

# The Optimum Data Folder Structure

## **A Recommendation from Calyx<sup>®</sup> Professional Services**

A PointCentral<sup>®</sup> data folder structure built on a solid foundation can have a huge impact on the long term functionality and efficiency of the installation. This document attempts to codify the results of years of collective experience of several Calyx insiders with Point<sup>®</sup> users and their installations. It is particularly focused on the ability of the data folder structure to increase the customer's odds of staying in compliance with the state and federal requirements that have become critical in the mortgage industry.

### **General Information**

#### **for All PointCentral Customers to Consider**

Considering the varied and problematical issues that arise from the current GFE, our near-universal recommendation is that an Originator not create the GFE until absolutely required. Most users should not use the Prospect side of a data folder, but should instead use status changes to accomplish the same thing in the Borrower side of Point. Maintaining files in Prospect status in Point provides a logical way to designate them as "non-disclosable" files. Then, once all six items exist that require RESPA disclosure, the originator changes the status to Application and completes the disclosures within three days. So, we now recommend that all loan activity be status-based and performed in the Borrower side of the program.

This division works particularly well when used in conjunction with business rules that assist the Originator in making that determination, and in signaling the change from Prospect to Application status. An occasional exception might occur for users who want to test situations in the Prospect side; but even here, rules relating to compliance would apply - just in case an Originator left a file there that required disclosure.

It would also be possible to use the Prospect side of the folder set for leads or other records of clients that were not yet in the loan process, thus using the Prospect side as a quasi contact management status for marketing purposes. Nevertheless, we do not generally recommend using PointCentral for long term retention of client information outside of the normal loan production flow; we are presuming that most users will want to use the data folder structure and loan status information to stay in compliance. Maintaining client information in the Prospect side requires the utmost care in maintaining the Prospect status without the potential audit risk of explaining why disclosure was not performed on these files.

### **Bankers**

#### **with Loan Officers, Processing, and Underwriting**

Our core customer base of mortgage banks includes Originators, Processors, and "back end" activity. These clients usually desire a heavy degree of control over access to files that have moved into active processing. This control can best be achieved by creating two data folders: one called Active Loans in Origination and another called Active Loans in Process. All files begin in the Active Loans in Origination folder. In the Active Loans in Origination folder, auto naming is accomplished and the

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transition from active lead to disclosable file occurs as the Borrower file moves from Prospect to Application status. Once the file is entered into the system, it will automatically be tested against business rules for completeness and accuracy. Only when the file status is changed from Submitted to Processing (passing through a filter of several business rules) will the Processor review the file. At the moment of acceptance by the Processor, the file is moved to the Active Loans in Processing folder set. The Prospect side of the Processing folder set in this three-folder system would never be used, with very rare exceptions.

We now have a system where files are originated in the Active Loans in Origination folder set, moved to the Active Loans in Processing folder set and finally archived in the annual archive folder set.

The Processing folder becomes a secure area where Originators no longer edit a file, but can review the file and still add to the Conversation Log. Underwriting, Closing, Shipping, Funding and Post Closing can all use this folder as well. Rules become the primary way to securitize files from unwanted editing by other users.

A word of caution: by now the deficiencies of the existing security and data folder structure become obvious. It is necessary to create a second folder to prevent unwanted file editing, unfortunately requiring us to create an entire separate data folder. It is possible with the careful application of rules to accomplish much of this security with a single folder, but for the most part, we still recommend a separate folder for originating and processing.

### Multi Branch Scenario

The two primary issues for multiple branch organizations are the need for separate company default address and dropdown information for different branch locations, and the common need to secure access to files to a particular group of individuals. In both cases, a separate data folder by branch is the only way to achieve these goals.

We recommend a separate Active Loans in Origination folder set for each Branch and a common Active Loans in Processing folder set for the entire enterprise. However, there will be occasions where a separate Active Loans in Processing will need to be established for some or all of the Branches. The net result can be a very large and complicated data folder structure if the organization is sufficiently large. Nevertheless, this recommended data folder structure will always be much simpler than many of the structures set up by users in the absence of our recommendations.

### Typical Small Office

#### with Ten Users or Less

Traditionally, Point always defaulted to a simple installation of a Primary Data Folder. Indeed, many Point users operated for years (and some continue to do so) with a single data folder for all of their storage requirements. This single data folder can form the basis of an efficient data folder structure for the smaller user. We recommend that a single data folder in a PontCentral installation be labeled

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Active Loans in Process; legacy Point users should rename their Primary Data Folder to Active Loans in Process.

The other requirement for a smaller office user is a place for loans that are no longer in process. We recommend a separate folder labeled [Year] Loan Archives, typically by year, in which three categories of loans are archived: Funded, Denied, and Cancelled. Any loan that is not an active file would have its status changed and moved to the archive folder. This archiving would be a given for Application files in the Borrower side of Point, but could also be used for Prospects that were cancelled or denied before becoming Applications. While there would not be a Closed Prospect file, there would be many files that were denied or cancelled while they were Prospects, since actions were taken within three days of the initial contact.

Archiving Prospect files is a convenient way to keep the Borrower folder free of files that are no longer active leads, allowing management to run an accurate pipeline report across both Prospect and Application statuses. Setting up a folder by year offers two advantages: first, by segmenting each year's activity for follow-up marketing purposes; and second, by streamlining the process for the required annual HMDA report.

The only real limitation of this two-folder system (Active Loans in Process and [Year] Loan Archives) is the inability to secure files from Originators when these files go into Processing. In many smaller operations, this inability is not a factor, and the simplicity of the two folder system is a compelling and common solution for many small office Point users.

## Conclusion

Setting up an effective data folder structure is always the first part of any new or migrating PointCentral installation. We should endeavor to be consistent in how data folder structure should be developed, as it forms the basis of many of the other tools including the effective use of template sets, business rules, and management reports.

It is easy to complicate the data folder structure, overlook the potential of the Prospect-to-Application status change as a strong contributing factor to RESPA disclosure compliance, or create a myriad of archive folders.

Calyx Professional Services can help condense the archiving requirements down to a single archive folder by year, teach you the effective use of status changes in the file, coupled with business rules and show you how to enforce file status accuracy when Post Closing moves a file into the archive folder.

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