

I before E to focus on C

Using Imaged Documents and Electronic Documents for a Comprehensive Paperless Strategy

Everton Morris, Fifth Third Bank

Alison Bettisworth, MidAmerica Bank

Karen Pearson, Navy Federal Credit Union

Moderated by

Kim Weaver, Fiserv Lending Solutions

I before E to focus on C

Introduction

Moderated by Kim Weaver,
Vice President, Product Management

Fiserv Lending Solutions

Kim.Weaver@fiserv.com

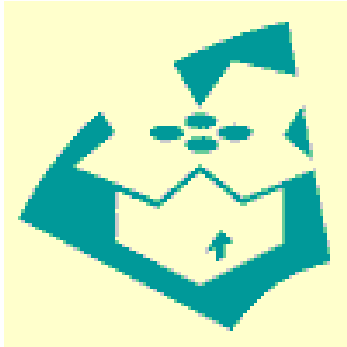


- **Panel Overview**
- **Making the Business Case for Imaging**
- **Paperless Processing: A Case Study**
- **Using Electronic Documents**
- **Putting It All Together: Imaged Documents and Electronic Documents**

Agreeing on Definitions

- **Imaged Document:**
 - Scanned from paper original (signed or unsigned)
 - Generally in TIFF format
 - Can be in other image format (.jpg, .gif)
- **Electronic Document:**
 - Created electronically
 - Stays in electronic format throughout document lifecycle (was never in paper form)
 - Signed electronically (if document is signed)
 - May be in certain format (e.g. SMARTDocument eNote)

The Value of Electronic Documents



- **The lending process is an assembly line:**
 - high fall out
 - no payment guarantee until closed/delivered
 - volume driven
- **Lenders improve the assembly line when they have:**
 - More accurate, higher quality processes
 - Faster process execution
 - More process automation

The Typical Collateral/Servicing Loan File

Loan Application
Initial Disclosures
Credit Report
Credit Explanation Letter
Bankruptcy/Divorce Decree/Etc.
Paystubs and/or Income Verification
Tax Returns (if applicable)
Bank Statements/Asset Verification

AVM
Appraisal
Flood Certification
Title Binder
Closing Documents
Collateral (Note etc.)
Recorded Security Instrument
Title Policy
MI Certificate (if applicable)

I before E to focus on C

The Business Case for Imaging

Everton Morris

Vice President

Consumer Lending

Everton.Morris@53.com



Fifth Third Overview

- **100+ Billion in Assets**
- **Headquartered in Cincinnati, OH**
 - 21 Affiliates covering 22 states
- **Total Mortgage Origination \$9.4 Billion**
 - Retail
 - Wholesale
 - Direct



Deciding Factors for Implementing Imaging

- **Senior Leadership's positive prior experience with imaging**
- **Desire to quickly grow Wholesale business**
- **Technology Timing**
 - Need to create efficiencies in a down market
 - Ability to scale in a growing market
 - Foundation for future technologies
- **Multiple Centers with multiple processes**
- **Which option to choose?**
 - Build integration internally to a 3rd party system
 - Bring in "another" imaging system
- **Compelling Business Case**

2006 Fifth Third Environmental factors

- **Created a comprehensive Business Case Document that dove deep into:**
 - Origination through Servicing/Storage processes
 - Technology
 - Business Process Improvements possibilities
 - Considerations of efficiencies at every touch point
 - Spend vs Save
 - Project planning and execution
- **Management Commitment in '07 budget and beyond**

Implementation Approach

- **Two phased approach**
 - Each phase has its unique ROI
 - Each phase has a 12 month payback
- **Delivers on the following:**
 - Advanced enabling technology – end-to-end paperless
 - Defines efficiencies in process and job role
 - Standardizes processes across multiple centers
 - Provides real-time metrics/ view globally and locally
 - Ability to load balance and move work based on need

Using Imaging from Point of Sale

- **The earlier we were electronic in the overall origination process, the more costs that could be reduced:**
 - Courier costs
 - Supply costs
 - Long term storage costs= Resulting in a significantly reduced processing cost per loan
- **The earlier we were electronic in the overall origination process, the more efficient we could be:**
 - Faster response time to Brokers & Borrowers
 - Leverage LOS workflow features for automated processing
 - Mistakes found sooner
 - Shorter time to close
 - Follow-up is easier= Resulting in enhanced customer service

