

MORTGAGE BANKERS ASSOCIATION

MBA'S NATIONAL MORTGAGE SERVICING CONFERENCE & EXPO 2009 / TAMPA

MORTGAGE BANKERS ASSOCIATION

"E" to the Rescue, Solving Real World Issues in Servicing and Loss Mitigation

Opportunity in Servicing and Loss Mitigation

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“The mortgage industry is one of the last bastions of highly manual processes left in the consumer credit world.”

The Tower Group

Topics for Industry Change

- The “E” Laws
- Industry Standards & “E” Processes
- Servicing Value Chain
- Opportunity in Servicing: An Example
- “P” World vs. “E” World
- Benefits and Value of “E”
- Change Management

“E” to the Rescue

E² = Electronic X Efficiency

eSignatures
eRecords x Business Process Redesign
eDocuments

Technology x Servicing

The “E” Laws

- Uniform Electronic Transactions Act (UETA), approved by NCCUSL in 1999; currently enacted in all states except GA, IL, NY and WA (however, these 4 states have their own e-signature law).
- Electronic Signatures in Global and National Commerce Act, enacted by Congress in 2000 (ESIGN) and applies to the entire country.
- Uniform Real Property Electronic Recording Act, approved by NCCUSL in 2004 (URPERA); currently enacted in 19 states and the District of Columbia.

An Attempt toward a Uniform Legal Landscape . . .

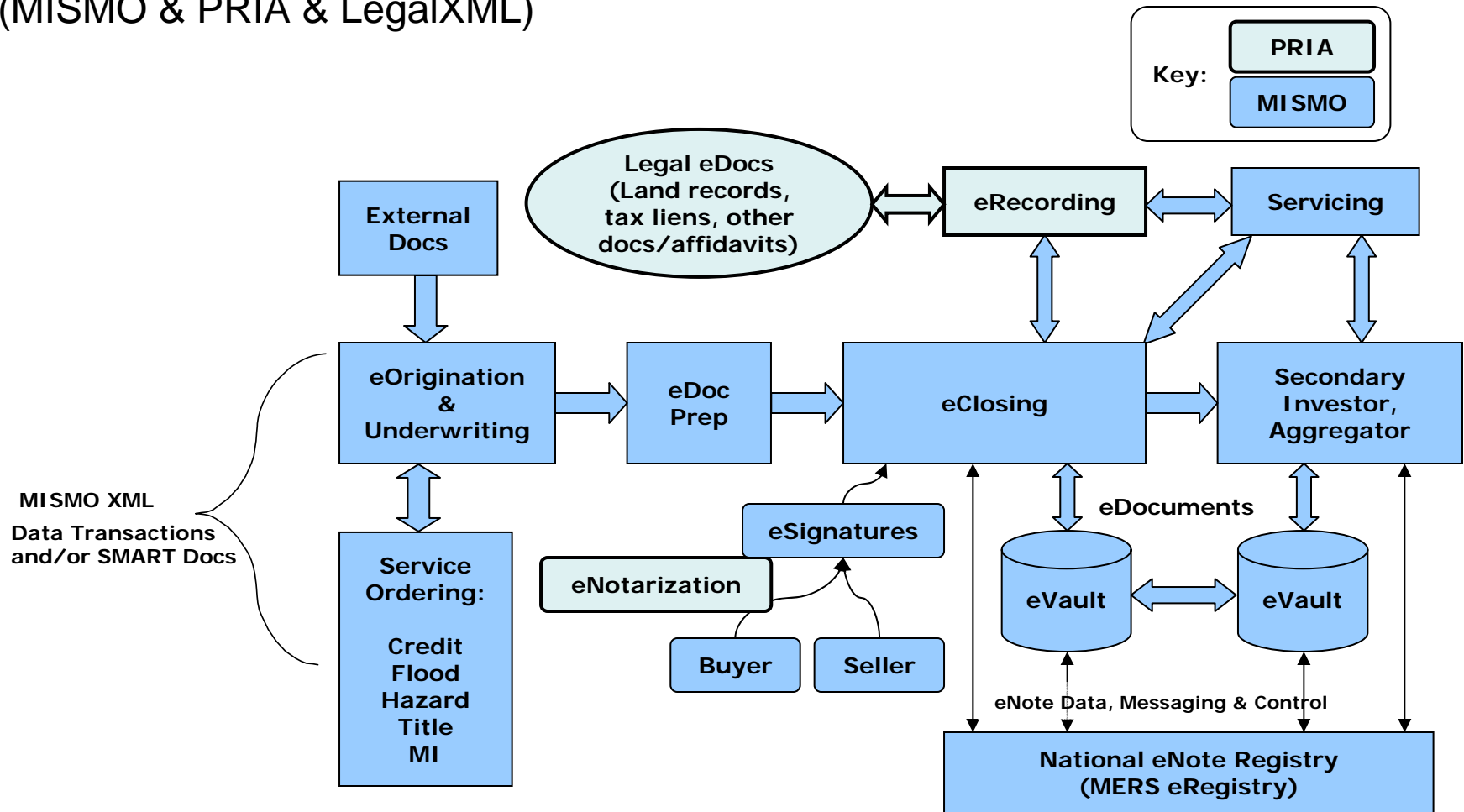
- E-SIGN / UETA / URPERA are “overlay” laws / “opt in” / parties agree to transact electronically.
- E-Signatures, records and contracts “may not be denied legal effect and enforceability solely because it (they) is (are) in electronic form.”
- E-Mortgage Notes / Transferable Records
- E-Notices and E-Disclosures (and consumer consent requirements.)
- E-Signature - defined broadly.
- E-Notarization - allows use of electronic signature.
- E-Record Retention
- E-Recording – URPERA and UETA

