

A SPECIAL LOOK AT ARE YOU IN COMPLIANCE?

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Compli-Ants Problems

By Eric Weinstein

default risk. Furthermore, many small and medium sized lenders won't be able to offer these products, accelerating the growth of the "Too Big to Fail" institutions and further limiting competition and consumer choice.

Lenders will also seek to counter the costs of implementing new regulatory requirements. In some cases, raising the cost to consumers to close loans will offset those costs. Others will utilize automation to eliminate as much waste as possible from the loan workflow. For many tasks in the mortgage process, automation is the best way to increase speed without sacrificing quality or cost.

For example, lenders can supplement their internal legal staff by automating the generation, printing and fulfillment of loan documents and disclosures. Today's top systems have checks in place that flag loans that fall outside of the defined legal regulations, preventing bad paperwork from making it to the closing table. If a faulty loan made it past closing, it could cost the lender thousands of dollars in potential buybacks from the investors, fines from regulatory agencies or potential lawsuits from consumers.

Automated document systems can take the burden of manually updating forms every time a regulation or rule is changed. This takes the guesswork out of generating the correct documents or disclosures. These systems can also create the needed reports for regulatory exams.

The CFPB at its best can be a positive force in the industry—protecting consumers while streamlining regulations that have often come from many different agencies. But the coming year will truly tell the tale of whether lenders are able to adequately prepare for the wave

I have been in the mortgage business for more than 20 years and am a bit of myrmecologist in my spare time. A myrmecologist is someone who studies ants, if you did not know. One day, I read about the famous myrmecologist, Ernesto Compli, who had discovered a new breed of ant. I had to have an ant farm of them for my office.

I must tell you about the time they got loose and almost destroyed my business. First, they got into my paperwork. They ate certain words on the template. After that, all my documentation had Compli-ants problems.

Then, I got a call from my local regulator who told me he heard some of my paperwork had compliance problems. I said, "You're not kidding me, ALL my paperwork has Compli-ants problems!" He said, "I will be right over, it will be fine." He was not kidding, once he was done, I had to pay a whopping fine.

Compli-ants problems are not just making sure your paperwork is in order. Once loose, Compli-ants problems can quickly spread to other systems. Certain procedures set in place often breakdown, and you don't know they aren't working properly it is too late. Let's take the Good Faith Estimate (GFE) as an example.

We had automated our GFE on our loan origination software (LOS). When the tax rate changed in our jurisdiction, no one was monitoring the system while those pesky Compli-ants started infesting it. Only when we started paying "tolerance cures" did we notice the problem. It would have been cheaper fixing the problem early on, if we had been paying attention.

Now that all my Compli-ants problems are over, I have joined the Williamsburg Ant Society Protectorate. I have started advertising to our membership. Our motto is "Come get a mortgage if you are a WASP." What could go wrong?

Eric Weinstein worked in banking, on the commercial real estate side until 1991, when he fell in love with residential lending. In 1995, he started a small mortgage company in his basement called Carteret Mortgage Corporation, which in 2003, grew to one of the largest mortgage broker companies in the United States. These days, Eric is semi-retired, doing mortgages by referral only. As he likes to put it, "He is either saving people money per month or helping them buy a new home. What a great job!" He may be reached by phone at (703) 505-8692 or e-mail eweinstein4u@gmail.com.

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