’re looking at technology. Why? Because when you implement smart technology you are guaranteed a clear return on investment.

Let’s face it, when it comes to keeping costs down and customers happy, many mortgage lenders are using new technology to make it happen, according to the seventh annual Path to Paperless Survey sponsored by Xerox Corp. Seventy percent of mortgage professionals are now electronically delivering disclosures and other documents showing a growing commitment among lenders to make the process easier and less-time consuming for consumers.

For lenders embracing paperless mortgage solutions, allowing borrowers to participate in the loan process online is paying off. For example, full-service mortgage banker radius financial group inc. is saving thousands of dollars per month using Xerox Mortgage Services’ BlitzDocs and BlitzDocs eXtended Edition.

‘Making the cumbersome mortgage process fast and easy is critical to attracting and keeping customers,’ said Keith Polaski, principal, radius financial group inc. ‘Xerox has the industry experience and technical expertise to change the way we do business with borrowers and to increase our operational efficiency. They helped us meet our goal to not just survive the mortgage crisis, but come out stronger than ever.’

To drive future growth, radius financial group inc. is using BlitzDocs to improve collaboration with other participants across all parts of the loan process. The cloud-based platform also helps the company accommodate influxes of loan applications or changing market conditions, while Xerox’s patented DataGlyph technology accelerates back-end processing by automatically classifying loan documents.

This is what I mean: If you invest in smart, innovative technology today, your tomorrow will be much brighter. So when you ask the vendor about their financials, also be sure that they pass the innovation test, as well.

Tony Garritano is Chairman and Founder of PROGRESS in Lending. As a speaker Tony has worked hard to inform executives about how technology should be a tool used to further business objectives. For over 10 years he has worked as a journalist, researcher and speaker. He can be reached via e-mail at tony@progressinlending.com.
It may seem counterintuitive to spend more money on marketing right now. But with so many of your competitors cutting back, this is a great opportunity to build your brand and gain market share.

Contact Us Today
www.nexleveladvisors.com 734.335.7330
The iPhone 4s has dominated the headlines as a “smarter” phone. If we take that one step further maybe mortgage can benefit from a “smarter” computer.

An intelligent computer that can take a normally phrased question and deliver a single correct answer- not a list of a million Web pages- has long been a goal of researchers. The applications of such technology span virtually every industry and will represent a monumental step forward in leveraging the accumulated human knowledge. Rather than relearn what is already known to reach a decision, we can focus on the use of that knowledge for problem solving and new development.

ELIZA was an early example of primitive natural language processing. It simulated conversations with humans by mapping their responses to coded scripts, following if-then-else style parsing and keyword substitutions to create the impression of intelligent language processing. This computer program was written at MIT by Joseph Weizenbaum sometime between 1964 and 1966. He is also the author of the classic book, “Computer Power and Human Reason.”

This was 15 years before the personal computer and 30 years before most attempts at “natural language processing” solutions on the Internet. ELIZA had almost no intelligence whatsoever yet when the original ELIZA first appeared in the 60s, some people actually ascribed understanding and motivation to the program’s output. The illusion of intelligence worked best, however, if you limited your conversation to talking about yourself and your life.

Weizenbaum was the first to note that the ELIZA conversations weren’t an example of computer “thinking,” but really consisted of some clever programming techniques. His argument that computers were merely tools to assist humans in their everyday lives put him in opposition to many of the leading researchers in the emerging field of artificial intelligence. Weizenbaum put the issue in perspective and noted that computers as thinking machines weren’t right around the corner.

He drew more fire from the AI community with his book, “Computer Power and Human Reason,” which argued in part that man, from the view of information processing, is looked at as a means and not as an end. He worried that many computer scientists were following paths that were dehumanizing.

IBM has helped to drive research and innovation, along with its stock, with self-styled ‘grand challenges’ intended to demonstrate technological advancements to a wide audience. Among the most notable was Deep Blue, a chess-playing computer. In 1997, Deep Blue captured worldwide attention by competing against world champion Gary Kasparov and winning a six-game match. Kasparov, who had beaten a previous version of the computer in 1996, accused IBM of cheating and demanded a rematch. IBM declined and the computer was dismantled. Nevertheless, great popular interest was generated.

Named for IBM founder Thomas J. Watson, Watson is the result of IBM’s latest Grand Challenge. This super computer was designed to further the science of natural language processing through advances in question and answer technology and was showcased on the television game show Jeopardy.

Watson is made up of 90 servers capable of performing 80 trillion calculations a second and a database built from encyclopedias, dictionaries, novels, news articles, and other text. Watson has roughly
Cut Costs

Ditch paper

- Save an average of $50 per file
- Reduce loan processing time
- Streamline loan process workflow
- Simplify regulatory compliance
- Eliminate paper waste

See what DocVelocity can do for you. Contact us today for a FREE ROI ANALYSIS and demo.

VISIT: docvelocity.com/info
CALL: (877) 362-8356
eMAIL: sales@docvelocity.com
It's not human but it feels like you are talking to a human... People will get the unique and meaningful answers they are seeking.

It has so much to tell you. Siri uses almost all of the built-in apps on the iPhone 4S to write and send emails and text, search the web, play songs, and get directions.

It takes dictation. For example, think about how this technology could change the consumer experience. No more going through a myriad of pressing numbers to navigate to a human being, only to miss one step and have to start all over again. It’s not human but it feels like you are talking to a human.

No longer will Google and Bing bombard users with hundreds or even thousands of dumb links to dubious sources. Instead, people will get the unique and meaningful answers they are seeking.

Jordan Mechner, a computer game developer, was intrigued, fascinated, and alarmed by Siri’s development and thought it would make sense to introduce Siri to his psychotherapist, ELIZA.

Visit his website for the conversation, www.jordanmechner.com or visit www.manifestation.com/neurotoys/eliza.php to have a conversation with ELIZA yourself.

Some project that a single server could perform the same data management tasks as Watson’s 90 servers within the next seven years. That’s seven years. The impacts of such development are far-reaching. Within the mortgage industry, we can easily imagine decision-making that is informed with every relevant fact and detail at every moment of the lending process; indeed, the stages of the lending process can be transformed by a perfected knowledge of borrower, institution, regulatory environment, and industry conditions.

Roger Gudobba has over 20 years of mortgage experience. He is CEO at PROGRESS in Lending and Chief Strategy Officer at technology vendor Compliance Systems. Roger is an advocate of data standardization and a more data-driven approach to mortgage. Roger can be reached via e-mail at rgudobba@compliancesystems.com.
Avista has Specialized in Cloud-based Mortgage Origination Technology for Over 10 Years.

TRADE UP!
Trade in your disconnected mortgage lending systems for an easier all-in-one solution.

Schedule a Free Demo Today!
Call (877) 728-4782 or Visit www.avistasolutions.com

Visit us at MBA’s 98th Annual Convention & Expo 2011
October 9–12 | Hyatt Regency Chicago | Chicago, IL | Booth #1114
Let’s Revolt

We all know that mobile technology is here to stay, which is why I think more companies should be using it to get an edge.

When you think of revolution you might think of our own Revolutionary War when we freed ourselves from the tyrannical rule of a king. Sure, that’s a revolution, but not the kind that I want to talk about today. Right now I want to warn that if mortgage participants don’t join what I’ll call the mobile revolution, they risk being left in the dust and being rendered obsolete in a very fluid market. And make no mistake, the mobile revolution is happening.

