



# Outsource Relations



The Top Ten Reasons Why  
We Go Grey Early,  
Pull Our Hair Out  
And . . .

Drink Heavily





\*Seller Assignments

“Where Are They???”

\*Trailing Docs

“The Psychic Custodian”

\*Exceptions

“Real vs. Imagined”

\*Exception Clearing

“Consult Gypsy”



\*Data Fields

“True Anger Management”

\*Contracts

“Who’s Deal Is It”

\*Due Diligence

“You Need Space?”

\*Fires

“Got A Magic Wand?”



\*Signatures

“Oops! They’re on  
Vacation”

\*Where’s the Check?

“What?”

PS. These are NOT listed in  
order of importance!



# Why Do You Need A Vendor A Lenders Perspective

- ◆ Vendors & Technology
- ◆ Specialists
- ◆ Cost effective vs. temps/new employees
  - Training/responsibility
  - True cost of full time employees/benefits



# Different Vendor Services

- ◆ Document Recovery
- ◆ Document Preparation
- ◆ Government Insuring
- ◆ Research for defunct banks & lenders
- ◆ Funding Audit
- ◆ Fraud Audit
- ◆ Document Compliance Management



# Initial Interview Steps

- ◆ Telephone Interview
- ◆ Knowledge of Rep & Authority Level
- ◆ Company Details
  - Staying power/time in business
  - Volume capacity/expansion ability
  - Financials
  - Bonded & Insured
  - Confidentiality & Privacy Policies



# Finalizing Your Choice

- ◆ Meet Representative in Person
  - Personality, Knowledge, Integrity
- ◆ Background Check of Officers
  - (MARI Report)
- ◆ Resumes of Pertinent Staff
  - True Mortgage Banking Experience



- ◆ Current Client List/References
- ◆ Onsite Visit
  - How do they store files
  - Do they screen their employees
  - Technical Security
  - Operation Management
    - contacts & availability



## ◆ Best Practices for Delivery

- Quality
- Time Lines
- Performance
- Reporting



# Types of Contracts

- ◆ Flow
- ◆ Project
- ◆ Win-Win Pricing & Procedure
  - Best price isn't always best choice!



# Value Added

- ◆ What Constitutes “Superior” Service
  - Up to date county & state regulatory Info.
  - Technology
  - National and Regional Advantages



# Contracts & Work Scopes

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# WHAT IS A CONTRACT?



An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law.



# What Should A Contract Include?

The key components of a contract should include the following articles:

- Responsibilities and obligations
- Representations and warranties
- Indemnification and limitations
- Term and termination
- Fees and invoicing
- General provisions



# Responsibilities and Obligations

- Scope of services
  - Services agreed to by parties for which the vendor will provide services on a non-exclusive basis to company and company shall accept and pay for services in accordance to the terms and conditions as set forth in the agreement



# Responsibilities and Obligations

- ◆ Responsibilities of both parties
  - Perform services in a professional and workmanlike manner
  - Protect and maintain the privacy and security of the data and information
  - Comply with all applicable laws, statutes, regulations,
  - Cooperate in good faith with client to address and resolve issues



# Contract Performance

- ◆ Identify performance measurements
  - Vendor Turn Times
  - Vendor Capacity
  - Trial Performance/Sampling
  - Eliminating Extra Steps
  - Schedule Conference Calls
  - Reporting



# Representations and Warranties

- ◆ Both parties duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization
- ◆ Both parties duly authorized by corporate action
- ◆ Agreement constitutes valid and binding obligation to the extent enforceability may be limited by bankruptcy, insolvency or other similar law affecting creditors' rights generally
- ◆ There is no conflict that would violate
  - Any provision of law applicable to it
  - The terms of any agreement or contract to which a party is bound or violate its charters, by-laws or other organizational documents



# Representations and Warranties

- ◆ Each party has all necessary licenses, permits, or waivers thereof, necessary to carry out its obligations and responsibilities as set for in the agreement
- ◆ If client is a financial institution, then each party will handle all information of the other party in compliance with the requirements of the Gramm-Leach-Bliley Act (15U.S.C. Sections 6801-6805)



# Indemnification and Limitations

## ◆ Indemnification

- The action of compensating for loss or damages sustained
  - The contract should address the indemnification of both parties
- Limitations of Liability
  - The type, maximum amount of damages recoverable, and time during which action may be brought in the event of a breach of contract by either party



# Term and Termination

- ◆ The articles for term and termination set forth for both parties, the conditions for the term of the agreement and termination thereof
  - Term of the agreement
  - Causes for termination
  - Notification requirements for termination
  - Period of time allowed to cure
  - Obligations of outstanding fees
  - Provisions for renewal and extension



# Fees and Invoicing

- ◆ The contract should identify all fees associated with each service set forth within the agreement. Clients should review the contract in detail to identify all “hidden fees”
- ◆ Contract should clearly define method of invoicing and term of payment



# General Provisions

Some of the Sections found within the Articles of General Provisions are:

- ◆ Successors and Assigns
  - Generally, an agreement can not be transferred, pledged, or assigned without obtaining prior written consent of the other party
- ◆ Confidentiality
  - In the course of promoting and providing a service, both parties may receive or obtain information relating to the other party or its products and services which it knows or should know is to be held in strict confidence