E-Mortgage

- * A mortgage where the critical loan documentation – specifically the promissory note, assignments and security instruments are created electronically, executed electronically, transferred electronically, and ultimately stored electronically, aka a paperless mortgage.

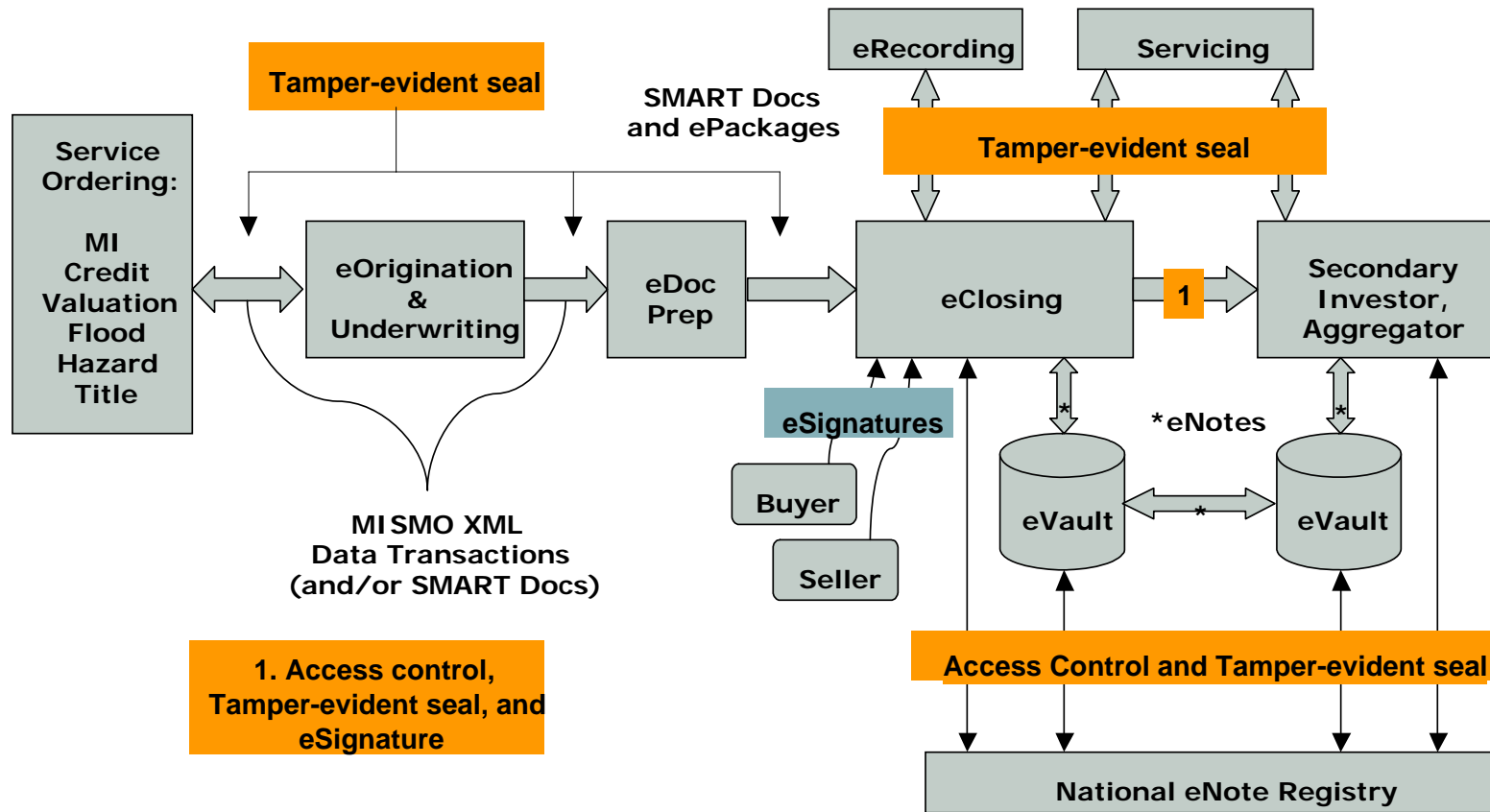
- * MISMO's eMortgage Guide Version 2.0

Industry Standards (MISMO & PRIA & LegalXML)



SOURCE: MISMO

Industry Standards (E-Mortgage Flow with Security)



