Bringing “Non-Intrusive Compliance” to the Mortgage Mainstream with CRM Technology

Article by Paul Zoukis
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While there continues to be a great deal of uncertainty surrounding the implementation of the CFPB’s rules for mortgage origination and the penalties that will be imposed for non-compliance, as an industry we need to avoid being lulled to sleep. As has been true in other lending areas, once the regulations are firmly established the penalties can be expected to be harsh. For example, recently in Texas a payday lender was forced to accept a $10 million settlement for ill-advised sales practices. Now is the time to avoid the risk of regulatory calamity by taking preventative action to establish the proper processes and procedures to ensure compliance. The good news is this can be done without a massive disruption of sales. In fact, if done properly, the very solutions that enable compliance can actually drive production. It really is a question of understanding what is truly required and then making the necessary operational, technological and cultural changes.

So what is the challenge? While voluminous, the rules as they relate to the marketing and sale of mortgages can be synthesized down to four simple requirements: ensure the prospective borrower has adequate financial capacity; propose products that address the concerns and objectives identified by the consumer; make sure the prospective borrower can understand the proposed products and options; and make sure similarly situated prospects are treated the same way regardless of where and with whom they interact.

When viewed in this light, regulation becomes an enabler rather than a barrier to sales, quickening the loan process, increasing loan officer productivity, and raising borrower satisfaction. Contrary to general opinion, the self-interests of the borrower, loan officer, lender and regulator are actually in alignment and not antagonistic. However, meeting these objectives and maintaining this alignment takes com-
The reality is that the origination process is fraught with regulatory peril. It is all too easy to make mistakes given the diversity of the products and the potential lack of financial sophistication among prospect borrowers. And non-compliance need not be intentional. For example, without the proper “inventory control,” a previously compliant but now outdated flyer can easily become a liability, as product, rates and disclosure requirements change over time. The problem is rapidly compounding as social media and mobile devices expand our ability to interact with consumers – with many, if not most, of the interactions being subject to regulation. Now more than ever it is critical that lenders move beyond good intentions and make a demonstrable commitment to compliance by implementing systemic policies, procedures and controls that ensure their ability to maintain compliance. To see why in practical terms, let’s imagine two widely divergent scenarios.

In both scenarios, the auditors arrive on the scene and immediately demand to see every regulated consumer communication: all your flyers, brochures, ads, sales presentations – everything. In scenario one, this sets off a chaotic mad scramble. Personnel across the organization struggle to produce the required documents. Potentially worse, the regulators want to see specific types of materials or materials by location and/or recipient. Despite the cost and effort applied, significant gaps ultimately are found with only incomplete audit trails available. While the chaos and costs are bad, the perceived lack of corporate commitment to compliance is worse. But even this pales in comparison to the discovery that the lender’s loan officers were operating independently and without direction or control. Among discoveries are unapproved communications containing improper “trigger terms,” marketing collateral lacking appropriate disclosures, proposals based on subjective, apparently discriminatory product selection, and more.

Now let’s look at the second alternative. All marketing and sales activities have been captured and are available to support an audit. Depending on the request, the lender’s response can be tailored by time, type of materials, LO or consumer involved, or more broadly by organizational unit. Response is rapid and properly organized. The cost, time and complexity of the audit are substantially reduced to the benefit of both the lender and the auditors. The perception established is one of a serious, demonstrable commitment to compliance.

But more important is what the auditor finds: trigger terms, disclosures and other mandated information properly applied, marketing collateral uniformly reviewed and approved, with an audit trail from creation to publication; products objectively selected based on mortgage loan officer real time interaction with the lender’s pricing engine and then presented in a clear, consumer-friendly fashion; consistency throughout the production process, with documented rationale for deviations. And if the auditor were to explore further, higher volume and greater customer satisfaction.

So, how was the alignment of self-interests maintained and scenario two accomplished?