# General Provisions

## ◆ Proprietary Interest

- All work prepared by a vendor for a client or at the direction of a client shall become the sole property of client. The client is responsible for setting forth the terms of use and disposal of the work product. If client fails to give direction, then the vendor generally has the right to dispose of said property as it sees fit

## ◆ Additional Terms, Conditions and Limitations

- Any additional terms, conditions and limitations found within the exhibit or schedule to the contract shall prevail in the event of a conflict between the terms, conditions, obligations, liability or limitations thereof



# Work Scopes

- ◆ Work Scopes are typically set forth as an exhibit or schedule to the agreement
- ◆ Work Scope defines the work flow and processes to be performed by each party
- ◆ Client should be aware of anything that is not compatible with their internal operating procedures or investor requirements



## Performance & Compliance With the Contract

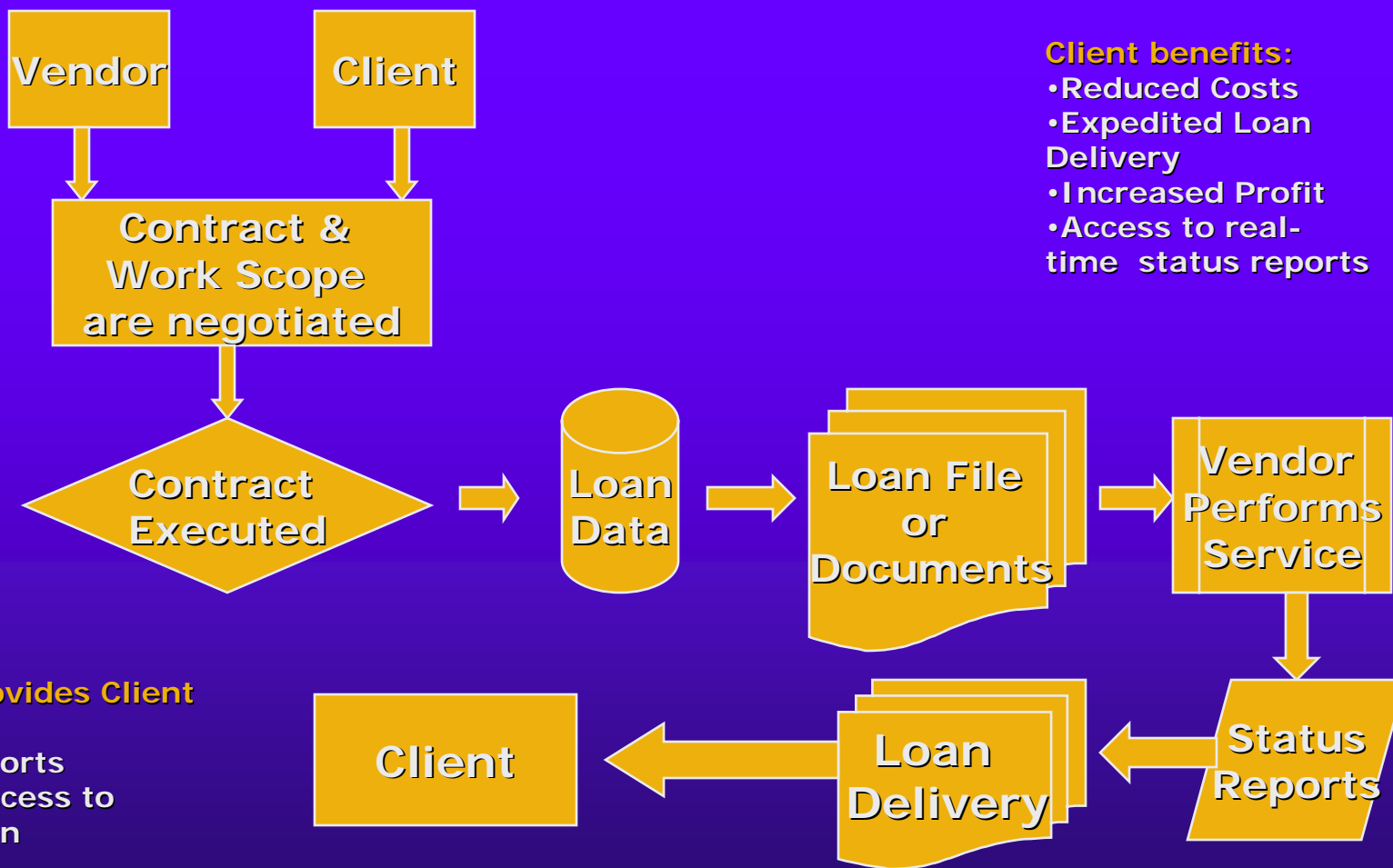
- ◆ Performance measurements and delivery expectations should be clearly defined and set forth within the “Work Scope” of the Contract
- ◆ Compliance with the terms of a contract is the responsibility of both parties



# Performance & Compliance With the Contract

- ◆ Identify the measurements of performance
  - Know the vendor's turn time, capacity and quality control measurements
  - Set up a trial performance to ensure the vendor can meet your expectations
  - Perform quality control – establish an acceptable performance level

# Outsource Work Flow



## Client benefits:

- Reduced Costs
- Expedited Loan Delivery
- Increased Profit
- Access to real-time status reports

Vendor provides Client with:

- Status Reports
- On-Line Access to Information
- Loan Data
- Electronic Delivery of Imaged Loan File
- Investor Delivery



# Questions