Our Goals in Implementing Imaging

- Paperless processing of 6,000+ loans/month with less resources than before
- Cost per loan significantly reduced
- Post-Close centrally
- Provide brokers with an industry leading portal
- Evaluate employee performance with measurable SLA's
- Provide foundation for future technologies

I before E to focus on C

Paperless Processing: An Imaging Case Study

Alison Bettisworth

1st Vice President

Systems & Technology

Alison.Bettisworth@MidAmericaBank.com

MidAmerica
Bank

MidAmerica Bank Overview

- **\$11.3 Billion in Assets**
- **Located in Western Suburbs of Chicago and Suburban Milwaukee**
- **Retail 1st Mortgage Origination \$1.8 Billion**
- **Retail 2nd Mortgage Origination \$1 Billion**

Our Previous Uses of Imaging

- **Back End Imaging for 15 years**
 - Started with Paid Off Loan Documents
 - Migrated to Closed Loan Documents
- **Imaging in Other Departments**
 - Reports
 - Checks and Statements

Our Imaging System Selection Process

- **Timeline from initial review to selection of Vendor was 6 months**
- **Engaged a consulting firm that are experts in workflow processes and imaging in a loan operation**
- **Needed to blend current image capture technology with a new document storage solution**
- **Determined that workflow processes would be driven from the Loan Tracking system, and not the imaging system**