In a research report called “The Mobile Revolution & B2B” by Christina Kerley, she says, “Whether or not “going mobile” is yet on the B2B priority list, the mobile revolution is expanding at an unprecedented, almost unbelievable, pace all around B2B organizations. A revolution, by definition, changes the current order in a relatively short period. With 5 billion mobile subscriptions worldwide—eclipsing the combined penetration of PCs, landlines and TVs—5 billion apps downloaded in 2010 alone, and $5 billion in sales in the three quarters following iPad’s launch, mobile not only qualifies as revolutionary, but also firmly stakes claim to being the most sweeping set of media of our time… or any time.

“We are in the early innings of a massive phenomenon” explains famed Technology Analyst Mary Meeker. And Google VP of the Americas, Dennis Woodside, forecasts, “This new, huge technology market will transform almost every industry.”

We’re seeing this today. Mobile is making a huge difference today and that sway is only going to increase as time goes by. I know that the mortgage industry is slow to adopt “new” technology, but the boom in mobile is too huge to ignore. If you think about it, it took the GSEs to mandate a more data-driven process for lenders to really embrace the true benefits of MISMO. Now lenders find themselves scrambling in some cases to get onboard with this data phenomenon. In actuality, the technology is not new and probably should have been adopted earlier.

So, you might ask, “Michael, if it took so long for the industry to adopt MISMO, what gives you hope that the industry will move any faster when it comes to mobile?” My answer to that question would be: Times, they are a changing. Back in 2000 the market was flush with business so lenders didn’t have to worry about things like process efficiency, customer satisfaction and transparency. Those days are gone. Originations are on the decline and according to all estimates, will decline even further next year. The bottom line is that lenders and vendors need to take advantage of every possible edge. And embracing mobile can certainly provide an edge.

Kerley points out, “In the mobile revolution, what is most important—yet not widely understood—isn’t that we’re changing our technology, but that this technology is changing us. The mobile revolution is defined not by a mass conversion in communications devices but the sea change that mobile media is driving across the needs, expectations, and thresholds of today’s consumer and business audiences.

“The marching orders for B2B are clear: Align your marketing with the profound, permanent shifts that mobile is driving across your core audiences… or risk your company’s relevance in a business world forever changed by anytime, anywhere, always-on media.”
You might be shaking your head right now saying something like, “Yeah Michael, I know mobile is here to stay, but how do I actually benefit from using this technology? What’s the ROI?” I would argue that by not embracing this technology and actually being a player in the mobile revolution, you’re leaving ROI on the table and in this market I don’t think anyone can pass up the opportunity to get their fair share of ROI.

“In an age when technology has made it easier for professionals to streamline many business tasks, perhaps the most striking irony is that professionals are now tasked with far more to accomplish, within far shorter timetables. Although business professionals are a smart and savvy audience, what they seek above all else is more simplicity (they deal with enough complexity in their daily work lives).

“Therefore, the critical success factors of “Better, Faster, Easier” must serve as the B2B mobile mantra. For B2B audiences, “better, faster, easier” always wins the day. Marketers who develop mobile strategies that make their audiences’ work-related activities better, faster, and easier will win mobile hearts, minds, and market share.

“Regus, the world’s largest provider of workplace solutions, provides a solid example of creating a better, faster, and easier experience for its mobile audiences. Through the development of a mobile app, Regus enables its business audiences—whether traveling in Savannah, Sydney, Singapore, or any city in 85+ countries—to quickly and easily purchase temporary office space and meeting rooms.

“After downloading the Regus app, users simply scan the area in front of them through their smartphone cameras while the app simultaneously populates their viewing areas with office options that are in close proximity. This easy-to-use feature lets users tap on the graphics to receive more information on respective office spaces, or to contact Regus directly via email or click-to-call.

“Through location-based and augmented-reality technologies inherent to its app, Regus is leveraging features that are all too often brushed off by B2Bs as being appropriate only for consumer audiences. Yet, as Regus has found—with more than 19,000 downloads in less than 6 months, across over 85 countries, with a 65%-+ rate of engagement—business audiences avidly use and benefit from such cutting-edge technologies. That’s right, B2B, given the right mobile strategy, you too can create killer apps.”

So, how do you design a killer app? You look at what you do best and showcase it through a mobile device. You look to find new value propositions for your company and look for new ways to engage your customers.

How do you engage customers using mobile technology?

“Align your marketing with the profound shifts that mobile is driving ... or risk your company’s relevance.”

Michael Hammond is chief strategy officer at PROGRESS in Lending Association and the founder and president of NexLevel Advisors. NexLevel provides solutions in business development, strategic selling, marketing, public relations and social media. He can be reached at mhammond@nexleveladvisors.com.
What is the biggest untapped market opportunity for U.S. banks? It is the unbanked and underbanked. Alternative financial services providers understand these customers hold different needs, unique preferences, and have created solutions to fill this void.

An unbanked household has no checking or savings account, while an underbanked household has a checking or savings account and also uses alternative financial services (AFS). AFS includes non-bank money orders, non-bank check-cashing services, pay day loans, rent-to-own agreements, pawn shops, and refund anticipation loans.

With an estimated 9 million unbanked and another 21 million underbanked U.S. households the opportunity is significant. Put another way, it is 25% of U.S. households. In terms of people, this figure represents approximately 60 million potential adult customers.
Another study conducted by the Center for Financial Services Innovation (CFSI) identified the underbanked and unbanked population to be 40 million households (106 million individuals).

In addition to these staggering statistics, a recent study by BearingPoint and Visa indicated that there are an additional 11 million unregistered immigrants that are unbanked. The average income for the underserved household is $27,500, and the combined income for unbanked and underbanked households may be $1.1 trillion. Furthermore, it is estimated that unbanked consumers spend between $300 - $400 per year in fees such as check cashing and money orders.

The unbanked and underbanked households also vary across regions, with the highest occurrence in the Southern Region. Other Unbanked Findings:

- Unmarried households are three to five times as likely to be unbanked compared to married couple family households.
- Seventy-one percent of unbanked households have household earnings of less than $30,000.
- Proportion of unbanked households decreases as age and education increases.
- Most common reason for not having a banking account is: “not having enough money to feel they need an account.”
- The unbanked households are split between households that previously banked and those that have never had a bank account.
- When asked about opening a bank account in the future, nearly 50% of unbanked households indicated “not likely at all.”

Other Underbanked Findings:

- Unmarried households are about twice as likely to be unbanked compared to married couple family households.
- Proportion of underbanked households decreases as age increases and often includes both lower-income (below $30,000) and middle-income households ($30,000 - $50,000).
- Most common products used are non-bank money orders (81%) and check-cashing services (30%).
- Many underbanked households seek credit services from payday lenders or pawn shops rather than banks. The primary reason is convenience or easier to qualify for a loan.
- Sixteen percent of underbanked households have used a prepaid card, while 4% receive income through a payroll card.

A variety of products and services are currently offered by non-bank alternative financial services providers. Many banks already have the capability to offer these same products, but may need to adjust their marketing and promotion to address the specific concerns and needs of the unbanked and underbanked. Additionally, partnering with third-party providers may assist in developing a comprehensive solution to specifically meet the needs of these segments.

While most banks allow customers to cash checks or process “on us” checks, non-customers are generally turned away. These underbanked and unbanked individuals often use a check cashing service where they pay a fee to access these funds.