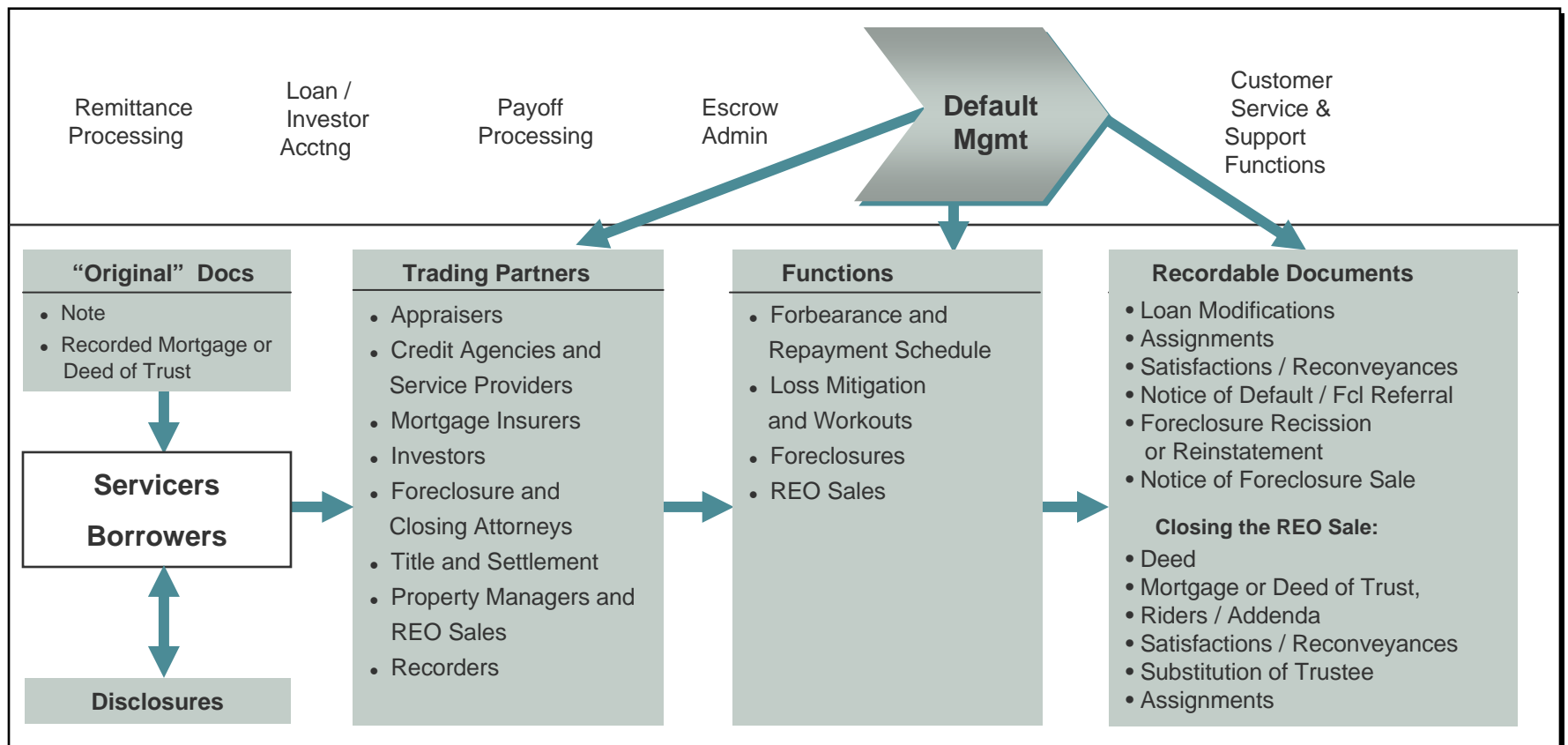
SOURCE: MISMO

Servicing Value Chain

