

Paperless Lending

The Good, the Bad, and the Ugly

Meet your Lending Experts



Lorraine Stewart
VP - Mortgage Lending
BECU



Julia Aquilar
VP - Lending
Park Community CU



Nick Foster-Mann
Assistant Compliance Officer
ServU FCU



Marleah Brenning
AVP - Consumer Lending
ServU FCU



Paperless Mortgages at BECU



Lorraine Stewart
VP - Mortgage Lending

BECU Mortgage Business Profile

- 2016 volume = \$1.59B / 6,080 units
- 10 state lending footprint
- 203 total FTE
- Transition to paperless mortgages in 2006
- First eClosing in 2007



Why Paperless and eClosing?

- Better member experience
- Efficiencies
- Flexible workforce model
- Faster delivery
- Security
- Environmental footprint
- Marketplace differentiator



Implementation

- Committed business partners
- Executive support
- Understand how the organization reacts to change
- Balance industry best practices and the organization's unique culture and capabilities
- Phased vs. big bang
- Hybrid vs. fully digital



Continuous Evaluation

- Technology
- Business environment
- Regulatory environment
- Member demographics and needs



Thank You!



Questions for Lorraine?



Paperless Mortgage

Park Community Credit Union



Julia Aquilar
VP - Lending

Mortgage Department Snapshot

- \$73M in first mortgage volume in 2016
- \$25M in 2nd/heloc mortgage volume in 2016
- Centralized origination, underwriting, processing and closing
- 3 Originators, 3 Processors/Closers & 2 Underwriters
- MortgageBot – Origination and Processing System
- IDS – Document Provider

Implementation Process

- Investigation
- Initial Disclosures
- First Mortgage Preapprovals
- One Processor Pilot
- Total Roll-Out

Sample File Info Sheet

File Info Sheet [Compatibility Mode] - Word

FILE HOME INSERT DESIGN PAGE LAYOUT REFERENCES MAILINGS REVIEW VIEW

Clipboard Font Paragraph Styles Find Replace Select Editing

Loan Type: _____
LTV/CLTV _____

Contract Expires: _____
Rate Lock Expires _____

myCU# _____
LOS# _____

Member Name(s) _____

Member# _____

Application date: _____ **Disclosures Sent:** _____

Date submitted to Processing: _____

Appraisal/AVM Order Date: _____ **Received:** _____
Appraisal/AVM to member: _____ **Date can close:** _____

Title/MLR Order Date _____ **Received:** _____

Title Company: _____ **Member Selected?** _____

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Current Process Flow

- Loan Originator saves file info sheet in shared folder.
- Processor assigns files to themselves by dragging file info sheet into a folder and adding to their pipeline report.
- Each processor has their own pipeline report in Excel. Underwriting shares a pipeline report. These are on the shared drive.
- Processors & Underwriters color code their Excel spreadsheet based on loan status.
- Utilize notes feature in LOS to notify underwriter and originator when file moves to Underwriting.

Processor Pipeline

Jessica's Pipeline - Excel

FILE HOME INSERT PAGE LAYOUT FORMULAS DATA REVIEW VIEW

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Normal Bad Good Neutral Calculation Check Cell Explanatory... Input Linked Cell Note

AutoSum Fill Sort & Filter Find & Select

A1 : X ✓ fx Date of last action

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
	Date of last action	Last Action	Loan Number	LO	Borrower	Loan Amount	Loan Status	Product	State	Assigned	Aprsl Ordr	Title Ordr	4506-T	estimate Final Date	CD Sent Date	Close Date	Funding Date	Notes/Conditions/Action Ne
2	14-Mar	spoke to mbr		JR		\$95,000.00	suspended	Refi	KY	12/15	in file		Na			2/13		appr 2 home on it needs to be surveyed off/LO to prov rev
3	28-Mar	emailed		JR		104,000	suspended	Refi	KY	11-Jan	in file		NA			28-Feb		
4	17-Mar	spoke to mbr		DS		\$82,000.00	initial	reif	in	2/7	in file							lien release Hertitage BANK/ voe/payoff
5	17-Mar	emailed		David		\$20,000.00	Approved	HELOC	na	na								clearer mtg statement
6	27-Mar	emaield mrb		JR		\$111,564.00	initial	Purchase	KY	2/23	in file	in file						see list
7	28-Mar	emailed		AP		\$175,750.00	initial	Purchase	KY	3/2	in file	in file	fin					10-Apr
8	17-Mar	emailed		JR		\$95,000.00	initial	ref	in	1/6	in file	in file						voe/hoi final/tax bill
9	7-Mar	initial		JR		\$116,152.00	initial	re	ky	3/7	3/14	3/7						payoff/application signed/appraisal
10	28-Mar	emailed		AP		\$146,400.00	initial	Purchase	IN	3/9	in file	in file						7-Apr
11	14-Mar	emailed		DS		\$73,150.00	initial	pur	ky	3/13	3/13	13-Mar						new title/4506 T Kristin is taking care of this
12	21-Mar	emaield mrb		AP		\$135,500.00	initial	FTHB	Ky	3/14	in file	in file						/ VPE/
13	27-Mar	emailed		SH		\$75,000.00	initial	Refinance	Ky	3/14	in file	in file						/lien on title/hou/voe/Bankruptcy Discharge/2015 and 2016 v
14	21-Mar	emailed		AW		\$95,000.00	approved	FTHB	IN	in file	in file	in file						title/voe/thoi
15	27-Mar	emailed		DS		\$204,000.00	initial	Purchase	ky	3/15	3/15	15-Mar						appraisal/title/hou/voe/Lox/contract/bank statements/ etc
16	28-Mar	finding new home				\$77,569.00	initial			3/20	3/20	20-Mar						title issues
17	24-Mar			SH		\$160,075.00	initial	PUR	KY	3/20								
18	27-Mar	emailed		JR		\$286,200.00	initial	PUR	KY	3/23	3/24	24-Mar						appraisal /title/voe/hoi/pmi/bank statements
19	28-Mar	emailed		SH		\$60,000.00	initial	pur	KY	23-Mar	24-Mar	24-Mar						appraisal /title/voe/hoi/bank statements/condo masterdeed
20	24-Mar			AP		\$366,605.00	initial	Pur	KY	24-Mar	24-Mar	24-Mar						
21	28-Mar			AW		\$123,000.00	initial	FTHB	IN	3/27								
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READY