Banks can capture a portion of this market by developing a process for allowing non-customers to cash checks. Face-to-face interaction with these potential customers may be helpful in building long-term relationships, as well as seeking out potential cross-sell opportunities. This process must be carefully designed to comply with the Know Your Customer regulations.

The prepaid debit card market has exploded in recent years. From 2006 to 2009, the number of transactions increased from 3.3 billion to 6.0 billion which is a 21% compound annual growth rate. This growth rate exceeds Automated Clearing House (ACH), credit card, and debit card transaction growth.

There are one-time use and reloadable debit cards. Some cards are tied to a specific retailer or purpose, while others are general purpose cards. Consumers have indicated these cards are safer than using cash and offer convenience and ability to purchase products via multiple channels (phone, internet, etc.). An innovative service in prepaid cards allows linkage with traditional online billpay services. Another best practice in reloadable functions is a service such as eBillme to request third party payment or deposit of funds via e-mail.

Given the impact of the Durbin amendment to the Dodd–Frank financial reform bill, banks will need to find new ways to replace traditional debit card transaction revenue. By leveraging a general purpose reloadable debit card, banks can serve the needs of customers who do not qualify or simply do not want a credit card or traditional debit card tied to a bank account. Banks can receive a revenue stream through fees generated on initial card sales, reloads, and interchange fees. By leveraging a reloadable card, the bank may also be able to generate loyalty over time that results in additional bank products and services sold within the relationship.

Money transfer services such as MoneyGram and Western Union are in high demand for the underbanked and unbanked population. Banks may be able to displace these payments with traditional bank products or share in the revenue via a partnership agreement. Opening up the branch as a convenient avenue for money transfer services is a service such as eBillme to request third party payment or deposit of funds via e-mail.

“Banks who are creative, innovative, and focus on meeting the needs of the underbanked and unbanked can generate incremental revenue and profits.”
Community Banks
Mid-Tier Banks
Credit Unions
Mortgage Banks

Mortgage & Consumer
Hosted or Traditional
Rapid Deployment
Lender Refined

Powering
Today’s
Lender

800-628-4687
powerlender.com
transfer services may also allow for the potential to cross-sell other bank products and services.

Bill payment is a common need. Banks can offer their existing bill payment platform as well as partnering with next-day and same day payment solutions to meet specific customer demands. Bundling of products and services may assist in establishing attractive price points for customers that yield desirable margins for the bank.

Another opportunity for banks is to bundle existing products and services to create a value proposition specifically for the underbanked and unbanked population. For example, banks that have debit cards and online bill payment may wish to bundle these products in a “check-less account” to specifically serve this new market segment.

Limits can be applied to overdraft capabilities and banks can require electronic statements to keep ongoing account maintenance cost low. Thinking creatively and using existing components can decrease time to market and leverage fixed costs across more customers. Banks who are creative, innovative, and focus on meeting the needs of the underbanked and unbanked can generate incremental revenue and profits.

There is a misconception that all underbanked and unbanked consumers have either no credit file or a poor credit ranking. While this may be true for the majority of this population, a 2008 study by the Center for Financial Services Innovation indicated that one-quarter of underbanked consumers had a prime credit score.

These are potential borrowers who would typically qualify for existing bank lending products. With a communication and marketing strategy, banks can reach out to this population right now.

In addition to the opportunity for the prime credit borrowers, there is also the largest portion of consumers (42%) that have thin or no credit file. These are potential borrowers who simply do not have a credit history or perhaps a very “thin file” with limited information. Because they cannot qualify for traditional bank lending products these individuals often turn to high interest, short-term loans from payday lenders.

To address this issue, many industry vendors have begun developing alternative credit data and scoring methods. These alternative credit reports provide payment history for non-credit bureau payments such as rent, utility bills, and payday loans.

With an alternative credit score banks can have the information they need to make credit decisions without a traditional credit history. The customer will generally receive longer terms and lower interest rates and fees than with alternative financial services, while banks will benefit by attracting new profitable customers.

For the subprime credit borrowers, bank may wish to consider a second-look program or pass-through partnership to a third-party provider. There are often lenders willing to make loans to a wider range of borrowers. If the bank can “say yes” to the immediate lending needs then perhaps a long term relationship can be established that will lead to future products and services.

Of course, discretion should be used when evaluating the merits of a subprime credit program especially given the tre- mendous meltdown in the real estate lending market over the past 3-4 years. The bottom-line is these borrowers need money and banks can generally benefit by meeting this demand.

Often it seems banks only want to lend to the super-high credit quality borrowers. With everyone competing for this same small niche, why wouldn’t a bank at least attempt to serve a portion of these under-served customers?

Building a risk-adverse process designed to build value for the individuals and the bank is a win-win scenario.

The underbanked and unbanked typically lack savings that would be needed in the event of an emergency. The top goals for savings include:

- An emergency (70%)
- Retirement (65%)
- Sending Children to College (49%)
- Buy a Home (38%)
- Buy a New Car (34%)

The most common reason referenced for not having a banking account is: “not having enough money to feel they need an account.” So how do banks bridge the gap and help give these customers a positive start in savings and wealth building?

Lack of savings creates stress, worry, and prevents the independence that can be generated through self-reliance. Lack of savings may also increase dependence on government-paid health-care, welfare, and retirement. Savings can help individuals to self-liberate, build self-confidence, and become truly self-sufficient.

The first step with savings is consumer education specifically for the underbanked and unbanked population. Literature may explain why savings is important and provide an avenue for starting to save. However, this is only applicable if the material is actually distributed to target market. Consider the reasons for saving and offer solutions that fit those specific needs such as education savings, retirement savings, and emergency savings.

Bank savings accounts for this target group should have no fees and low minimum balance requirements. Statements can be sent via e-mail or online to keep bank costs low. The savings account can be the beginning of a long-term mutually

---

**About The Author**

Brian King is President at Wisemar, Inc. Prior to joining Wisemar, King was Senior Vice President at BenchMark Consulting International. King’s previous roles also include senior executive roles for two national vendors, senior vice president at Wells Fargo Bank, and product development, marketing, and strategic planning roles within Bank of America.
beneficial relationship between the bank and the saver. This should be viewed as the beginning of a partnership where the bank is helping solve real-life consumer problems and building dreams.

Another option for banks is to leverage existing programs for the underserved. Many banks already participate in the national government program, Assets for Independence. This initiative provides matched savings opportunities via Individual Development Accounts that are targeted to provide a “hand-up” out of poverty to low-income families. While not applicable to all underbanked and unbanked households, this is a program that can offer matching funds based on each dollar contributed (from $1 - $8 based on federal and nonfederal funds).

Underbanked and unbanked households differ in many ways. These two groups should be viewed as similar, but different when planning for customer education, marketing, and acquisition strategies. Given the significant proportion of the U.S. population within these categories, banks who do not take action to serve these individuals will continue to be displaced by alternative financial service (AFS) providers of services such as prepaid cards, check cashing, and remittance payments.

Many banks generalize the unbanked and underbanked segment as higher risk. With lower incomes and lower credit scores, perhaps these households are not as attractive as the mass market or the mass affluent. However, there are a large number of unbanked and underbanked that need traditional bank products. In fact, a portion of these individuals already qualify for existing bank products and services. Additionally, new services and products can be developed to specifically target the unmet needs of this unbanked and underbanked segment.

