



# The New World of Lending

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**WELCOME TO THE NEW WORLD OF MORTGAGE LENDING.** For the first time in over 30 years, HUD initiated sweeping changes to RESPA. While amendments to RESPA have regularly been discussed throughout the years, the current glut of mortgage foreclosures and the ongoing instability in the housing market created an accelerated sense of urgency for lending and loan settlement reform. The anticipated onslaught of new legislation and implementation of the many RESPA lending regulations were dropped with the subtlety of an atomic bomb.

Along with new HUD-1 and RESPA regulations, there continues to remain other legislative restrictions previously imposed by HOEPA, state, county and local high-cost analysis, predatory lending checks, OFAC and state usury laws. In response to the loose lending regulations of the past, it's unlikely that the legislative forecast will change for the next several years. Welcome to lending in 2010.

We realized that new laws, regulations and required disclosures from national, state and local legislators would soon be bombarding us daily. It also became apparent that the time had come to review our company's strategies, internal processes and procedures for managing our loan closing documents in an effort to remain compliant.

We had to ask ourselves the obvious questions. Were we up to the task of handling this on our own? Do we have the necessary internal resources readily available that are capable of initiating and managing this enormous responsibility? If not, how much additional manpower would be needed? What would the additional payroll and benefit expenses add up to? What were our options? For these reasons alone, it was obvious that we needed to consider partnering with a document provider that could give us access to integrated, accurate and compliant loan documents through our LOS...and provide them now.

We soon concluded that the time had come to seek the assistance of a qualified document vendor that could support us in fulfilling our loan disclosure and compliance requirements. Having made the decision to outsource, we knew it was critical to find a vendor that best fit our company's special needs. What were the major business challenges that had to be met when considering possible partners? Initially, we determined that it was necessary to find a company that could provide a seamless integration with their LOS. But it was easier said than done.

After sitting through a few demos, we discovered that biggest doesn't necessarily equate to the best. While many lenders may select partners based solely upon the strength of the vendor's financials, this can be a mistake. First and foremost, we sought a provider that suited our particular needs. We wanted someone that was capable, flexible, could think on their feet and would be willing to customize an



integration compatible with our LOS.

Believe it or not, we needed a doc provider who provided an integration that actually worked. Other vendor plug-ins had numerous errors and simply didn't work to the level of our expectation. We came to realize that not all plug-ins were created equally and that a vendor's size and market share were not the only determining factors in selecting a qualified partner.

As importantly, we wanted to be sure the potential vendor was a match when it came to their business values, principles and mindset. We had to prioritize our priorities. Don't choose a vendor that lacks impeccable customer support when that is one of your primary strengths. You will soon become disappointed due to the philosophical mismatch.

We selected a partner that was clearly focused on delivering phe-

with the latest forms and disclosures, but to guaranty their compliance.

Frankly, I don't see how any organization can keep up with all of this on their own. With all the changes in the rules and regulations, it can be overwhelming. We needed to find a trusted partner that could bring value to the table and one that understood all the complexities and nuances of document preparation from A to Z.

Without a doubt, the regulatory environment has become much more burdensome by the day. Compliance and new disclosure requirements are quickly becoming one of the most important aspects of the loan process.

The risk and resulting penalties associated with noncompliance is enormous and the complexity of the process is only likely to increase. We simply didn't have the time or resources to monitor all of the regulatory updates on our own. By outsourcing our document preparation needs, we are provided with highly skilled resources that allow us to escape the burden of maintaining compliant mortgage documents.

The partnership we have forged with Document Express to handle our compliance and document preparation needs has exceeded our expectations and has allowed us to deliver a better product to our customers for less. They are fantastic at communicating with us and take whatever time is necessary to make sure our documentation is perfect and our deals close properly. Document Express provides us with back office confidence. We can't say enough good things about them. They make it happen. **MT**

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Today, most lenders **are under intense pressure** to operate more efficiently, to significantly reduce costs and to increase reserves and productivity.

We then identified our company's overall strengths and goals. In turn, the service provider was required to be able to meet our unique criteria. If the service provider is not equipped to meet the company's specific goals or does not appreciate its overall philosophy, it's probably not a good fit.

We needed a partner that could provide us the ability to do more with less. Today, most lenders are under intense pressure to operate more efficiently, to significantly reduce costs and to increase reserves and productivity. We needed someone that could help us maximize our existing resources. We accomplished this through the seamless processing of our loans provided by the right plug-in through the right vendor.

Selecting the wrong partner from day one can prove to be an expensive mistake in both the short and long term. A miscue of this magnitude can result in devoting additional future time and expense toward modifying the existing software, or worse yet, being forced to find a replacement system while your loans are unable to be opened and closed. A vendor's ability to provide solutions to meet needs is more important than their past performance, size and strength.

nominal customer support and service, one that would respond immediately to any of our requests and one that was committed to detail. We had to place our trust in a company that had it right the first time.

With all the legislative reform, the appearance and content of many of the well known closing documents dramatically changed. A standardized good-faith estimate was adopted, along with major changes to the HUD-1 Settlement Statement. These forms were aimed at providing consumers with a variety of clear and concise loan disclosures when shopping the loan.

The new GFE requires lenders to disclose and be bound to critical loan terms regarding the interest rate, prepayment penalties, balloon payments, loan terms and total loan costs while imposing a "zero tolerance" for certain settlement services.

As a result, lenders should now consider their loan estimates to be the working equivalent of loan guarantees. Under certain circumstances, redisclosures are required when final Truth-in-Lending disclosures vary by more than 0.125% from the initial TIL. As a result, we required that our document partner not only provide us