



MORTGAGE TECHNOLOGY

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On Their **MINDS**

Loan Quality, Compliance
Top Issues

INSIDE

UMDP Delivery
Being Best of Breed
Rewarding R&D



Doing More with Less

As the fog clears from the mortgage meltdown, opportunity comes in getting back to basics.

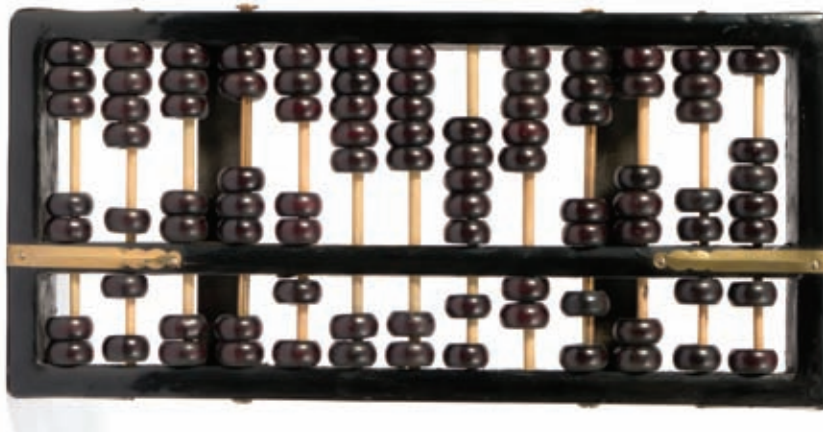
LIKE MANY MORTGAGE BUSINESS OWNERS TODAY, the recent stretch of economic turmoil has me looking for ways to work more efficiently. Leaner cash flow, increasing costs and regulatory uncertainty pose unique challenges to our company's daily operations. With the highest level of defaults and foreclosures in a generation, each player in mortgage lending—consumers, loan originators and service providers—is touched by the realities of today's landscape. Even homeowners who are fortunate enough to be financially stable are hesitant to take action and make a move in the mortgage game. And with the increasingly stringent regulatory barriers coming into position, compliance is harder to navigate. Each of these elements contributes to a unique marketing challenge: How can we empower our loan originators to proactively and cost-effectively develop client relationships, while at the same time ensuring compliance?

One of the positive results of lean years is that we are reminded to get back to basics—to focus on building long-term personal relationships with our clients. We all benefit when we take the time to educate consumers about their options—even if they're not yet ready to take action.

During the past decade, I have consistently seen that taking a proactive approach to staying in touch with our clients' results in repeat business and new referrals.

I also know that regular communication with my team is equally important to success. Today's technology provides a strong foundation for client and team connections. Like many companies, we've been active users of e-mail and electronic newsletters, and our team has recently become savvy with social media tools such as Facebook and Twitter. We've also recently implemented a marketing campaign management system that helps us on levels ranging from brand control to positive return on investment.

We've carefully built Cobalt Mortgage's brand equity and goodwill over the past decade. From the most obvious aspects of brand management, such as logo use, services descriptions and legal notices, to the more subtle touches of photography and thematic tone, we are keenly aware of the importance of brand consistency.



Consumers today are bombarded by marketing messages from a wide variety of media sources, and it takes a concentrated effort to stay on-message and on-brand while still breaking through the clutter.

Our marketing system helps provide originators and their support teams with the ability to initiate marketing campaigns that are relevant and cost-effective, and maintain brand continuity from the earliest prospecting activity through post-closing.

Those of us that manage mortgage businesses know that our entire industry is under a microscope. Intense regulatory activity, such as the Dodd-Frank Reform Act and the new Consumer Financial Protection Bureau, introduces new compliance mandates that can be difficult to disseminate and comply with throughout a large organization.

It's hard to keep each of our loan originators up to speed with a sufficiently in-depth understanding of the changing regulatory guidelines and nuances of intent. From a legal perspective, noncompliance puts mortgage originators, and their parent companies, at significant operational and financial risk.

The marketing challenge is how can we communicate with prospects and clients about lending opportunities, without stepping out of regulatory boundaries. Using a marketing system that can lock in key messages gives us the ability to take the guesswork out of the equation.

With this strategy, we are able to develop marketing materials that can be pre-cleared for compliance with our legal department prior to being made available to our loan originators to distribute to their leads.

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Because we're in a relationship business, our client database is one of our most prized and protected assets. Yet a robust database is only as valuable as what we do with it. When we decided to move forward with a marketing system, we needed to be confident that it would be a straightforward exercise to integrate it with our loan origination system.

We have been able to maintain our strict security and privacy policy standards, while seamlessly linking our database to a powerful marketing tool. This enables us to make active use of our client contacts to drive repeat business.

Those of us who have been in the mortgage industry for decades remember the days of truly labor-intensive marketing. From material design and printing, to envelope stuffing and follow-up, each step used to be a hugely time-consuming effort. Using the right technology, our loan originators can now go online and use our automated marketing system to stay in touch with recent clients as well as revive past client relationships.

They can select and initiate regular communications to occur from months to years ahead, with almost no effort required. We've found that our originators most frequently select thank-you cards and gifts, seasonal greeting cards and e-mail newsletters.