Banks may be well-served to find innovative and creative approaches to expand their offerings to cater to this untapped market. Ultimately it is a win-win. For the customer, bank products can provide lower transaction fees, lower loan interest rates, and higher deposit savings rates than AFS. For the bank the benefits include more profit and the ability to spread fixed costs over a larger customer base.

As you consider your organization, think of how you can meet the needs of the unbanked and underbanked and build solutions or partner with existing providers to generate more customers.

❖

Five Brothers’ REO management services deliver stronger results at every stage of asset disposition - from securing, maintaining and marketing, to negotiating and closing. Cut losses, boost returns. Take your REO management to a higher level with Five Brothers.

Experience the Five Brothers difference... stronger results from the ground up.
On September 11, 2001 America changed. From that day forward, who we are, how we live, what we value and how we see ourselves as global citizens changed forever. In fact the entire culture of our country moved from one of openness, tolerance and safety to one of concern, fear and vulnerability. On the 10th anniversary of that event, we all spent the day reflecting on what we have lost, but also on what we have gained. Because even with that horrific event that forced a major change in the American culture, we have come to realize that not all that resulted was bad.

As part of that reflection it is also a time to realize that other things change as well. One of the most significant changes that occur in our lives is the culture of our working environment when the company that we work for is involved in a merger or is acquired by another company. While the changes resulting from this type of action are much less sudden and horrific, there is no doubt that the individuals who worked for either and/or both of the organizations that make up the new company are impacted; that the way they view themselves and their company will have to change. As part of the series of articles that focus on the need for innovation and the resulting change this brings to any

If you say the word “culture” around people familiar with mergers and acquisition deals you will likely get two schools of thought.

By Barbara Perino and Rebecca Walzak
company, it is critical that we not forget that the culture of the organization will change as well. This article brings awareness of the significance and importance of culture when two companies come together to make one. More times than not, the people, that element that makes a company what it is just as DNA is the essence of individuals, tend to be ignored. If you say the word “Culture” around people familiar with mergers and acquisition deals you will likely get two schools of thought. One will acknowledge how important culture is to the success of the deal or two they will give you examples of misalignment that they witnessed or experienced.

Barbara P. worked for a mid-size company in the early 2000s that was sold to a large corporate conglomerate in the mortgage industry. She was in senior management and had helped the smaller company expand and prosper from earlier days. The CEO of the company was very gracious and kept her informed of what was going to happen and how they were going to be impacted, introducing her to key players of the new company. Of course, when the deal completed things changed. She got to keep her title and a compensation package was arranged so she didn’t lose anything and in fact got to sell more than the former core business. New boss, new processes, new training – all good but she was also told that there were many sales managers in this company (old and new) and territories were being restructured. She was now going to be focusing her business energy in a much smaller demographic and oh by the way, she could no longer service the way, she could no longer service foreign companies with different cultures, or XXX companies who she had created successful working relationships with over the years. The bottom line, she lasted four months and decided to take a position in a much smaller demographic and oh by the way, she could no longer service the way, she could no longer service foreign companies with different cultures, or XXX companies who she had created strong, successful working relationships with over the years. The bottom line, she lasted four months and decided to take a position.

Jeanne D., another mortgage professional shared that her experiences with numerous mergers and acquisitions in the past 13 years were both good and bad. Poor communication became an issue when one party thought they knew everything and simply took over making decisions without considering the need to discuss them with others. Her suggestion was that all parties involved in the decision process go into the project believing they can learn from one another and make a better, stronger, more efficient company. It’s here where cultural differences can be identified and addressed.

More times than not, the people, that element that makes a company what it is just as DNA is the essence of individuals, tend to be ignored."

"More times than not, the people, that element that makes a company what it is just as DNA is the essence of individuals, tend to be ignored."

Merger. As part of the Wholesale Management team, she was involved in the merger. There were rumblings about the number of meetings on “best practices” and comments from leaders “that the bank was not going to change how we do our business. Staff who understood the merger and blended into the new culture stayed, others left.

One of the primary issues is that most organizations have not yet developed a structured process around integrating cultures. Why? Because culture involves the behavior of people, the business outcomes they produce and what influences the behavior - complex and difficult to measure. Too often only those who have been burned by not addressing culture, truly understand the value of investing time and money in cultural integration and change. Former CEO of IBM, Louis Gerstner wrote in his book Who Says Elephants Can’t Dance - “I came to see, in my time at IBM, that culture isn’t just one aspect of the game – it is the game.”

Most often, business leaders are focused on getting the deal closed. Integration teams tend to be more focused on getting structures, systems and processes integrated. They tend to forget that to actually make the deal work, the integration of the cultures also has to be a main focus. A company that typically does not place much value on communicating, and communicates infrequently or ineffectively, will be less likely to take the time to clearly articulate and share the real context of the deal beyond what goes to the market and press. Without a culture of open and regular communication, the company is less able to connect well with employees to gain their buy-in and support for what is required for success in the newly combined organization. Previous articles on multi-generation leadership have talked about companies with a strong hierarchical “command and control” style of leadership who are likely to find it difficult to accept or appreciate ideas from others. If the other company has a collaborative style of leadership and culture, there will be a misalignment which will cause difficulties in completing the deal and could erode the value of the two merging together. And good people will probably leave from the company with collaborative leadership.

KPMG conducted a study on corporate culture and found that 83% of all mergers and acquisitions failed to produce any benefit for the shareholders. Over half actually destroyed the value of the transaction. This study included over 700 deals in a 2 ½ year period. The results of this study showed the cause of these failures involved the people and cultural differences. If the mergers/acquisition involved foreign companies with different cultures, this caused even more failures.
Success of mergers and acquisitions is based on operational change where most people concentrate and spend their time and focus. This includes financial focus through valuing the assets, determining the price and doing the due diligence. Most processes stop here and the deals get done. Leaders tend to ignore or discount how the upcoming changes will impact people. Fear sets in, emotions come in to play, survival becomes a focus and because all these are human traits, they tend to be discounted as irrelevant to the business transaction. These human challenges need to be recognized and focused on before, during and after the deal is started and completed. Productivity, economic value and sustained growth can be negatively impacted if it’s not. How can this be productive you may ask and not cause mass hysteria or panic? If the leaders from both companies sit down at the initial stage of discussion and talk about what needs to happen during the process and how they are going to prepare for the changes, the success gauge goes up.

Investment banker, Berkery Noyes predicted that mergers and acquisitions in the mortgage industry started accelerating in 2009 and will continue to do so for several more years. We see this weekly in the banking industry when the FDIC publishes their Friday reports of bank failures and acquisitions. Vendors are acquiring more and more companies so they can become the “soup to nuts” providers for the banks and mortgage companies. Fidelity and First American have been doing this for years., Equifax, Inc. acquired Rapid Reporting, ISGN Solutions, Inc. acquired a division of FISERV. Mortgage technology companies are joining forces enabling the combined company to offer efficiencies and new product offerings to their clients.

Because of more stringent lending guidelines, heavy government involvement through legislation and regulations, a paradigm shift is occurring where more emphasis is being placed on fraud prevention, quality risk compliance and risk-mitigating technology solutions. Noyes says there is huge opportunity in the mortgage technology arena for companies to merge and consolidate. Compliance and auditing solutions used to be considered “like to have” and now are considered “need to have” which means even more opportunity to continue to merge and acquire. The bottom line is that these types of transactions
are not going away anytime soon.

