Final ruling from the U.S. Consumer Financial Protection Bureau (CFPB) on new mortgage lending standards suggest higher cost per loan and tighter revenues for originators. Adhering to the revised origination regulations—everything from loan originator compensation structures and homeownership counseling to higher-priced mortgage loans appraisals and single premium credit insurance—calls for a strong internal compliance function, better closing procedures, information technology infrastructure upgrades, effective staff training and more competitive recruiting/retention of talent, among other operational adjustments.

Originators that face the changes in a strategic way across eight key actions can reap higher service quality, lower cost per loan, faster delivery cycle and better customer experience.
Final Consumer Financial Protection Bureau rules impacting mortgage originators

- Loan originator compensation
- Escrow requirements
- Ability to repay and qualified mortgage standards
- Appraisals for higher-priced mortgage loans
- Disclosure and delivery requirements for copies of appraisals and other written valuations
- High-cost mortgage and home-ownership counseling amendments to the Truth in Lending Act

Eight things to get right

Originators are under an aggressive timeline to implement CFPB requirements within one year or less of the rule issue date. They will first need to prioritize the CFPB rules in light of implementation timeframes and complexity, while also assessing the implications to in-flight business and technology changes scheduled for this calendar year. Based on Accenture’s experience, originators should focus on getting eight things right (figure 1) to meet compliance strategically.

Execute with the right partner

Accenture has the knowledge, experience and capabilities to help mortgage originators satisfy the demands of more stringent regulations. Accenture Credit Services provides a full suite of market-leading management consulting and technology integration capabilities backed by more than 5,000 highly-skilled mortgage professionals. We serve more than 100 major credit institutions, helping to re-engineer processes, optimize workforce strategies, implement better technology and streamline operations.

From our extensive work with leading mortgage originators, we have launched the Accenture Credit Services CFPB Toolset—a proven set of assets to jump start delivery of regulatory compliance projects:

- Regulatory Compliance Gap Analysis Tool—Established methodology and templates for analyzing current state operations against CFPB standards. The Regulatory Compliance Gap Analysis Tool includes unique origination requirements and allows for identified gaps to be aligned to implementation timelines and recommended solutions.

<table>
<thead>
<tr>
<th>Key Change Component</th>
<th>Challenges</th>
<th>Things to Get Right</th>
</tr>
</thead>
</table>
| **Compliance and Controls** | • CFPB rules add to the constantly changing regulatory/investor requirements and must be rigorously followed by lender compliance teams  
• Proof of adherence is mandated to avoid severe legal penalties and fines | 1 A strong, centralized function to support intake and manage implementation and tracking of regulatory and investor requirements—must ensure alignment to strategic goals  
2 Bolstered compliance monitoring functions to incorporate new regulation and detect control failures and the integration of a feedback loop to remediate deficiencies |
| **Policies, Procedures and People** | • Training to counsel loan officers on high-cost mortgage requirements  
• Revised lender-based underwriting standards to measure the ability to repay and policy redefinition  
• Changes to loan officer compensation structure and sales strategy remain to be fully defined | 3 Revised HR and operations policies to monitor adherence focused on most damaging adherence failures  
4 Robust training curriculum that is role- and system-specific |
| **Process & Technology Enablement** | • Change in requirements of appraiser procedures for high-cost mortgages; implying process and procedure changes  
• Additional copies of appraisals and requirements for borrowers within mandated timeframes  
• System and process changes to allow for modifications of rule/guidelines and calculation changes as well as clarifications  
• Disruption of day-to-day operations due to procedure changes as well as increased loan costs for lenders | 5 Streamlined processes supported by automation that provide for more efficient processing and a long-term, sustainable business model  
6 Pliable sales and fulfillment organization necessary to quickly absorb costs from regulations and keep loan price down  
7 System flexibility to adjust to changing requirements within tight, externally-mandated timeframes  
8 Dedicated project team to drive efforts across all functional areas (people, process and technology) while anchoring and aligning new requirements to strategic goals |
Originators must prioritize final rules issued by the CFPB (Consumer Financial Protection Bureau) and implement requirements within a year or less of the issue date.

**Figure 2. How originators should prioritize.**

<table>
<thead>
<tr>
<th>CFPB Originator Requirements</th>
<th>Estimated Time to Implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Originator Compensation (A)—ban on mandatory arbitration clauses, waivers of Federal claims, and certain financing practices for single-premium credit insurance</td>
<td>4-5 months</td>
</tr>
<tr>
<td>Loan Originator Compensation (B)—all other provisions</td>
<td>12-14 months</td>
</tr>
<tr>
<td>Escrow Requirement</td>
<td>6-8 months</td>
</tr>
<tr>
<td>Ability to Repay and Qualified Mortgage Standards</td>
<td>12-14 months</td>
</tr>
<tr>
<td>Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations</td>
<td>8-10 months</td>
</tr>
<tr>
<td>Appraisals for Higher-Priced Mortgage Loans</td>
<td>8-10 months</td>
</tr>
<tr>
<td>High-Cost Mortgage and Homeownership Counseling Amendments to the Truth in Lending Act</td>
<td>8-10 months</td>
</tr>
</tbody>
</table>

**Time Remaining to Implement**

<table>
<thead>
<tr>
<th>Level of Complexity</th>
<th>Less than 6 months</th>
<th>Less than 1 year</th>
<th>1 year +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>1A</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>2</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>High</td>
<td>1B</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Proposed Loan Originator Compensation Requirements**

- Require immediate action to ensure all channels of origination, including third parties are compliant; this will likely require strategic changes to how Loan Officers, Brokers, and overall originations are compensated.

**Ability to Repay Requirements**

- Should be implemented with highest priority given the complexity of the requirements and comprehensive impacts to Underwriting and other functional areas.

**Note:** Complexity and time to implement will vary based on level of process and technology maturity as well as speed to market across each Originator. Estimated implementation timeline accounts for other ongoing maintenance and operational improvements lenders face in addition to regulatory changes.

**Regulatory Compliance PMO Toolkit**

An end-to-end program and project management framework that promotes a high level of competency and consistency in program and project management, used in successfully executing complex implementation programs for originators.

**Begin your compliance journey now**

Facing penalties of up to $1 million per day for non-compliance, mortgage origination companies have good reason to act quickly and smartly. Accenture has innovative, end-to-end capabilities to help originators turn CFPB compliance into an enabler of high performance.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 259,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

Accenture Credit Services offers consulting, process reengineering, systems integration and management, and business process outsourcing services for residential mortgage, commercial real estate, leasing and automotive finance lenders and servicers looking to transform and industrialize their operations. The services are designed to bring significant customer service, efficiency, quality, and profitability improvements to Accenture’s clients’ lending business. Accenture Credit Services serves more than 80 major lending institutions worldwide. To learn more, please visit www.accenture.com/creditservices.com.

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