

Dynamic Documents to the Rescue!

by Fredric J. Gooch, General Counsel, DocuTech Corp.



Mortgage Compliance Costs Increasing Steadily

Each year compliance costs continue to climb making it increasingly difficult for lenders to cope with regulatory burdens. A survey of the nations top 50 banks published in the January 2008 issue of Banking Technology News reported that compliance costs have increased 87% in the last five years. In 2002, banks spent \$44.78 million dollars, in 2006 that number jumped to \$83.54 million dollars. 60% of those expenditures were for new staff while only 18% was spent on information technology. In today's stressed mortgage market the costs of compliance are sky-rocketing and the compliance burden on lenders is increasingly difficult. One of the best ways to help your organization cope is investing in technology and services that decrease your costs and your current risk levels.



One of the most cost-effective ways to manage compliance risk is by moving from a traditional forms approach to a data-driven dynamic document solution. Since the phrase, "data-driven dynamic document solution" is such a mouthful; I'll refer to it as a "dynamic document solution" throughout the rest of this article. It's important to emphasize that a move from forms to dynamic documents is critical as the mortgage industry adopts technology that will make your business more efficient and profitable. A dynamic document solution reduces the compliance burden on lenders by centrally managing loan programs, documents, and data. Savings are accomplished by using enhanced functions to maintain loan programs and produce loan packages thereby reducing compliance costs.

Will a Constantly Changing Market Increase Your Costs?

Consider the time and money your organization spends setting up new programs. A basic list of the tasks involved includes purchasing new forms, mapping data from your loan origination system onto the forms, and then configuring and testing the documents to print at the proper time to ensure that you have compliant loan programs. A dynamic document system can do all this work for you. Dynamic document systems produce, map, and configure all the documents necessary to produce compliant loan packages. This can be done with minimal effort allowing you to focus on closing loans and making money.

Unfortunately, loan program setup is a recurring cost. On average, most lenders will change their loan programs at least monthly. With traditional forms,

this means going through the painful process of purchasing forms, mapping data and configuring programs on a constant basis. This makes the time and cost savings realized by a dynamic document solution even more important. Utilizing a dynamic document solution can minimize your time and costs spent on maintaining your ever-changing loan programs. Using a dynamic document solution also increases your speed to market with new programs. If a dynamic document provider already supports the investor and loan programs you want to add to your product offering, those new programs can be available at the flip of a switch. This will decrease your time frame for adding new programs or documents from months to days.

A Flexible and Dynamic Solution Saves Time and Money

It's becoming more and more important to be flexible and adjust to changing market conditions. For instance, there has been a dramatic increase in government loan programs during the last six months. Many lenders who have focused on conventional loan products in the past, have now needed to shift to non-conventional products to keep pace with changing market conditions. Lenders who utilize a dynamic document system were able to make this transition quickly and more easily than lenders using a traditional forms provider. As a lender, you never know when you're going to have to change the way you do business. Investors change their loan programs, market conditions change, and you never know when a new law or regulation is going to impact your business. The added flexibility of a

dynamic document system allows lenders to make rapid changes in today's volatile lending environment.



Dynamic document solutions also allow lenders to increase the accuracy and efficiency of their loan packages. In order to generate accurate loan packages, you need to ensure that your data is consistent. It's important to use a system that minimizes the potential errors by reducing the re-keying of information. Most dynamic document systems maintain tight integrations or seamless workflows with loan

origination systems. This preserves the integrity of the data by reducing the potential errors inherent with manual data entry. A good integration or seamless workflow also preserves the loan origination system as the authoritative system of record. This will ensure that the data in your systems always matches the data on the loan documents, which is critical if you are visited by your friendly neighborhood regulator for an audit.

Today's data-driven systems allow lenders to apply automated tests to ensure that the loan does not violate any laws or internal business rules.

Don't Forget About Compliance

With all the added functionality and service available through dynamic document providers it is important remember compliance. Choosing a provider that manages all of the many layers of compliance – federal, state, municipal, investor and lender specific compliance is extremely important. Select a service provider that has the necessary expertise and experience to handle the complex task of regulatory mortgage compliance. It is important to find a partner that stands behind their product with adequate warranty coverage. Providers who maintain relationships with investors ensure that documents are correct and act as your advocate if an issue with a particular investor arises. Vendors are a dime a dozen, be sure to select a partner that puts a premium on customer service and is responsive to your needs.

To cope with the increasing cost of compliance, it's important to leverage advances in technology, enabling lenders to minimize costs and maintain or reduce risk levels. A dynamic data-driven document system saves lenders

Good systems have tests that automatically validate your data and give lenders automated alerts if something is wrong with the loan file. They also allow the lender to pinpoint the exact location of an error minimizing time spent correcting issues. This functionality will help ensure that the packages are accurate and saleable on the secondary market. Tests can also be applied to test loan specific parameters set by the investor or the secondary market, such as the FNMA HOEPA or FNMA 5% requirements. Data-driven systems focus on the data, allowing tests to be altered with ease, meeting your specific business needs.

time and money in their loan program initiation and maintenance.

Dynamic document systems also help lenders maintain document and data compliance.

Advanced systems utilize flexible data-driven testing to

ensure that lender loan packages are accurate and saleable on the secondary market. Now is the perfect time for lenders to lay a technological foundation that will help them cope with ever changing market conditions and regulatory requirements.

Fredric J. Gooch is an attorney and compliance expert for DocuTech Corp., a leading provider of compliant mortgage documents and services. He can be contacted by e-mail at fredg@docutechcorp.com