Human Capital Institute conducted a study in 2007 on leadership and culture and the success of M and A transactions found that to have the best chance of success some basic approaches need to be followed. Among these are:

Leaders have to instill in their employees a level of commitment, engagement, confidence and comfort to work through difficult transitions. They need to inspire a sense of purpose, coherence, community and trust that allows employees to remain focused and highly engaged on the job. A recognized respected leader assuming a prominent, visible role can be a comforting anchor during a turbulent sea of change. These leaders can be instrumental in creating a shared culture that embodies the business strategy of the new combined organization.

Transformational change is inevitable and can be disruptive. The acquiring company creates disruptions around boundaries – changes in goals, strategies, ways of doing things and customs of the old culture. A good question to ask is “how is this going to be dealt with, with the least amount of disruption?”

80%-90% of employee behavior is determined by the way leaders attend to these challenges. Employees look first to leaders for guidance about how to react and behave, for motivation and for focus. Employees want to believe that leadership cares about them. When employees are convinced that leaders genuinely do care about them, they become more open and willing to make necessary changes.

Companies that foster a high degree of leadership visibility and involvement during the transition instill a supportive organizational culture with a better than average chance of success. What leaders say and how they act can inspire a shared sense of purpose, coherence, community and trust, which enables the employees to focus and to remain highly engaged during the M&A and post-merger integration. Working on this alignment during the first 90 to 100 days is crucial.

They also reported a case study on the acquisition of CIGNA Corp. by Prudential Financial, Inc. (retirement services) – combined total of 2600 employees. Leadership was highly involved in every aspect of the integration and was highly visible to employees of both organizations. The president of Prudential was part of the integration team and led a “command center” comprised of eight business leaders (equal number from each company) who met daily to set direction and track the progress. The leadership team was announced and in place three months before the deal was completed. This team immediately focused on building an aligned culture, including a strong internal and external brand. The new company’s stock outperformed the Morgan Stanley Capital International index by 50% eighteen months after the deal closed, demonstrating the key role of leadership in providing positive direction and focus for the new business entity’s identity and culture.

By taking time to dig in a little and talk, getting various perspectives from the leadership team and getting some clarity on what people’s roles and expectations are will bring a higher level of success to the deal. So, the question is how to get the leaders to embrace this concept of culture. Sometimes it will include putting ego aside and reflecting on where they will define success in the merger/acquisition. Asking oneself, how important are the people in all of this and what is the legacy I want to leave or create?

Here are some examples of questions regarding culture that should be asked in discussions with the leaders:

What is the impact of the merged cultures?

How effective are the leaders in implementing the transition?

Because the landscape is changing rapidly, how is the company handling conveying the message to the staff?

What are the biggest challenges around the upcoming mergers/acquisition?

What will be different with the blending of the cultures?

With the combination old and new leaders joining forces, what needs to happen to blend the culture, acquiring respect and trust amongst each other?

Some leaders will take time to reflect and embrace the value of including culture in the process when they are considering a merger/acquisition. They will see that they can’t ignore culture if they want to create long-term success of the new merged company and will communicate to the people a clear message that they care and offer support and encouragement.

About the Author

Barbara Perino is a Certified Professional Co-Active Coach guiding her clients who are executive leaders and their staff. Barbara has been trained through The Coach Training Institute (CTI) located in San Rafael, CA. She completed a Coaching Certification Program through CTI and the International Coaching Federation (ICF). Prior to becoming a coach, Barbara was a 16-year veteran of the residential mortgage industry in a national sales management capacity for property valuation and residential mortgage service providers.
Point® & PointCentral® 7.4
Affordable • Efficient • Compliant

Most Used Mortgage Platform from Initial Application all the way to Trailing Documents – including Secondary Marketing

Get details at 800.362.2599
email: sales@calyxsoftware.com
visit: www.calyxsoftware.com
Over 125 executives from prominent lenders, servicers, vendors, service providers, consultants and researchers gathered to discuss the problems that the mortgage industry faces. More importantly, everyone in attendance was keenly focused on solutions. There were no stale PowerPoint presentations from the usual speakers, ENGAGE 2011 was all about real executives talking frankly and taking notes about how to improve the business of mortgage lending. We at PROGRESS in Lending would like to thank our 14 sponsors, our over 20 industry speakers and the over 125 attendees. We look forward to ENGAGE 2012!
Eric Kujala of DocVelocity talks about why going paperless is so important in today’s market.

This year electronic collaboration vendor DocVelocity made headlines when it introduced DocVelocity Threads, which is essentially an online customer portal. Threads allows you to communicate and exchange documents with anyone involved in the loan process—even if they don’t have DocVelocity. This means anyone in or outside of your company can ask questions, upload additional documents, or get updates on where their file is in the process. The company also introduced DocVelocity Desktop, which combines the scalability and flexibility of a Web-based application with the speed and power of a desktop application. This gives you secure online access to data anywhere in real time with the ability to perform virtually all daily tasks on an ultra-fast desktop application. Eric Kujala, Vice President at DocVelocity, talked with us about these advances and how the mortgage industry can evolve to a more paperless environment overall.
Executive Interview

Q: Tell me about the threads update and how that’s going?

ERIC KUJALA: Threads is all about the communications that we had with our clients. We do a good job of listening to our clients and trying to understand what their problems are. We really want to try to understand what the industry problems are that our clients face today. In a roundabout way we go to a point where they said that they need to think about better ways of communicating with the customer. They told us that they want their customers to have an easier time of doing business with us so they come to us instead going with our competitors.

That seems like a simple request. As we talked this through with them we first asked them what their definition of a customer was. It may seem like an easy question with an easy answer, but actually it isn’t. In the end, our customers answered this question in a variety of ways. It actually came down to the fact that they wanted to reach a subset of a variety of different mortgage participants in a wholesale organization. For example, the broker is the customer they want to get the documentation in and speed up interaction. They also wanted better quality interactions from and with the broker.

When you’re a retail organization that client is different. Retail lenders have a couple of different customers. They have the loan officer in that they want to recruit the best loan officers. And don’t forget, everybody wants to offer the best overall process so that they can transfer document seamlessly to each department within the mortgage organization. We want to help bridge that gap. That’s what threads accomplishes. We are helping lenders of various sizes, shapes and forms deal with a variety of customers in an automated fashion.

Q: How is it going? Do you have any customer response yet?

ERIC KUJALA: Customers are telling us about threads every day. It’s changing how they’re interacting with their customers. We’ve been working with customers for the last several months to optimize threads and to deploy it. It is been very successful. A lot of our customers are in production with the technology right now. There’s a strategy around this. It’s nice to see lenders thinking strategically about technology. As we help them roll out this technology they are telling us that it’s giving them a leg up. They are finding new ways to get new business with this technology and that’s very gratifying because that’s what technology should do.

In the end it should be a helping hand for wholesale lenders, retail lenders, really any lender in the mortgage industry today. As a vendor you want to help them get new business and help them keep existing business by offering an enhanced customer experience. You want to provide a clear benefit for all the stakeholders involved in the mortgage today.

Q: Another key element of DocVelocity 3.0 is the desktop feature. Talk to me a little bit about what that means to lenders in the market today.

ERIC KUJALA: This evolved from what we called DocVelocity Messenger. Basically what you can do is add a file from or to the Web using this tool. This created a new way, and a faster way, for you to push those documents as images back and forth using the Web so that you can interact with people internally and externally get those documents to work for you.

