



# **Beyond the Basics Expanding Document Exception Expertise**

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September 22, 2008

## My Experience as a Lender . . .

### . . . *Using Settlement Agents (1990 - 2003)*

- Borrowers disputed terms at closing  
*Surprised by fees & conditions at the closing table*
- Closing Instructions not followed  
*Changes made to critical docs (e.g. Right to Cancel)*
- Signed closing packages had defects  
*Full-time post-closing cure department*  
*Settlement Agents operated like they were “off the hook”*
- Mobile Signing Agent Made a Bad Impression  
*Showed up in a **C**lown costume*



1. 35% Rush Closings ⇒ 11<sup>th</sup> hour changes with errors
2. Borrowers go in blind ⇒ fees, terms & documents
3. Closing delays ⇒ 75% result from fee & term disputes
4. Lender Closing Instructions ⇒ way too long & cumbersome
5. 25 - 40% closings ⇒ come back with defects
6. \$75 - \$125 ⇒ lender's labor & third party cost to cure
7. Final doc backlog ⇒ lender has little or no leverage
8. Typical borrower experience ⇒ Hassle!

## Settlement Agent:

- 👍 Rush closing is the exception
- 👍 Receive complete & accurate closing docs
- 👍 11<sup>th</sup> hour change rarely happens
- 👍 Borrower understand fees, terms & conditions
- 👍 Short, easy-to-follow Closing Instructions

## Lender (Post Closing):

- 👍 Receive signed docs with no mark-ups
- 👍 Defect-free closing package - 95%
- 👍 Signed closing package received within rescission period
- 👍 Loan funds on time
- 👍 Timely receipt of final docs
- 👍 Borrower delighted by experience

## Prudential Home Mortgage - *Early 1990s*

### Special Project – **Closing Agent Manual**

#### Objective

Dramatically reduce closing defects - get settlement agents to follow closing instructions

#### Cost of Project

\$ Millions

#### Results

No improvement!

## Frustrated as a Lender . . . In 1999, we . . .

- Created our own in-house closing service
- Close-by-Phone (Refi's & Home Equities)
- Goals:
  - Fewer defects (under 10%)
  - Satisfied borrowers (95% would recommend us)
  - On-time fundings (98% of the time)
- **Success!** Met and exceeded our expectations

Defects ⇒ 7%

Satisfaction ⇒ 98%

Fund on-time ⇒ 99.7%

## Paradigm Shift in how loans are closed:

1. Confirm final terms with borrower before closing
2. QA closing docs before closing ⇒ Pre-Closing Audit Checklist
3. Hold Settlement Agents (Closers) accountable:
  - a. Measure quality ⇒ Service Level Guarantees
  - b. Audit closing docs ⇒ Post-Closing Audit Checklist
  - c. Cure defects found ⇒ At Settlement Agent's expense
  - d. Pay-for-performance ⇒ clean, on-time closing package

## Paradigm Shift in how loans are closed:

Continued

4. Simplify Lender Closing Instructions ⇒ KISS Principle
5. Collaborate ⇒ Settlement Agent extension of Lender
6. Measure satisfaction ⇒ Borrower Satisfaction Survey
7. Implement imaging! ⇒ Reduce cycle times by 25 - 50%
8. Implement e-Closing solution! ⇒ Dramatically reduce defects