Underwriting Pipeline

Underwriting Pipeline [Shared] - Excel

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Normal Bad Good Neutral Calculation Check Cell Explanatory... Input Linked Cell Note

Signed In

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Signed In	Processor	Loan Number	LO	Borrower	Loan Amount	Loan Status	Product	State	Assigned	4506-T	Aprsl Ordr	Title Ordr	Final Date	CD Sent Date	Close Date	Notes/Conditions/Action Needed
1	27-Mar	Kristina		DS		\$122,500.00	Initial	FTHB	KY								Please initial
2	27-Mar	Kristina		AW		\$73,000.00	Initial	FTHB/Grant	KY								Please initial
3	27-Mar	Jess M				\$366,605.00	Initial	pur	KY								initial
4	28-Mar	Jess M		AW		\$123,000.00	Initial	FTHB	IN								initial
5	28-Mar	Jessl				\$40,000.00	Final	2ND	KY								Please approve for final
6	28-Mar	Alli				\$99,999.00	Final	HELOC	KY								please final
7	28-Mar	Jess				\$105,000.00	final	ftbb									final
8	28-Mar	Jessl				\$38,000.00	Final	HELOC	KY								Please final
9	28-Mar	Jessl				\$30,000.00	Final	HELOC	KY								Please final
10	28-Mar	Jessl				\$33,000.00	Processing	HELOC	KY								Mbr would like to payoff Citi 6473 instead and NOT Discover 0038
11	28-Mar	Jess M				\$135,500.00	fian	FTHB									final please
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Active Completed Sales Declines Completed Denials 2017 Completed Denials 2016 Completed 2016

READY 100%

Lessons Learned

- Don't try to implement all at once. Break the process down and give time before adding another layer to ensure the current process works.
- Before rolling out, determine who is responsible for uploading to the file (originator vs. processor).
- Think about how you will manage your pipeline as you will no longer have a paper file to track. Manager needs to regularly ensure all files are accounted for.
- Ask staff to help you determine and test the process. Their buy-in is key to a successful implementation.

Questions for Julie?



ServU Federal Credit Union

Marleah Brenning: Staff Perspectives

Nick Foster-Mann: Identity Authentication



Nick Foster-Mann
Assistant Compliance Officer



Marleah Brenning
AVP - Consumer Lending
ServU FCU

Staff Perspectives on the Transition to Paperless

Staff Perspectives

- Opinions from staff
- What works - best practices
- Most challenging part
- Easiest part
- Overcoming staff objections

Authenticating the Member's Identity for Online E-Signatures

Overview

- An existing member e-signs loan documents on their computer at home – how does the CU authenticate the member's identity?
- Balance two goals:
 - Make sure the borrower is who they say they are
 - Minimize member frustration and inconvenience
- Benefits and drawbacks of a few common methods:
 - E-mail
 - Shared Secret
 - Knowledge-Based Authentication
 - Phone

Competing Goals: Security vs. Convenience

- Too Restrictive:
 - Members are who they say they are, but still fail the process
 - Frustrating to member
 - Increased staff time manually verifying identity
- Not Restrictive Enough:
 - Higher fraud risk
 - Could expose confidential information contained in loan documents

E-mail Authentication

- Least secure method
- A link to the documents is sent to member's e-mail address
- If someone can get into the member's e-mail, they can e-sign
 - Member's e-mail could be compromised by a fraudster
 - Household or family members could have access to member's e-mail

Shared Secret

- More secure than e-mail alone
- Verify the member's identity using the CU's usual processes either in person or over the phone, and verbally give them a "shared secret" (password) to enter when they later sign online
- Less convenient because additional steps for employee and member
- Member could forget shared secret or mistype it in and fail the authentication process
- If done over phone, if they can defeat phone authentication procedures then no additional protection

Knowledge-Based Authentication

- Member is asked a series of questions pulled from public or commercial records and must answer a certain number correctly
 - Examples: Former addresses, amounts or dates of loans, etc.
- Questions can go back many years, so the correct person could still be rejected if they are unable to remember
- Errors in public or commercial records can result in the correct answer still being rejected
 - Example: John Doe Jr. & Sr. could have their information switched in records
- Many of the answers may also be known by the member's family or household members

Phone Verification

- At signing, a passcode is sent to the member's phone number on file by text or voice call. Member must enter the passcode online to sign.
- Relatively convenient
- But member's physical phone could be lost or stolen, or a fraudster could have set up call forwarding.
- Number could also be used by family or household member with shared landline

Questions for Nick & Marleah?



Thank You!