Industry Predictions

Eric Kujala thinks:

1. You’ll see more LOS consolidation. There will be more acquisitions to come.
2. Bank of America will continue to pull back. You’ll see more opportunity in the wholesale space as a result.
3. You’ll see expansion on the retail side. You’ll see new branches and satellite offices popping up.

Q: If there was a big message behind version 3.0 that you want to get into the mortgage space what would it be?

ERIC KUJALA: For me it’s all about one word: collaboration. You want to make collaboration with internal parties and external parties as easy as possible. We are trying to get as many of the needed parties into a whole file and collaborate, that means real estate agents, that means brokers, that means underwriters, that means loan officers. It can’t be limited to one person or one party. We want to get as many people collaborating with an electronic loan folder as possible. You shouldn’t have to pull the paper file out of a huge loan file and then change or slow your process down. We want to enhance electronic collaboration and I really think that’s what the overriding message of this new update should be to your readers.

Q: How has your approach to the market changed over time?

ERIC KUJALA: We started going after lenders that did 5 to 20 loans a month. There’s a lot of value for them and for us to go after
HAVE YOU EVER THOUGHT ABOUT WHAT TECHNOLOGY WOULD LOOK LIKE IF IT WERE BUILT BY MORTGAGE BANKERS?

WE DID MORE THAN JUST THINK ABOUT IT.

After more than 20 years as mortgage bankers we brought to market the technology and ideology that created efficiencies 3x that of our competition - which mortgage bankers need now more than ever.

Built by successful mortgage bankers, our mortgage-centric business intelligence allows you to drive company performance and employee self-competition while building a proactive, accountable, and self-compliant culture that helps you get more business and get more out of your business.

Looking for other ways to get more business? Ask us about our mortgage-centric customer relationship management as well.

"Motivity Solutions has provided Cornerstone Mortgage a dynamic competitive advantage in shifting our culture to being performance-driven, self-competitive, self-compliant, and even more customer relationship focused. Their leading edge products work seamlessly with our existing technology to give us the insight and solutions we need to be proactive in what has become a reactionary industry."

JULIE PIEPHO • EVP Cornerstone Mortgage Company

AWARD WINNING CULTURE CHANGING TECHNOLOGY

Contact us to schedule a demo today and see what technology built by mortgage bankers looks like.

800.411.5541 motivitysolutions.com
that market. However, we're realizing that there's a lot of value for midsized and even larger companies to transition to a paperless process nowadays. We're also finding that this new market is very interested in the technology that we have to offer. We find our customers now are doing much more volume. We want to grow with our customers.

Q: What can you tell me about the future of the product?

ERIC KUJALA: We want to increase efficiency. We want to keep the lenders moving in the direction of electronic files. We want to get them away from using physical paper files because that's just inefficient. We also have to think about cultural change. I talk a lot about the cultural change required to go paperless. We have to continue to offer new products that makes that culture change easier. We will continue to be that flexible, that scalable solution that helps lenders go paperless. That flexibility is important. We are making changes all the time so we can be ready for the next mortgage change. We need to get the new lender clients going further with paperless.

Q: Let's move away from DocVelocity news and talk a little about overall market conditions. All the predictions say volume is going to be way down next year. Is that your sense? And if so, how are you preparing your lender clients to compete?

ERIC KUJALA: I have to agree with the predictions. However, there is still opportunity. As companies start to consolidate our customers benefit. The overall industry will see a decrease in volume but our customers are growing. We are going to continue to evolve the technology so they can have a differentiator. Technology allows you to be scalable so you can do less volume and still be competitive.

Q: This year lenders benefited from record low interest rates, which created a refinance boom of sorts. To keep that going the president announced a plan to make it easier to refi. Will that plan extend refi activity or has everyone already refinanced that could refinance?

ERIC KUJALA: I’m not sure. I’ll use myself as an example. Once I do the math, it doesn’t make sense at this point. I would like to think that people are doing the research before refinancing. Surely there are some people longing to refi but don’t qualify that may benefit. However, I don’t know that we’re going to see record refinances. We’ll just have to see.

Q: I would imagine that your clients are tackling GFE and TIL changes. Lenders were see a more positive reaction on this as compared to when they mandated the GFE and TIL changes. Lenders were not sure if they had it right, but now they think they have it right. We just want to make sure that we are facilitating the process change. We work with the AMCs and others to make sure that we can keep our lenders paperless. This is needed.

Q: We’re also seeing a lot of flux in the LOS space. I talked to another e-collaboration vendor that built their own LOS because the industry LOS players would not do an integration. How is the LOS space evolving and how would you characterize your interaction with the various LOS companies?

ERIC KUJALA: We are open to integrate to anyone. In terms of dealing with the LOS companies, everyone has their own strategy. Every LOS has a plan. If you take Ellie Mae, for example, they buy who they want to integrate with. In their case that will probably be their strategy until their customers demand more choices. The LOS wants to own the customer but that will change. Customers will force the LOS systems to open up. Salesforce has a great model in that you buy the application and plug in to whoever you want to. There are a lot of industries that have that approach and as the mortgage industry evolves we will get there, too. Lenders want options.

Q: How has the concept of electronic collaboration changed over the years and where do you see it going in the future?

ERIC KUJALA: The collaborative file has advanced from a regulatory standpoint and an operational standpoint, as well. The need to do a review or a quality control check is difficult in a traditional paper world, but now you can set up rules to check the file without pulling it out of the assembly line. Also, lenders are recruiting talent and e-collaboration will be a great way to attract quality talent that may need to work from home and still be scalable. You need to be scalable up and down. We’re going to be riding some waves over the next few years. You need to be able to handle the volume that comes in and the volume that doesn’t come in.
If you listened to *Lykken on Lending*, you would!

*Lykken on Lending* is a weekly, 60-minute radio program hosted by David Lykken – mortgage veteran of 37 years, along with regular guests Alice Alvey – President of Mortgage-U.com, Joe Farr – of *MBSquoteline.com* and Andy Schell - Managing Partner of *MBS*.

**Covering Topics from Main Street to Wall Street and Capitol Hill**

Listen **LIVE** Coast to Coast
Mondays at 1:00pm Eastern/10:00am Pacific,
or dial in and listen at (646) 716-4972

Download the Podcasts
of previous episodes any time at

---

**Presented by:**

![MBS Mortgage Banking Solutions](http://www.mbs-team.com · (512) 977-9900 · sales@mbs-team.com)

---

**Mortgage Banking Solutions Can Help You With:**

- **Repurchase Support**
  - Repurchase Strategy
  - Step-By-Step Support
  - Contract Review

- **Strategic Direction**
  - Loan Production Strategies
  - Marketing / Social Media
  - Business /Growth Strategies
  - Branch Expansion

- **Mergers & Acquisitions**
  - Buy, Sell or Hold
  - Company Valuation
  - Due Diligence

- **Financial Strategies**
  - LO Compensation Strategies
  - Strategies to Increase Capital
  - Hedge Model Validation
  - Accounting/Bookkeeping Support

- **Operational Reviews**
  - Best Practices Assessment
  - Productivity & Profitability
  - Warehouse Lending Audits

- **Bank-Owned Mtg Operations**
  - Create/Expand Mtg Platform
  - Cross-Sale/Customer Retention
  - Regulatory Compliance/Audits

[http://www.mbs-team.com](http://www.mbs-team.com) · (512) 977-9900 · sales@mbs-team.com
Lenders have to get beyond industry buzzwords and work toward true open collaboration.

