



Process Improvement

A Time To Reflect

As you develop self awareness when it comes to your total business, you become better able to make changes.

By Tony Garritano

In covering the mortgage space for more years than I'll admit, I've always been concerned about how slowly this industry moves. In addition to moving slowly there's this follow-the-neighbor mentality whereby lenders are hyper focused about what other lenders are doing because they don't want to go first when it comes to doing anything new. There's no self reflection it seems. If you'll stick with me, I'd like to share this blog written by the head of my son's school where he talks about the importance of self reflection:

"We focus on the outside world in education and don't look much at inwardly focused reflective skills and attentions, but inward focus im-

children are given the time and skills necessary for reflecting, they often become more motivated, less anxious, perform better on tests, and plan more effectively for the future. And mindful reflection is not just important in an academic context – it's also essential to our ability to make meaning of the world around us. Inward attention is an important contributor to the development of moral thinking and reasoning and is linked with overall socioemotional well-being."

"At Wooster School, we aren't just talking about how schools can do a better job preparing our students to be better thinkers, learners, and people — or nibbling around the edges of the same old curriculum with the same methodolo-

Now that **lenders have begun to get a handle on their TRID-related defects**, they should have more capacity **to address other defects.**

pacts the way we build memories, make meaning and transfer that learning into new contexts. So what are we doing in schools to support kids turning inward?" said Helen Immordino-Yang, Professor of Education, Psychology and Neuroscience, University of Southern California.

"Here at Wooster School, reflection is a big part of what we do because we agree with Dr. Immordino-Yang, and understand that we learn more, and forget less, when we've had a chance to "think again," "mull it over," or even "sleep on it." Like many an old adage, these express something we've always known to be true, but now also have the science to back up. Ever more frequently our teachers are providing the time for students to reflect in class, and are asking them to do so in many different ways. We take this time because we know that when done consistently and well it helps the learning stick.

"According to an article about Dr. Immordino-Yang's and her research published by the Association for Psychological Science, "when

gies — we're taking the science and putting it into action. Our Days of Reflection, like the one we are having this year, are an opportunity for students and faculty to reflect together about some bigger picture goals related to skill and disposition development. They are also a great time for community dialogue about our shared struggles and successes. As faculty members, we are always impressed with the depth of thinking that happens on these days, and how willing these digital natives are to slow down and think about their aspirations and progress. Students have fun with it, and they learn from it. They also like the crumcake we serve. And yes, I'll have a big piece too. As I said, no nibbling around here."

Why did I share that blog? Well, I thought it would be educational. It was interesting to me that an educator was talking about the power of reflection and critical thinking. I'm just not sure that goes on too much in mortgage lending, and that's a shame.

Case in point, the industry had a knee-jerk

reaction to the recent TRID requirements. Instead of reflecting on how to make the entire mortgage process better, most lenders were just looking to comply with the rule and some were totally dependent on their LOS to ensure compliance. That's not how it should be, and the results reflect the industry's poor efforts.

ARMCO reported that after peaking in Q1 2016, the overall industry critical defect rate dropped to 1.63 percent in Q2, ending an upward trend spanning the previous three quarters. Defects in the Legal/Regulatory/Compliance category also waned in Q2, comprising 34 percent of all defects reported and marking the first decline in nine months. However, this category still represents the largest reported defect category.

"While TRID-related defects are still driving the majority of Legal/Regulatory/Compliance defects, we're seeing a decline in defects in this category as a result of corrective action planning lenders undertook through the first six months of 2016," said Phil McCall, COO for ARMCO. "As lenders determine the most effective strategies for addressing TRID-related defects, we expect to see this category decline further."

Loan Package Documentation defects increased slightly in Q2, accounting for 26.7 percent of reported defects in Q2 versus 26.4 percent in Q1. Also of note is the increase in defects reported in credit-driven categories in Q2. Income/Employment leads this group as the third most frequently reported defect category in Q2 at 9.8 percent, followed by Borrower and Mortgage Eligibility at 8.9 percent and Assets at 6.8 percent.

"Given the magnitude of compliance-related defects lenders were facing in Q1, it's not surprising to see upticks in other areas," said Avi Naider, CEO for ARMCO. "Now that lenders have begun to get a handle on their TRID-related defects, they should have more capacity to address those credit-related defects. Thus, we should see those categories normalize in Q3."

See what I mean? It took the industry so long to

comply with TRID before they finally turned to a smarter, more automated approach that is just now driving down TRID-related defects. I have two questions: Why did it take the industry so long to get to this point? Why are TRID defects still high? The answer is simple: There is a lack of true self reflection.

As an industry, we all have to be more self aware so we can adapt to constant change. When you think about it, self awareness is about having a clear perception of your personality, including strengths, weaknesses, thoughts, beliefs, motivation, and emotions. Self awareness allows you to understand other people, how they perceive you, your attitude and your responses to them in the moment.

We might quickly assume that we are self aware, but it is helpful to have a relative scale for awareness. If you have ever been in an auto accident you may have experienced everything happening in slow motion and noticed details of your thought process and the event. This is a state of heightened awareness. With practice we can learn to engage these types of

heightened states and see new opportunities for interpretations in our thoughts, emotions, and conversations. Having awareness creates the opportunity to make changes in behavior and beliefs.

As you develop self awareness when it comes to your total business, you are able to make changes in the thoughts and interpretations you make. Changing the interpretations in your mind allows you to change your actions. Self awareness is one of the attributes of Emotional Intelligence and an important factor in achieving success.

Self awareness is the first step in creating what you want and mastering your business. Where you focus your attention, your emotions, reactions, personality and behavior determine where you go in life. Having self awareness allows you to see where you are and where you need to go. Until you are aware in the moment of your thoughts, emotions, words, and behavior, you will have difficulty making changes in the direction of your business. This industry has to be more self aware. ❖



**As an industry,
we all have to be
more self aware so
we can adapt to
constant change.**

Tony Garritano is chairman and founder at PROGRESS in Lending Association. 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 in the mortgage technology space. Starting this association was the next step for someone like Tony, who has dedicated his career to providing mortgage executives with the information needed to make informed technology decisions. He can be reached via e-mail at tony@progressinlending.com.