Singing Off The Same Song Sheet?

BY BARBARA PERINO AND REBECCA WALZAK

"On the mountains of truth you can never climb in vain: either you will reach a point higher up today, or you will be training your powers so that you will be able to climb higher tomorrow," says Friedrich Nietzsche.

Every year during the holiday season, companies typically bring their staff together to celebrate, enjoy a potluck, exchange gifts and maybe sing lots of holiday songs. The holiday hilarity often revels that the group can sing a fantastic four-part harmony, which adds to the cohesiveness of the staff. As part of this celebration there is typically a review of the past 12 months and an overview of the coming year. This year the holiday season is overshadowed by the post-holiday date of January 10th. There is little doubt that every individual involved in mortgage lending knows that all those new regulations we have discussed, analyzed, made decisions on, implemented programs for, and gave training on is about to finally become reality. In some ways it will be a relief, rather like walking out of the dentist's office, after knowing for a month that you had to have that root canal. However, despite all the effort, the documentation and the implementation, it is important to realize that without preparing the staff, the efforts may fail to meet the test of performance. Training is the key to making all the other efforts work.

Training is more than just telling people about the new regulations. It is an important part of bringing the organization together in a time of significant change and uncertainty. In addition to learning about the new fee calculations, the new disclosures and the new underwriting parameters, it is important that the staff are made a part of the changes. Many times we simply tell them what to do or what changes were made to the system. But to make the changes more meaningful and better accepted, one last awareness and training program may be just what is needed.

So what should you train in this last session? One of the most important items to be covered are the regulations themselves. Although you may have had sessions on the requirements, the regulations have been changing fairly frequently so it is important that everyone has the latest information. If you haven't done any training yet, it is not too late to start. There are numerous online programs that provide an overview of the regulations and what they mean to individuals and programs. Diehl and Associates is one such provider with friendly avatars that lead your staff through each of the regulations and allows you to demonstrate to regulators that training has been done. You might also want to check with Cross Check Compliance to assist you in your efforts.

Another area of training that should be given as close to January 10th as possible is what your investors and/or aggregators are expecting. Just because training on the regulations gives a basic understanding of the requirements themselves, different lenders and investors may have different interpretations or are processing them in a slightly different manner. Loan officers, processors and underwriters especially need to be aware of and thoroughly understand what each investor expects. One of the most critical areas of the QM/non QM debate is that you must make sure that methods for calculating income and debts are consistent with investor expectations, and because these differences may be somewhat confusing, a refresher session will help resolve a lot of the confusion.

Another idea for last-minute training may be a session on acronyms. We all know how the regulators cannot implement anything without attaching an acronym to it. Helping all the origination and servicing staff understand the differences between QM, QRM and ATR; as well as ECOA and HMDA might be the difference between selling loans as anticipated or having to discount them if they can be sold at all. And don't forget the old favorites; RESPA and TILA (or is it TIL?). There are changes within these regulations as well. Falling into the belief that "everyone knows these regulations" could turn out to be a mistake that costs a lot more than a few extra training sessions. Of particular importance are the fees and points to be included into the QM 3% calculation of costs. Keep in mind that even at the convention in October, the CFPB staff were providing conflicting information. If there is any confusion, you might want to reach out to the MBA staff who were supposed to be getting the final decision on what was to be included.

One other area that does not appear to be garnering a great deal of attention is the area of customer complaints. Since this is really the heart and soul of what we are dealing with today it is probably a very wise idea to spend some time discussing the protocol for handling these issues. There should be at least a basic script for handling various types of calls, an escalation process available and a way to document the issues, whether written or verbal, and finally a way to document how they were resolved. While many systems, both origination and servicing, do not have standard data fields to record this information, the regulators will expect to see reports that provide this detailed information.

While this type of training is important, there are also other non-specific regulatory training that can prove to be critical in achieving a robust and successful implementation of all these new regulations. This is a comprehensive session with the entire staff to make them aware of how the organization is dealing with these regulations. While senior executives are involved in the decision-making process and are critical to the overall implementation program, we may forget that the staff is worried too. Many times we are so focused on the individual specific issues and making sure loan officers, processers, and underwriters understand what they are to do and how to do it, we forget that these people are concerned about the bigger things as well. For example, they may be concerned that these changes may mean that their job will be eliminated or that they will be moved into a different position. They may be concerned about what these changes mean for the viability of the company or what happens if the regulators come in the door on January 11th. These issues should and can be addressed in "training" sessions that involve everyone.

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So how do you make that happen? Many years ago, these sessions had to be done face to face. While cumbersome, costly and exhausting for the executives involved, it resulted in bringing staff from all over the organization together in an understanding of what was happening and how they were impacted. They learned how their piece of the process fit into the entire puzzle and why its accurate execution was paramount to the success of the organization. With the use of webinars, Skype and Google, training can also now be done remotely, which saves on costs, cuts down on the need to travel to corporate and is efficient and effective.

One of the most common examples of a need for training of everyone includes the closing function. Because our focus is typically on "how can we get this loan approved?" we tend to relax our vigilance as it heads to closing. But what if the closer wasn't informed of the new loan officer compensation policy and limitations? Could they instruct the closing agent incorrectly in the fees they collect or give inaccurate information for disbursement? And what about the post-closing processor? Are there new documents that they must ensure are in the file? What if neither they nor the closing agent is aware of new disclosure timing requirements? Could you end up with an unsalable loan? Another item that should be included in the conversation is exactly who is your regulator. While we continuously talk about the CFPB and their requirements, they are not everyone's regulator. Explaining to the staff how the regulators work, who will be your examiner and what the exam process involves will make it much easier to prepare them for an exam when it happens. Remember, everyone in the loan origination and servicing cycle is involved in these changes, so take no process for granted.

And speaking of everyone, has anyone given a thought to the real estate agents? Even though they escaped rather unscathed from the mortgage debacle, they are the applicants' first source of information on these new lender requirements. Can they explain to them the issues surrounding QM and non QM loans and what it means when determining which house to buy or how much money they need for a down payment and closing costs? Do they understand the new GFE and TIL so that they can give the correct information? Do they understand how your organization is going to be implementing the regulations and have you identified for them how it will impact their working relationship? A session in the real estate agents' offices could go a long way to making the process flow smoother from the start and keep them identifying your company as their main source of loans.

So, as we head into the holiday parties, filling up with candy, cookies and food and relaxing after the hard year's work, we have to make sure that the same harmony we enjoy with our songs, doesn't become a jarring noise to the regulators. We have all spent this year practicing these new songs that are intended to smooth the savage beast of the regulators, but without a comprehensive training plan for the staff, the harmony we expect can become a discordant refrain. After all, every chorus can always practice one more time. ❖

About The Author

Barbara Perino is Director of Business Development for Direct Valuation Solutions a new cloud based technology platform that is designed to streamline and enhance the appraisal fulfillment experience. Barbara has 23 years of extensive sales and sales management experience along with operational knowledge from all facets within the residential property valuation industry. She is also a professional certified coach.

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rjbWalzak Consulting, Inc. was founded and is led by Rebecca Walzak, a leader in operational risk management programs in all areas of the consumer lending industry. In addition to consulting experience in mortgage banking, student lending and other types of consumer lending, she has hands on practical experience in these organizations as well as having held numerous positions from top to bottom of the consumer lending industry over the past 25 years.