Behind the scenes, the Web-based marketing system automatically takes care of the production and fulfillment of those marketing materials, freeing the loan officer to focus on lending.

It also summarizes associated costs so my team members can make informed budgetary decisions before committing to any elements of their marketing campaigns.

Effective marketing in today's economy does not need to be a huge "say it all at once" exercise. Our most effective and meaningful campaigns have been focused on person-to-person connections, structured to occur in a way that follows a traditional sales pipeline of client interactions.

The pacing is very deliberate. We stay in touch with our prospects and clients before, during and after financing. Whether our communications are delivered in printed format or online, we maintain continuity in core messages and tone for every communication.

One benefit we've found in implementing the marketing system is that it provides a full library of professionally designed materials that we can adjust to reflect Cobalt's brand guidelines as well as local market personalities.

Our corporate marketing team customizes sales and marketing materials and rolls them out to our team of originators and staff to use as they wish.

We also develop marketing materials to maintain relationships with our preferred business partners—ranging from real estate agents to home inspectors and insurance providers.

Because we're reaching so many people, we've found that being able to use variable print technology—which enables each recipient to see some level of customization—makes our communications more meaningful.

In the mortgage business, clients rely on us to help them fund some of the largest investments they'll ever make. It's imperative that everything we do, from the first point of contact through closing, is of the utmost quality.

We all know that people tend to have long memories when something goes wrong. Any technology we use that touches our clients—from our contact management systems to our back-end processing platform—needs to reflect our commitment to quality. Little by little, everything we do helps to build our brand.

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Legal Insight

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This includes addition of proper margins, witness and notary requirements so that the forms complied with state and local county jurisdiction regulations. In some states, loan modifications may be effectuated without affecting the validity or priority of the underlying mortgage or deed of trust.

In other states, this is not the case and the modifying servicer runs the risk that the mortgage lien is impaired unless the modification document is recorded in the local land records.

Creating these recordable modifications has presented technological challenges for both vendors and servicers. Typically, the servicer does not keep specific information related to the recorded mortgage or deed of trust in its servicing system. However, common information, such as borrower vesting and property description, is required to be included in a recordable modification agreement.

One way to overcome this record keeping issue is by importing the XML feed used to seamlessly create and mail non-recordable final modification agreements to borrowers into the company's user interface.

To supplement that, ordering a title search to review the chain of title and ensure that lender, borrower, and property information is accurately reflected in both the modification and title documentation. In addition, software can add in required but missing data to the servicer's records and creates a county-level compliant recordable modification agreement.

In connection with recording a modification instrument that's securing real property in the local land records, the servicer must be sure that its interest in the property, including lien position, is not adversely affected.

For real estate secured loans, mere modification of a promissory note should not impact title, but concerns arise because HAMP is aimed directly at loans in, or at risk of, default.

With the risk of default relatively high, the servicer should be overly cautious to ensure that the lien position remains the same in case the borrower defaults and the property must go into foreclosure.

Currently, 45 states have approved title products known as endorsements, or MPG—Mortgage Priority Guaranty.

In layman's terms, simply ratifying that the recorded modification does not jeopardize the lien position of the mortgage being modified.

The New Jersey department of insurance has thus far not approved the MPG, but a similar product called the LMME is available. The other four states have unfortunately not ratified such a product and, as a result, the loan servicer may be required to purchase a full ALTA title policy based on the current unpaid balance.

In any event, servicers must also have document tracking capabilities for recorded modification agreements and the issuance of appropriate title assurance. Servicers need technology that provides loan-level tracking of each mailed package and reconciliation of its return.

Lender Views

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With today's economy, we're paying even closer attention to the value generated from each dollar spent. Unless closely monitored, it can be difficult to evaluate a marketing program's effectiveness. When I was looking for a marketing communications system, I wanted to be able to determine which campaign elements are hitting the mark and which are underperforming.

I needed the ability to set and measure performance metrics. With our marketing system in place, I now get online reports for all marketing campaigns and have better insight into our sources of business.

It's important to remember that deploying technology enterprisewide is a good investment only if people use it.

This technology should also include analysis for correct borrower, notary and witness signatures, servicer notification for system updates of the new loan terms, countersignature of the modification and placement of the required title insurance product.

Finally, the recent controversy regarding servicing practices related to foreclosures underscores the importance of carefully designed and rigorously implemented and monitored document management solutions.

As servicers deal with investigations into their practices, the risk of errors in the preparation, transmission, execution and return of key loan modification documents is rising.

Here again, a uniform approach, aided by time-tested technology, is key to reducing risk to every extent practicable in advance of the legal crucible of foreclosure. **MT**

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From my most veteran loan originators to the newest support staff, I've received positive feedback and seen across-the-board improvement in our marketing effectiveness.

I firmly believe that lending is more than just processing loans. It's making sure we provide a positive experience and help families secure a loan that's perfectly tailored to their unique circumstances and goals.

It's also about developing the infrastructure and culture that makes our company a rewarding environment for our originators and support teams.

By putting technology to good use, we have been able to develop sophisticated, legally compliant marketing campaigns that help foster long-term relationships and drive business. **MT**

Keith Tibbles is president and co-founder of Cobalt Mortgage, based in Kirkland, Wash.