Although collaboration has been an industry buzzword for many years, when it comes to the true value and definition, it is hard to tell if the term is really understood. Lenders have historically looked at collaboration as the workflow and communication methods within their organizations; however, collaboration and communication differ drastically.

By Sanjeev Malaney

Although collaboration has been an industry buzzword for many years, when it comes to the true value and definition, it is hard to tell if the term is really understood. Lenders have historically looked at collaboration as the workflow and communication methods within their organizations; however, collaboration and communication differ drastically.
Because of changes in the mortgage industry, lenders offer similar loan products, and companies need to differentiate themselves in regards to faster turnaround times and better customer service. The way to do achieve this differentiation is through true collaboration and operating as a real-time enterprise. Most mortgage industry professionals define collaboration as a group of people within an enterprise working together to achieve a certain goal. Organizations today work not only internally, but also with third-party affiliates daily to submit and receive documents to facilitate the closing or sale of loans. But, does that automatically mean a business is collaborating?

Currently, loan documents are assembled and completed through a complex and interconnected network of participants. Think of how many participants are affected by a loan: lenders, aggregators, investors, brokers, title insurance agents, closing attorneys, real estate professionals and servicers— to say nothing of the prospective homeowner. All parties have their own business processes and objectives, use their own technology systems and have their hands on the documents at one point or another to complete individual transactions within the loan process. As more stakeholders are involved through paper based document handling, chances for mistakes, miscommunication or missing documents increase significantly.

Passing along paper documents using traditional methods is increasingly impractical. The mortgage industry needs systems that not only enable real-time communication, allowing everyone involved to see, share and exchange the transaction information in a timely manner, but at the same time, keep a detailed record of the decisions, updates and notifications.

**Partial Collaboration**

Many organizations rely heavily on traditional methods, including email, fax and FedEx, to communicate, which cause time delays, errors, file format discrepancies, lack of an audit trail and missing files leading to an inefficient or incomplete loan process.

**Operating in Real-Time**

Collaboration taken to a whole new level facilitates submission, exchange, handling, receiving, management and approval of documents immediately. The ability to handle a loan file in real-time increases service levels and allows lenders or investors to move faster and gain agility in completing a transaction. In an industry that is all about closing sales, increasing loan volume and retaining customers, working with the fastest turnaround times possible gives businesses a major competitive advantage. True collaboration allows businesses to move above and beyond conventional document capture and workflow methods and operate.
SERVICING SUPPORT FOR PRIMARY SERVICERS

SPECIAL SERVICING
FORECLOSURE ALTERNATIVES * LOAN MODS
ENHANCED BORROWER OUTREACH
COMPLAINT ESCALATION
AUDITS & REGULATORY COMPLIANCE
PORTFOLIO VALUATIONS
SERVICER EVALUATIONS & OVERSIGHT
ACCELERATED SHORT SALES

PROPRIETARY ATTORNEY NETWORK * WREN REAL ESTATE NETWORK

ONE TRUSTED SOURCE

SERVICER OF THE YEAR

WINGSPAN PORTFOLIO ADVISORS

Tomorrow’s results, today.
www.WingspanPortfolioAdvisors.com  (888) 634-0808
Many organizations tout their ability to operate in real time, but few actually do so in a manner that creates total transparency or includes all parties involved. For example, investors depend on email to transmit documents to lenders, but this method harbors inefficiency because messages are relayed back and forth between individuals and can leave some necessary participants in the dark. The responsibility to report updates falls on one individual, leaving room for miscommunication.

It is also important to note that loan documents from separate organizations come in a variety of formats, leading to a new set of problems regarding the coordination and organization of loan folders. If one document has been faxed, one emailed, one sent through FedEx and the other filled out online, how can these files be combined so that each individual can comprehensively view the asset? There is commonly no formal version control among the multiple participants and forms can lack vital information. Manual bar coding, scanning or transforming the files into paper and sending that to the next individual via mail or fax requires additional staff hours and misuses time.

So the big question is how is true collaboration achieved and how are the old processes fixed or improved upon?

First, there must be bridges built between all individuals and organizations involved in a loan transaction to make workflow possible across organizational and geographical boundaries—despite differing in-house technology systems. Stop thinking internally and consider all the people touching the loan files you work with. All participants should be able to offer, access and share a standardized electronic loan folder through technology systems that accommodate current legacy systems such as image repositories, LOSs, underwriting and other operational systems without requiring a major systems overhaul. This means the problem of format transformation has to be solved for everyone to review, update and keep track of all the necessary documents. You must avoid the siloed, disparate systems and bring everyone to the same table so data can be aggregated as needed and all transaction participants involved can operate in real-time.

Secondly, evaluate current technology used for document submission, exchange and management. The technology still needs to accommodate traditional methods and fit with legacy systems currently in place. Consider integration issues and move beyond the traditional forklift approach. With hundreds of pages involved in a typical loan file, a suitable system should automate file and document conversion regardless of packaging and stacking requirements, provide an auditable communication chain with real-time updates and alerts and automatically recognize documents. This keeps individuals on track and up-to-date on the status of the file and avoids manual scanning, sorting or bar coding.

Many Web-based systems have been created to try and build this bridge; however, some people involved in the document exchange process may not have Web access, operating instead through a fax machine. So, does this mean a lender is not going to work with this individual because of their methods? The answer is no, and all customary methods of submission and exchange should be integrated, otherwise business would have to be turned away.

“Many organizations tout their ability to operate in real time, but few actually do so in a manner that creates total transparency.”

About the Author
Sanjeev Malaney is co-founder and chief executive officer for Capsilon, a provider of cloud-based document sharing, imaging and collaboration solutions for businesses. Capsilon’s technology facilitates both internal and external collaboration by connecting virtual workspaces and enabling transaction participants to work together in real-time, reducing the time and cost associated with paper and electronic alternatives. For more information visit the company’s website at www.capsilon.com.

True collaboration and operating in real-time is not easy to accomplish. Even so, lenders need to look beyond an organization’s four walls and find a way to collaborate and exchange information across the industry— not just across the hall. Seek a partner who can facilitate communication among all mortgage industry participants involved, automate file conversion and easily integrate legacy systems and traditional communication methods to enable cross-organizational collaboration.

By understanding the value of collaboration and taking the necessary steps to improve business efficiencies, any organization can operate as a real-time enterprise. Working through a system that enables immediate action and reaction significantly decreases cycle times, considerably enhances customer experience whether it’s with a broker, borrower or lender and enables loan officers to be more productive. Obtaining a system that encompasses the above characteristics truly provides confirmation and clarity, which are two essential elements often lacking in the process and creating a myriad of problems. Real collaboration gives organizations the agility to keep up with the pace of the lending environment leading to an increase in loan volume, and provides a competitive advantage. Because at the end of the day, it is all about growing business by serving your customers.
Are You An Innovator?
Now Is Your Chance To Get Recognized For All Your Efforts

We at PROGRESS in Lending Association know that as a technologist, lender, servicer and/or consultant that you are working hard to improve the mortgage space. We feel like you deserve some credit for what you do.

Apply Now!
at www.progressinlending.com to get your 2011 innovation recognized.
Early preparation is the key to reducing problems during the transition to the new appraisal submission standards.

