

# 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
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# 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 2<sup>nd</sup>/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

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| LTV/CLT  | V  | Rate Lock Expires   |  |  |
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|  | LOSA   |   |  |  |
|  | Member Name(s)   |   |  |  |
|  |  |   |  |  |
|  | Member#  |   |  |  |
| •  | Application date:  | Disclosures Sent:   |  |  |
|  | Date submitted to Processing:  |   |  |  |
|  | Appraisal/AVM Order Date:  |   |  |  |
|  | Appraisal/AVM to member:   | Date can close:   |  |  |
| -  | Title/MLR Order Date   | Received:   |  |  |
|  | Title Company:   | Member Selected   | ?  |  |
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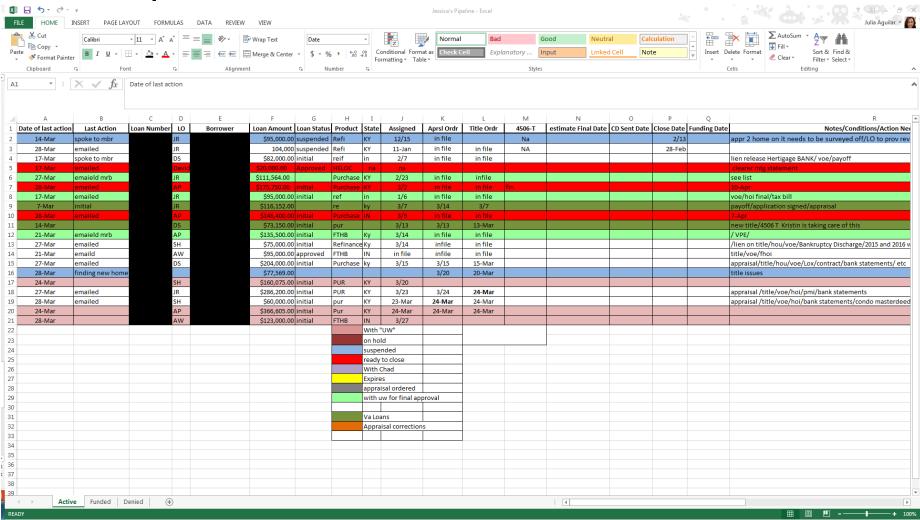


#### **Current Process Flow**

- 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.

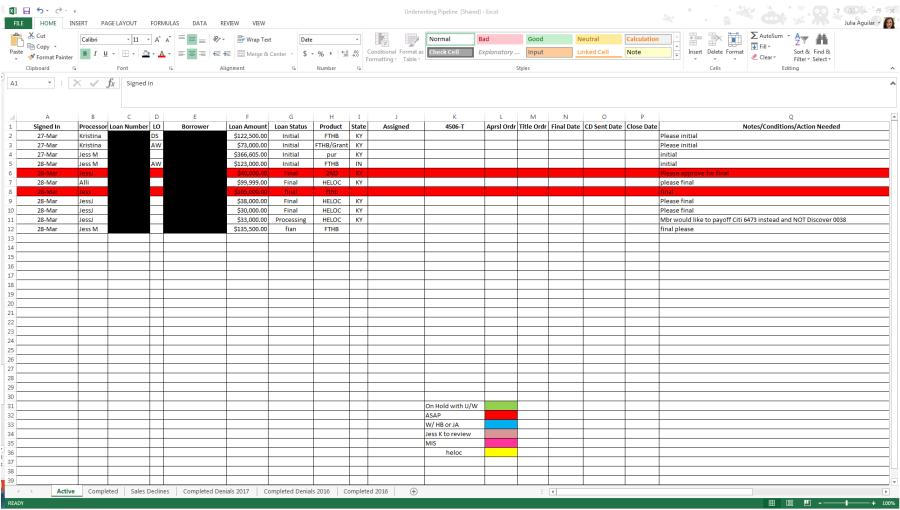


#### Processor Pipeline





## Underwriting Pipeline





#### 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!