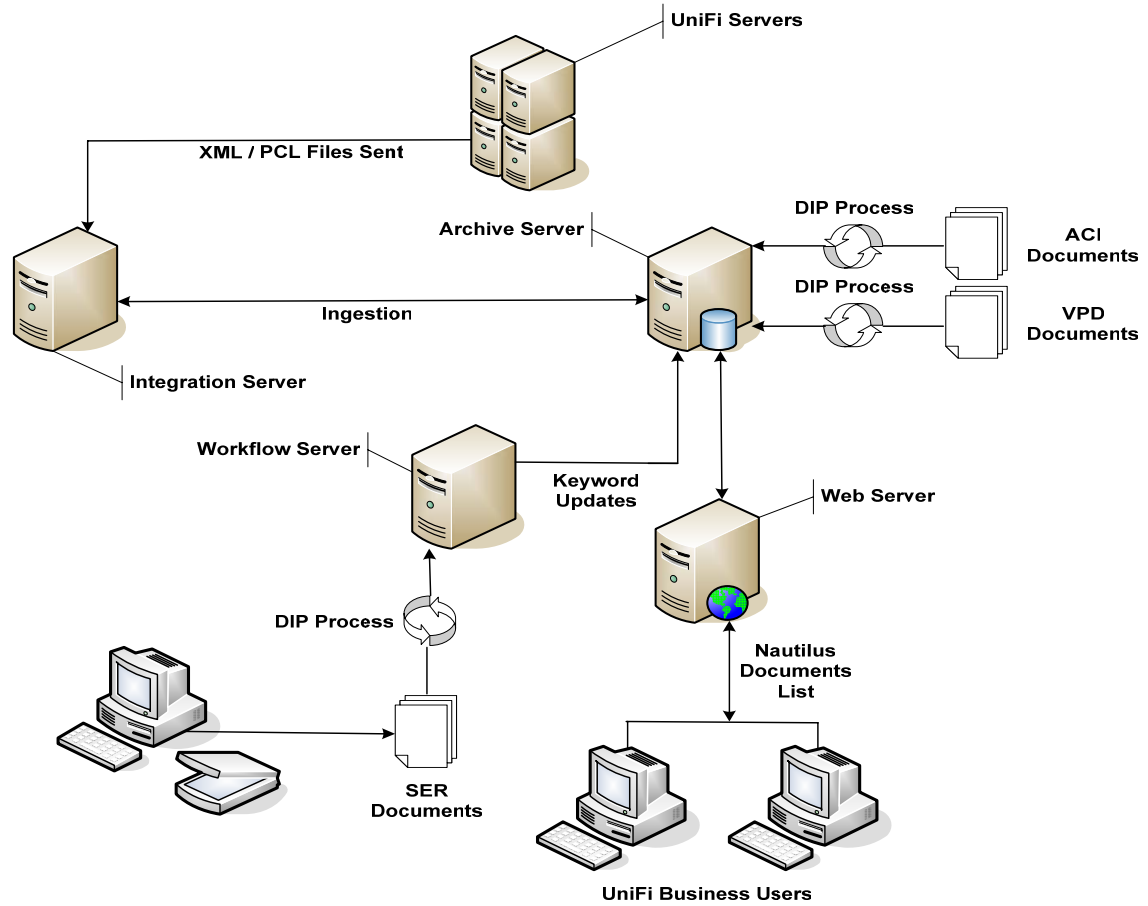
Preparing for Implementation

- **Completed Workflow Analysis of the Loan Life Cycle**
- **Started with the backend processes to determine what could be enhanced upstream**
- **Identified what were Operational or Automation Opportunities**
- **Recognized that the changes in the Operational processes were as, if not more, important as the Automation**
- **Paperless required workflow management for the Processing Teams**
- **Management Notifications via Automated Queues**

Implementation

- **Built checks and balances in the LOS (UniFi Pro) throughout the process**
- **Created queues from events triggered by: dates, application status and from notifications fed by Nautilus when documents were received or not received**
- **Converted checklists to online processes**
- **Leveraged the Technology already in place:**
 - SER Capture for scanning
 - Distiller for OCR
 - Added the Fiserv Nautilus storage and workflow engine
 - with UniFi LOS integration
- **Imaging centralized in Illinois as a real time application riding on a Gigaman**
 - Along with a real time operation in Wisconsin riding along 4 bonded T1s

Business Efficiencies Gained



global e strategies

Paperless From Point of Sale:

- **Imaging affects all aspects of the Loan Process from Loan Origination through Loan Servicing**
- **Documents are ingested in by:**
 - Scanning in a centralized scanning department
 - Automatically ingested:
 - When printed from the Loan Processing System
 - When sent in by a third party vendor
 - Drag and Dropped in by an Employee through a Virtual Print Tool
- **Access to a loan file is solely through the Imaging System**

The Return on Our Imaging Investment

- **Reduced timelines for delivery and review of external documents by accepting them directly into the System**
 - Such As Appraisal Time from receipt to availability was reduced from days to minutes
- **Near real time on-line availability of loan documents**
 - Eliminating Mail delivery time by either couriers or internal mail rooms
- **Timely filing of e-mails and faxes**
 - Each person can drag and drop their faxes, emails into the system
- **Combined job duties – less people able to complete more job functions**
 - Processors complete closing packages, Post Closers review closing packages before they are sent
- **Managers can be more proactive rather than reactive**
 - Workflow notification can have several levels of escalation

Considerations for your Imaging Initiative

- **Imaging Operations can be sized for the Business Need**
- **Leverage the Imaging initiatives already in place in other areas of the Operation**
- **Excellent solution for Business Continuity Planning**
- **Consider the following as you plan going forward:**
 - Executive Sponsorship required
 - Analysis of existing workflow & target areas of improvement
 - Balance of business & technical teams
 - Perform cost benefits analysis & assess risks
 - Determine regulatory impacts
 - Design & execute plan for integration
 - Measure results of implementation

I before E to focus on C

Case Studies in Using Electronic Documents

Karen Pearson

ASVP, Projects & Automated Systems

Navy Federal Credit Union

Karen_Pearson@NavyFederal.org



Navy Federal Credit Union Overview

- **World's Largest Credit Union**
- **\$27 Billion in Assets**
- **\$25 Billion in Mortgage Loans Serviced**
 - \$20 Billion in 1st Mortgages
 - \$ 5 Billion in 2nd Mortgages
- **Over 2.8 Million Members – deployed all over the world**
- **Retail 1st Mortgage Origination \$5 Billion**
- **Retail 2nd Mortgage Origination \$3 Billion**

Our Interest in Electronic Documents

- **Already using imaging**
 - Image loan file after closing
 - Main access during servicing is to imaged file
- **Main drivers for using electronic documents**
 - Increased customer service/efficiency to members
 - Anytime, anywhere access for members
 - Speed of delivery/return from members
 - Lowers internal costs
- **Our use of electronic documents**
 - eClosing
 - eRecording
 - Initial Disclosures

Use of Electronic Documents for eClosing

- **2004 -- Began selling eNotes to Fannie Mae**
 - Used SMARTDocument Category 1 eNotes
 - Included electronic signing of other closing documents
- **Main Drivers to use eClosing processes:**
 - Able to adjust to members' needs AT CLOSING TABLE
 - Speed from closing table to funding loan for member
 - Faster investor delivery
 - Eliminate closing table “handwritten modifications” to documents
 - Use of Electronic Quality Control (eQC)

