

Traditional Mortgage Models Inadequate for Changing Industry Laws



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The mortgage industry has been under tremendous scrutiny for the past several years. For independent brokers and lending shops, changes that hit the news daily have them scrambling to develop rules and policies that enable them to comply. For banks, the struggle is a little different. There are already strict policies in place; banks just need to make sure the mortgage loan divisions are able to assimilate those practices with the technology available. Traditional core banking systems are inadequate for the seemingly indecipherable laws of the mortgage industry.

There currently is no effective all-in-one mortgage solution on the market. Many loan origination systems (LOS) offer end-to-end solutions, but they require third-party interfaces for some functionality – such as credit, closing documents, or floor certifications – to take each loan from application to sale. And while those third-party interfaces are essential for loan processing efficiency, it is the effectiveness of the core LOS that will determine how well a mortgage division thrives in its current environment. The key to proper integration with current compliance policies is to ensure that the LOS used is flexible and customizable to banks' procedures.

We all love the thought of implementing a solution that integrates seamlessly out of the box, but in reality,

blending the complexities of mortgage compliance with the intricate financial regulations in the banking industry requires a degree of customization and initial configuration. What works for one may not work for another. PointCentral from Calyx Software offers some out of the box functionality and starter rules, but then gives users the ability to custom-fit rules to suit specific business needs, or create personalized rules as needed. The flexibility of PointCentral is an important part of maintaining uniformity in compliance procedures.

Consider some of the most significant mortgage regulations that have been in the news over the past several months:

- **The Real Estate Settlement Procedures Act (RESPA)** is the guiding regulation for the Good Faith Estimate. RESPA includes a new definition of an application that would trigger a RESPA disclosure (GFE) in an effort to make fees more easily understandable to the borrower.
- **The Truth in Lending Act (TILA)** proposes the elimination of the yield spread premiums. Another major effect of this regulation is the definition of the annual percentage rate (APR). The TILA regulates what can be counted as finance charge and must be included in the APR.
- **The Mortgage Disclosure Improvement Act (MDIA)** dictates that the only fee that can be collected

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upfront, prior to a loan application, is a fee for the credit report. It also includes the 3/7/3 Rule, which means that the TIL disclosure must occur within three days of an application and loans cannot close within seven days of when the borrower was initially disclosed. If APR has changed with 0.125 percent or more, lenders must re-disclose the TIL form and wait an additional three days prior to closing the loan. Saturdays are included as a business day, and only Sundays and federal holidays are excluded.

Because these new laws are extremely confusing and seem to be changing monthly, it is hard to keep up with even the most basic of compliance regulations. Complying with these requirements requires more workflow control, and mortgage professionals are still trying to wade through the mountains of rules regarding fees and disclosures.

The use of PointCentral's rules engine alleviates compliance and control concerns. Dedicated rules by screen, field or user can keep mortgage divisions in line with company policies. The flexibility of rules and templates, hard stops and soft stops can be used to enforce consistent workflow among all users of the system. Functionality and fields can be required or disabled, depending on the needs of the individual division or bank. By implementing division-wide rules and procedures within the mortgage division's LOS, managers can breathe a sigh of relief – compliance management just got a little easier.

As a current user of server-based PointCentral says, "We can set up required fields so that we always receive complete documents, and we can also prevent mishandling of crucial company information with additional security fields."

Bottom line: One size will not fit all,

and you shouldn't have to change your policies to accommodate your LOS. However, you do need to be aware of your internal policies and processes in order to configure your system rules accordingly – using an LOS that is adaptable, and can accommodate the way you do business. PointCentral is effective, configurable, and easier to use. It's all you need – end to end. ♦



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while surfing the web with a vulnerable browser.

- It is estimated that as many as 3.6 million PCs in the U.S. may be infected with a Zeus variant.

See our blog for the best strategy to ensure your online banking activities are secure. Visit www.pivotpointsecurity.com/blogs, or call us at 1-888-PIVOTPOINT. ♦



John Verry, principal consultant for Pivot Point Security, has lead hundreds of high-profile security assessments across a diverse cross section of noteworthy systems in the government, telecommunications, critical infrastructure, finance and transportation sectors over the past nine years. Pivot Point Security is a leading provider of information security assessments with a particular focus on banks. For a partial list of banking clients, please visit www.pivotpointsecurity.com/clients/financial-services-banks.



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