The cornerstone is a comprehensive Customer Relationship Management (CRM) solution that ensures the lender is able to sell effectively while meeting its regulatory compliance obligations. To do this, the CRM must move far beyond simple contact management and automated contact marketing to provide a comprehensive view of the prospective borrower that assures the CFPB’s consumer-centric requirements are met, and that all consumer interactions can be documented. This means that in every instance the lender needs to be able to establish the four essential CFPB requirements of eligibility, suitability, clarity and consistency, and do so regardless of whether the customer is in the office, contacting a call center, browsing a website or using their cell phone.

As your organization begins to explore CRM alternatives, it is important to keep the following considerations in mind:

- Loan officers are the keys to both your revenue and compliance. A failure to provide a solution that meets their needs will fail. The best way to approach this is to look for solutions that are native to the mortgage industry and have been designed and developed to support the point-of-sale and work cooperatively and seamlessly with your other production systems, notably your disclosure system and loan origination system.

- Data is everything. From both a sales effectiveness and compliance perspective, the more you know about the prospective borrower the better. Be-
coming “consumer-centric” to the greatest extent possible is the foundation of a true CRM. This means the CRM you choose must be able in real time to draw on data residing in your LOS, pricing engines, and other internal systems, as well as third party sources for leads, credit scores, closing costs, market comparisons etc.

- Efficiency alone should pay for the solution. A great CRM is built on fully automating the sales process. By eliminating redundant activities like data rekeying and toggling between systems, time and effort is saved. By automating consumer notifications and application status, reporting time and effort is saved. By triggering marketing and sales actions without MLO intervention, time and effort is saved. Collectively, this materially improves productivity, increases sales bandwidth and provides a significant boost to recruiting.

- Don’t end up being the integrator. When you set out to buy a great automobile you don’t think about assembling the chassis, engine, transmission, electronics, body and other components yourself; but sometimes that’s a temptation in buying technology. You see a great feature in a point solution (or two) that you really love and then next thing you know it’s up to your IT staff to make everything work together. While the lack of a critical feature should never be ignored, the charm of a few features should never outweigh the operational and financial benefits of a true integration.

- Don’t be trapped in a technical canyon. When reviewing your options make sure that you aren’t being led into a technical canyon from which there is no return. Just look at the changes that have required incorporation into the production process in just the last decade – call centers, websites, kiosks, tablets and now smart phones. This will not end; in fact, given the demographics involved, the pressure to assimilate new technology will only increase.

- It’s not just compliance. A great CRM will provide you with the controls and infrastructure necessary to ensure compliance, but don’t stop there. These capabilities also provide you with the ability to assign roles, implement business rules and establish processes that can allow you to develop and protect a unique corporate brand, as well as operate your business as you determine is best, given your organizational objectives. Don’t let an inflexible solution limit your options.

- But compliance is key. Many of the lenders I meet with are focused entirely on marketing collateral, often with an emphasis on gaining more control over items like co-branded open house flyers. While important, this is insufficient. There simply is no such thing as partial compliance or almost being compliant. Instead, compliance requires production-wide control and archiving of all marketing and sales activities. Anything less leaves you with significant exposure. And of course, as we mentioned above, for operational, financial and perceptional reasons, any solution should provide efficient and effective audit support.

- CRM is not just for the rich or only affordable when the market booms. Initially, CRM was an expensive endeavor requiring the purchase of software, hardware and an IT support team. Today, CRM solutions are available under the Software-as-a-Service (SaaS) model which puts this powerful technology within the reach of any lender, regardless of size. The only pitfall now is when a lender tries to adapt a generic, cross-industry CRM solution to meet the needs of the mortgage industry, an effort that can quickly exceed $1 million. At Vantage Production, we have even introduced a concept called “Lender’s Choice” pricing that allows the customer to pick its own price per closed loan based on its expected loan volumes, which can change as the market ebbs and flows.

So, the bad news is that growing regulation will continue to be part of our industry’s reality. The great news is that the same technology that can bring focus to your marketing efforts, produce and manage your collateral, build and maintain your brand, drive conversion by selecting the most appropriate product and developing the most effective presentation – while increasing productivity across the organization – can also non-intrusively ensure you are compliant. There is no alternative; CRM is the undisputed catalyst for change in every aspect of mortgage production.

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