



Your Voice

Why Are We Paying More?

If compliance and loan quality are the biggest industry concerns — as we know they are — then the doc prep guys are directly in the “critical path” to ensure loan data and document quality and integrity.

By **Tim Anderson**

New CFPB rules have been a boon to the many compliance providers to the mortgage lending industry. Every time a new rule comes out, lenders need some way of ensuring that their systems are compliant. Of course, no one wants to shut everything down and re-tool their shop every time something changes. And so compliance shops benefit. Is this good for our industry? Here’s my take:

I don’t have a particular problem with this. As many of you know, I’ve worked for technology and compliance service providers to this industry for a long time. As long as they’re adding real value to the lender or servicer, they’re entitled to benefit. But there seems to be a perception in the industry that data compliance can be separated from mortgage documents. Even in an all-electronic world that’s not true.

Should the industry pay more whenever a compliance firm decides to charge extra for running another rule or audit?

If compliance and loan quality are the biggest industry concerns — as we know they are — then the doc prep guys are directly in the “critical path” to ensure loan data and document quality and integrity. Right before the lender draws legal docs is the perfect time to do all of the final compliance and tolerance checks; GFE/TIL comparisons are done and that data is embedded, along with a complete audit trail with date and time stamps as electronic evidence of what was verified just seconds before the final docs were delivered.

It makes sense because refusing to print the docs until everything is compliant is the first,

best way to ensure that a non-compliant deal doesn’t get done. This is happening today and it’s a beautiful thing. But how should these companies charge for all of that?

In the early days of doc prep, everything the service bureau did for the bank cost them

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something extra. It was a different job, for all practical purposes. If you needed a new document in the package, you paid extra for that. Complex deals cost more because it was harder for your document provider to pull it together. Those days are over.

Today, we have elaborate technologies that allow us to pull together a set of closing docs in a fraction of a second — and then add all of your disclosures to the package for you with the time left in that first second. Our business rules engines are exhaustive and they’re backed up by compliance attorneys who work on this stuff every day. And then wrap it with a legal compliance rep and warrant on top of that. So why should you pay more to test for compliance with separate systems at different times that don’t even update the docs?

And yet, that’s what we keep seeing: companies that provide a partial solution who are charging more every time they add another critical piece to the compliance puzzle. It should come with the docs and at no extra charge. ❖

During his career, Tim Anderson has been involved in many aspects of the mortgage industry and has acquired more than 30 years of mortgage and technology experience. Most recently, he has been heavily involved on the technology side of the industry, where he played an instrumental role in developing one of the first e-mortgage platforms, including e-signature and e-vaulting technologies. At DocMagic, Tim is the head of the firm’s eServices Division where he spearheads future “e” initiatives at DocMagic.