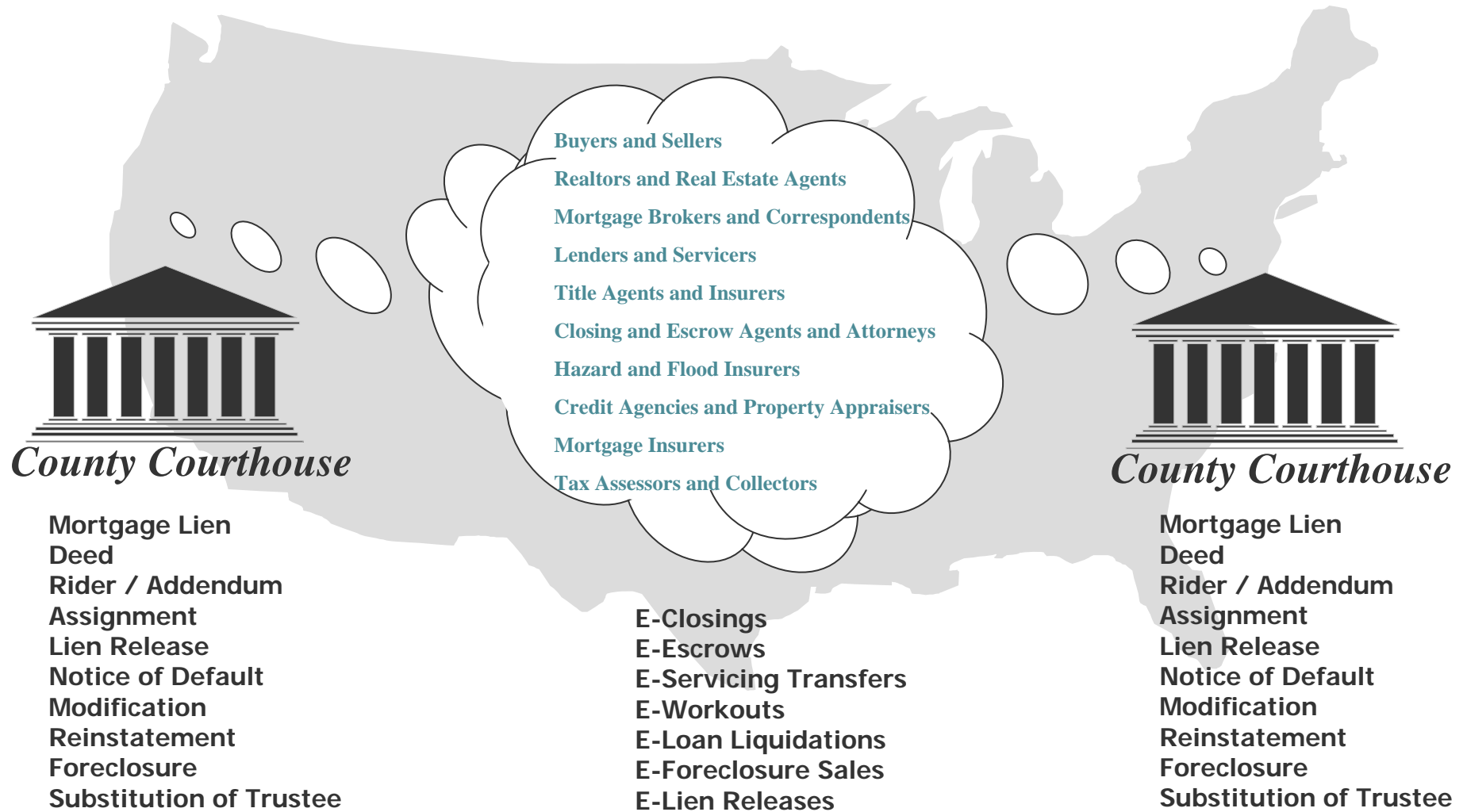
The critical functional areas of mortgage loan servicing . . .