Use of Electronic Documents for eClosing – What We Learned

- **Borrower Acceptance of Process**
 - Began with offering incentive to participate
 - Found that members saw benefits of process compelling even without incentive
 - Less documents to sign at closing (combined documents when possible)
- **Electronic Quality Control methods very beneficial**
- **Need to expand eNote forms available**
- **Plan for MERS eRegistry servicing updates**

Use of Electronic Documents for eRecording

- **2000 – Began eRecording activities**
 - Used primarily for lien releases
 - Began with Fairfax County, VA (high volume county for our servicing portfolio distribution)
- **Main Drivers to use eRecording processes:**
 - Faster internal method to release liens
 - Improved compliance with timing for releases
 - Instant gratification in receiving recorded releases
 - Increased member satisfaction with speed of process

Use of Electronic Documents for eRecording – What We Learned

- **Our staff, and the counties we work with, love this process**
- **Eliminates human error in release preparation**
- **Counties paid faster; and without errors**
- **Even with limited use in limited counties, still an effective ROI**

Use of Electronic Documents for Initial Disclosures

- **2007 – Began pilot**
 - Electronically deliver initial disclosures to members with eSignature option
 - Process also includes options for members to print for ink signature and receive view only documents
 - Process includes re-disclosures/distribution of all pre-closing documents to members
 - Using for mortgage and equity loans
- **Main drivers for use this process:**
 - Anytime, anywhere access for members
 - Loan processor time savings
 - Integrated into our LOS
 - Reduces manual steps

Use of Electronic Documents for Initial Disclosures – What We Are Learning

- **Loan Processors/Officers very excited about efficiency gains**
 - Instant, secure delivery
 - Even with member on the phone
- **Possibilities for automating all disclosure delivery to members, and automated “receipt” workflow for tracking**
- **Don’t forget about:**
 - Booklets (RESPA/HUD-1 Settlement Costs; CHARM booklet, etc.)
 - FACT Act disclosure
- **Planning to receive signed copies into our imaging system**

Conclusion – Bringing It All Together

- **Now we're working to bring everything into one cohesive solution:**
 - Imaging investment and workflow
 - eClosing
 - eRecording
 - Electronic disclosures
- **And make it a solution that provides:**
 - Integrated workflow for all documents
 - Access to all documents in one place
 - The use of electronic documents wherever possible, and imaged documents for all other documents
 - A fully paperless environment

I before E to focus on C

Panel Summary

Moderated by Kim Weaver,
Vice President, Product Management
Fiserv Lending Solutions



Using Electronic Documents Post Closing

- **Investor and Servicer Paperless Delivery**
 - Many investors now offering expedited delivery option by accepting imaged files
 - Multiple solutions on the market make it affordable for all lender sizes
 - MISMO Document Classifications make it easier to exchange documents using common standard
 - Next step is to expedite actual funding by replacing paper note with an eNote!
- **Expanding support for Guarantor/Other Party Paperless Delivery**
 - VA, FHA, RHD, MI Companies, etc.

“I” before “E” except after “C”?

- **Current investment**

- Imaging is not a prerequisite for beginning to use electronic documents
- Electronic documents are a natural progression if you are already imaging
- If your interest is in electronic documents, you still need to plan for imaged documents because not all documents will ever be in natively electronic format

- **Customer service**

- Both imaged and electronic documents present benefits to your internal and external customers

- **Cost savings**

- Quantifiable, measurable savings for the use of both imaged and electronic documents
 - Internal savings: time and labor, hard costs
 - Savings in secondary market loan delivery

The Use of the Word “eMortgage”

- **As an adjective**
 - An electronic sub-process in mortgage loan origination
 - The most popular marketing adjective in our industry right now!
- **As a noun:**
 - At a minimum, an eNote that is created, signed and delivered to the secondary market electronically
 - At a maximum, a loan created electronically...paperless origination

Fiserv's Favorite eMortgage Myths

1. You have to be completely paperless to get any ROI.
2. Consumers won't sign electronically.
3. Investors are not buying eMortgages today.
4. You can't get them recorded electronically, anyway.
5. It will be too expensive to re-engineer my business processes.
6. **No one else is doing it.**

Questions?

Thank you!

global  strategies