Regulatory changes in the mortgage business are like coups in the Middle East—they seem to be popping up everywhere. Among the latest are the new requirements associated with appraisals on conventional mortgages, but lenders can find that adapting to the new requirements doesn’t have to be a major headache.

UCDP: WHAT EVERY LENDER SHOULD KNOW

By Jennifer Creech
Early preparation is the key to reducing problems during the transition to the new appraisal submission standards required by Fannie Mae and Freddie Mac. Yet, with less than a month to go, there are quite a few lenders who still aren’t prepared for the December 1 deadline, the date when all loans delivered to the GSEs must include a full UAD-compliant electronic appraisal. In case you’re wondering, that stands for Uniform Appraisal Dataset, and is one of several acronyms that will soon become familiar to anyone in the business.

Another key acronym is UCDP, or the Uniform Collateral Data Portal (UCDP), the single portal through which lenders will electronically submit appraisal reports for conventional mortgages delivered to Fannie Mae or Freddie Mac.

What does this all mean for lenders if they miss the December deadline? It could mean delays in their pipelines and loan closings for those that are not prepared. That’s because it’s not only appraisers who will be required at loan delivery, including loan type, loan feature, and other business requirements.

By now you should have ensured all your appraisers are delivering UAD compliant appraisal forms, a requirement that went into effect this past September. At this point, you should be getting ready to submit appraisal data to the UCDP by December 1, and making sure all your staff are fully trained on the UAD standards and are familiar with any new field requirements and system changes.

The industry is in a bit of confusion on how to go about integrating to UCDP—some lenders mistakenly believe they must connect through the company that created the portal to the GSEs. In fact, many different options exist for integrating to the UCDP. Lenders may submit appraisals to the UCDP via its web interface, or they can partner with the handful of pre-determined direct providers integrated to the UCDP, such as InHouse, for greater process efficiency.

InHouse has been among the first to go through the full integration process with several lenders, and is already helping them to submit appraisals to the portal. In short order, these lenders have learned the most efficient and hassle-free ways to integrate to and submit appraisals to UCDP.

There are a few things lenders can do to ensure their quality control processes are in line with the new UAD standards. Chief among them is registering for the UCDP, and making sure all appraiser or AMC vendors are properly registered and are submitting UAD-compliant forms for GSE loans.

It’s also important to make sure your underwriters understand the new process, including the standardized ratings, definitions, and abbreviations for things such as condition and quality of construction. Previously, there were no standards in the way appraisers described those fields. Now, the GSEs are specifically identifying the purpose of the fields, and have outlined an abbreviation system and a list of acceptable responses. Ensuring appraisal reviewers and underwriters are familiar with those abbreviations will help you to avoid delays in your pipeline.

Lenders can obtain the required appraisal file in XML format from their

---

**Key Definitions and Dates**

- **Uniform Mortgage Data Program (UMDP)**—the joint effort of Fannie Mae and Freddie Mac to standardize loan delivery data and appraisal data, and to develop an electronic approach to delivering appraisal reports.
- **Uniform Collateral Data Portal (UCDP)**—the Internet portal that lenders or their agents will use to electronically submit conventional appraisal reports to Fannie Mae and Freddie Mac.
- **Uniform Loan Delivery Dataset (ULDD)**—defines the data that will be required at loan delivery, including loan type, loan feature, and other business requirements.
- **Uniform Appraisal Dataset (UAD)**—the purpose of the UAD is to improve the quality and consistency of appraisal data on all conventional loans delivered to the GSEs.

**Upcoming Dates:**

- **December 1, 2011**: Lenders must collect the standardized appraisal data for new loan applications to be delivered to Fannie Mae and Freddie Mac.
- **March 19, 2012**: For all GSE deliveries, if the loan application date is after December 1, 2011 the appraisal data must be submitted through the UCDP.
- **As part of the new GSE appraisal submission requirements**, appraisals must be delivered in MISMO XML format or as a first-generation PDF.
appraisers or AMCs. The GSEs will not charge lenders or their agents transaction fees for uploading appraisal data XML files directly to the portal or for using a vendor solution to access UCDP. If the appraisal is available only in a PDF format, an XML conversion tool will be available in UCDP for a fee.

**Setting Up a File**

In order to set up a business profile and register to deliver appraisals to the UCDP, you need to take some basic steps. First, lenders need to initiate a request, obtain a business unit name, and receive direct integration credentials. The GSE will provide lenders with their credentials, and ensure the credentials are given to UCDP. Bear in mind that registering for the UCDP can take between five to seven business days to complete.

Even if you are using a vendor to submit appraisals to UCDP, you still need to identify a lender administrator and register with either or both GSEs. Once you establish access, you can work with your vendor to submit appraisals through their solution.

Once you or your agent submits appraisal data to UCDP, you’ll receive a submission summary report (SSR). It provides a summary of the appraisal submission for each loan, the status of the submission, and the doc file ID. If the loan was submitted to both GSEs, the SSRs are delivered to the lender in a Zip file.

There are a number of edit checks in the portal, including a compliance check that may require a lender to go back to the appraiser. You may need the appraiser to clarify data points or obtain additional information to clear certain edit checks.

As always, not all appraisals will be accepted by the GSEs, even in the new format. Lenders need to know what could cause an appraisal to be rejected after it is submitted to UCDP. In the new system, Fannie Mae or Freddie Mac will reject an appraisal based on the five following errors, or “hard stops”:

1. Appraiser is not licensed, their license has expired, or there is a finding against the appraiser in the federal ASC database
2. Standardized address is not recognized
3. The appraisal value is under $5,000
4. UAD compliance check
5. UAD files format issues

Lenders should be aware that some of these errors, in the initial phase of UCDP, will automatically be approved. Some will require the lender to request a manual override. There are also errors that cannot be overridden, in which case a corrected appraisal data file must be submitted.

Lenders also must keep abreast of UAD compliance check messages, or compliance warnings, which indicate that either the appraisal was not submitted with the proper format or enumerated values, or that the appraisal was not completed to meet the UAD requirements. For the initial phase of UCDP, compliance warnings will not affect the successful submission of appraisals to UCDP. In the future, the GSEs have indicated that some or all of the UAD compliance check errors will change the status of the appraisal to “unsuccessful.” An unsuccessful status will require appraisals to be corrected by the appraiser and re-submitted by the lender or agent.

**About The Author**

Jennifer Creech is CEO/president of InHouse, Inc., a provider of residential real estate appraisal management technologies and services, and one of the companies officially integrated to UCDP. Jennifer has over 20 years of experience in the mortgage industry and is an expert in the appraisal process, collateral valuation methods and appraisal regulations. For more information, call 888-907-4507x4110 or email jennifer@inhouseusa.com.

**Get Ready Now**

As InHouse helps lenders integrate to the UCDP, it’s become clear that starting the process early is the best way to go. The portal has been available for appraisal submissions since last June, and over the past several months, we’ve worked with a number of lenders to help them become fully integrated. Those who are already submitting appraisal reports to the portal are in fine shape to navigate the seas ahead.

Taking the steps necessary to prepare for UCDP will mean fewer headaches as the new GSE appraisal changes take place over the next several months. The adoption of a uniform and commonly understood data set for appraisals will ultimately increase loan quality. And that’s good news for everyone in the mortgage business— even if it feels like it’s yet another regulatory hurdle lenders are being asked to jump through. ▶