Remittance Processing	Loan / Investor Acctng	Payoff Processing	Escrow Admin	Default Mgmt	Customer Service & Support Functions
<ul style="list-style-type: none"> • Billing/coupons • Payment Deposit & Clearing • Payment Exceptions & Returns • Clearing account reconciliation 	<ul style="list-style-type: none"> • Investor Loan Set-up • Investor Remittance/ Custodial Accounting • Whole Loan Rptng & Recon • Pool Rptng & Recon • ARM Changes 	<ul style="list-style-type: none"> • Payment Posting/ Reporting • Payoff Quotes • Counterparty notification • Lien Release • Document Release 	<ul style="list-style-type: none"> • Tax bills & payments • Escrow Acctg & Analysis • Hazard coverage & claims • MI coverage & claims 	<ul style="list-style-type: none"> • Collections & Notices • Loss Mitigation • Foreclosures • Bankruptcy • Property Mgmt • REO Mgmt & Sales • Default Reporting 	<ul style="list-style-type: none"> • Customer Inquiries • Customer Research • Document Storage • Assumptions • Special Loans • New Loan Set-up • Sales & Acquisitions

Default Management . . .



E-Recording: An Example of Opportunity



E-Recording: An Example of Opportunity

- **29 states:** AR, AZ, CA, CO, FL, IA, ID, IL, IN, KS, MA, ME, MI, MN, MO, NC, NH, NJ, NM, NV, OH, OK, PA, TN, TX, UT, VA, WA, WI, and the District of Columbia
- Statewide ER Web Portal Initiatives Led by **Recorders:**
 - NJ (in operation; 13 counties)
 - IA (in operation; 94 out of 99 counties)
 - MO (in operation with about 6 counties)
 - CO (underway; planning to incorporate with State portal)
 - CA (planning stages)
 - PA (considering)
 - NC (considering)
 - FL (considering)
 - MN (considering)
- Over 370 counties e-connected with e-recording

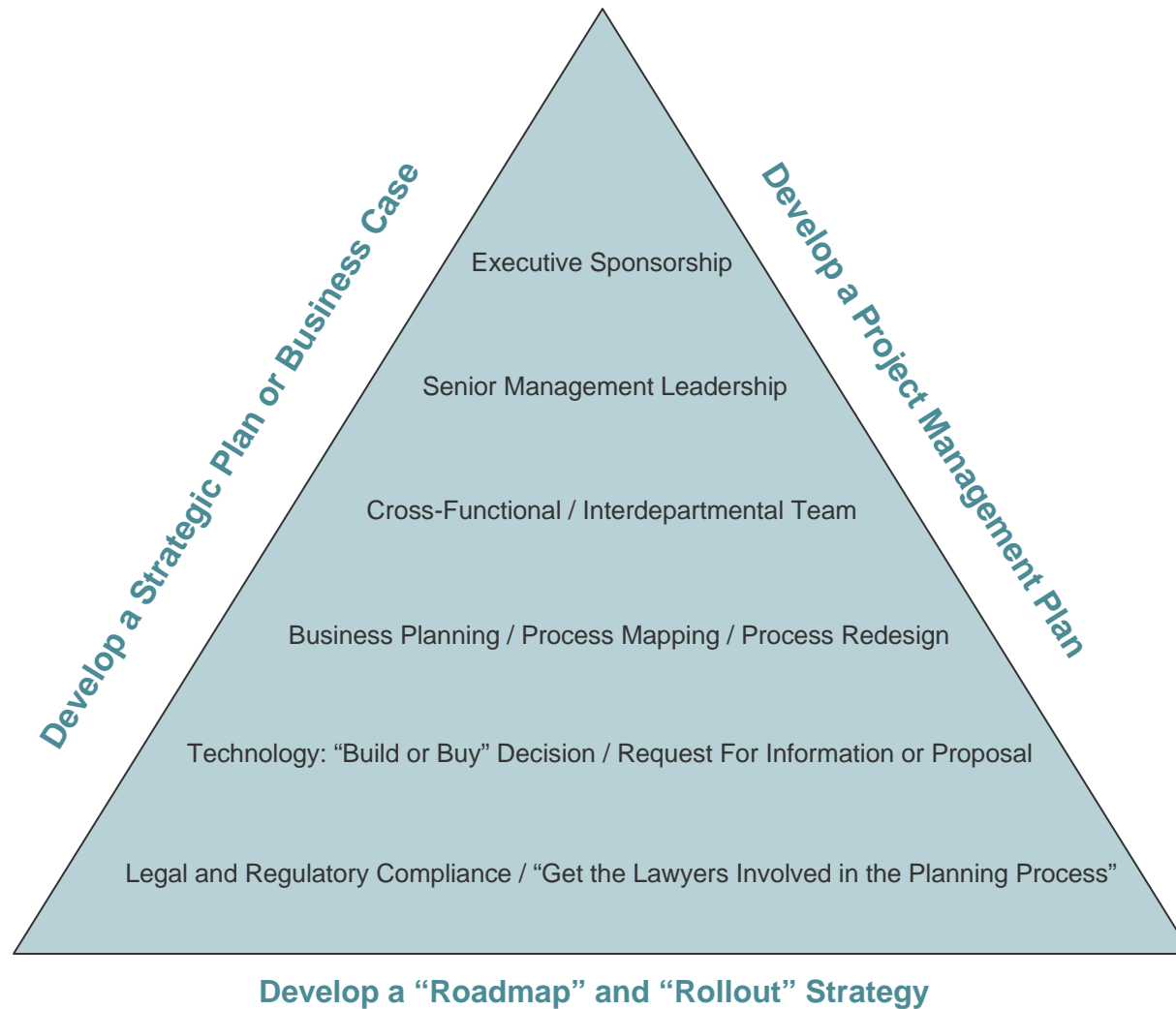
SOURCE: Property Records Industry Association (PRIA); PRIA periodically updates and validates this information.

Paper World vs. Electronic World

- | | | | |
|------------------------------|---------------------------|------------------------------|-------------------|
| ✓ Prepare Documents | 5-10 Min. | ✓ Prepare Documents | 15 Seconds |
| ✓ Execute/Calculate Fees | 5 Min. | ✓ Execute/Calculate Fees | 10 Seconds |
| ✓ Delivery | ½ Day to 5 Days | ✓ Delivery | 15 Seconds |
| ✓ Recorder Processing | ½ Day to 30 + Days | ✓ Recorder Processing | 30 Seconds |
| ✓ Return Delivery | ½ Day to 5 Days | ✓ Return Delivery | 30 Seconds |
| ✓ Enter Recorded Information | ½ Day to 21 + Days | ✓ Enter Recorded Information | 15 Seconds |

Value of “E”

- Reduces Recording Time / Quicker Turnaround
- More Efficient Processing
- Reduces or prevents document fraud (encrypted eRecords)
- Reduces Errors due to Re-keying of Data
- Reduces Transactional Costs
- Standardizes processes and formats
- “SMART” / Intelligent eDocuments feed processes and systems
- Reduces Probability of State-Imposed Penalties
- Resolves Title Issues Sooner / Reduces the “Gap”



Thank You

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