

Accenture Credit Services

TILA-RESPA Integration

Navigating Historic Regulatory Change and Lender Implications

A large, stylized green arrow pointing to the right, composed of two parallel lines that taper to a point on the right side.

High performance. Delivered.

The U.S. Consumer Financial Protection Bureau (CFPB) continues to drive change in the mortgage industry. The TILA-RESPA Integrated Mortgage Disclosure Regulation, released in November 2013, includes over 1,800 pages and mandates a compliance date of August 1, 2015 for all lenders. The long lead time is due to the forms being tightly woven into the fabric of the entire mortgage industry. The complexities of the two new disclosure forms and trickledown effect of this new regulation create complexities across the mortgage value chain.

This new rule is a paradigm shift in the mortgage industry, from point of sale to servicing, leading lenders to update technology platforms and redesign key aspects of their operations through new policies and procedures. Lenders need to be doing work today within their organizations to prepare for these changes and address unintended consequences stemming from the regulation.



Regulatory Changes and Lender Implications

The learning curve associated with the new regulation will affect everyone. Legacy mortgage documents (GFE, TIL, HUD-1) have been core to the mortgage origination process for more than 30 years.

Consumers will need education on how these changes impact their mortgage process including new terminology, timelines, and pre-approval steps. In addition, lenders' staff will need additional training to ensure they understand and comply with the new Regulations.

MORTGAGE VALUE CHAIN

		Sales/Application	Fulfillment	Closing/Post-Closing
KEY CFPB CHANGES		New Loan Estimate Form: Replaces GFE and initial TIL disclosure; new form is dynamically created and HUD line numbers are removed		New Closing Disclosure Form: Replaces HUD-1 and final TIL; challenges include fee name alphabetization for itemization, guidance offered to manage CoC's and revisions/corrections
		Definition of an Application: Altered to remove catch-all provision of "any other information deemed necessary by the lender"	Mandatory Redisclosures: Changed circumstances, exceptions for bona fide emergency waivers, and mandatory 3-day waiting period conditions	Disclosure Lead Times: Closing Disclosure needs to be received by borrower 3 Business Days before closing
		Managing the Applicability of Two Definitions of Business Day: Tracking two different definitions of Business Day for disclosure obligations of three vs. seven Business Days	Loan Tolerance Changes: Understand the nuances of fee applicability when Consumer chooses service providers versus from a prescribed vendor list	Lender Liability: Even if Closing Disclosure was created by settlement agent, the lender is liable for errors or defects, impacting the Settlement Agent relationship and process

ILLUSTRATIVE

		TECHNOLOGY	POLICIES & PROCEDURES	PEOPLE
MAJOR LENDER IMPLICATIONS		Disclosure Development: Create new Loan Estimate Form or outsource to Doc Provider Technology Reconfiguration: Timing of Loan Estimate delivery LOS Modifications: Capture/calculate new field requirements (e.g. Total Interest Percentage) and HMDA reporting obligations and data collection		Disclosure Development: Create new Closing Disclosure Form or outsource to Doc Provider Downstream Technology Impacts: New form data to be sent to internal systems, servicers, and investors
			Lenders likely to control creation of the Closing Disclosure (vs. created by settlement agent): Lenders must calibrate fee naming and applicability with third party service providers Update to UCD and MISMO® v3.3 or create proprietary dataset: Integration between lender and third party vendor's disparate systems to reconcile fees between Loan Estimate and Closing Disclosure	
			Shortened cycle times: Borrower to receive Closing Disclosure 3 days before consummation leading lenders to closely coordinate with settlement agents Coordination with Lock Desk for issuing revised Loan Estimate: Lenders to determine what is the latest time of day they will allow rates to lock and still get an updated Loan Estimate disclosure out the door	
		Internal: Loan officer and call center training on new forms, definitions, and processes External: TPO and Realtor training on new forms, definitions, and processes		Internal: Back-office training on new policies and procedures to create and distribute Closing Disclosures to ensure disclosures are sent and received on time

Operational Risk Controls & Reporting: Internal processes, brokers, wholesalers, and third party service providers

Loan Origination System

Fully integrated, tested, confident

Document Management System & Other Upstream and Downstream Systems

(Point-of-Sale, Lock Desk, Funding, Servicing, Accounting, etc.)

Strategic Decisions Every Lender Should Make Now

Due to the magnitude of this regulation, it is never too early to prepare. Below are a set of strategic decisions each lender should make now to ensure their technology, operations, and controls are in place for August 1, 2015.

Strategic Decisions	Challenges	Strategic Decisions Lenders Need to Make
TECHNOLOGY ENABLEMENT	<p>Calibration of disparate technologies and LOS for fee reconciliation between Loan Estimate and Closing Disclosure</p> <p>Lender dictating fee naming structure to third party vendors for standardization (MISMO® version control)</p> <p>Separate work streams for disclosing HELOCs and Construction to Permanent financing</p>	<p>Will the lender create the disclosure documents internally or outsource the creation of disclosure documents to a Document Provider?</p> <p>Has the lender created fee naming conventions to ensure reconciliation between third party vendors, the LOS, and the disclosure documents?</p>
POLICIES & PROCEDURES	<p>Cutover Strategy before and after Regulation on August 1, 2015</p> <p>Transitioning without well documented policies and procedures may delay or cease mortgage production</p> <p>Reduced mortgage processing cycle time by 3 days to complete Closing Disclosure</p>	<p>What is the lender's cutover strategy?</p> <p>Will lender implement new policies and procedures before August 2015?</p> <p>What other operational efficiency improvements are needed to manage shorter operational cycle times to ensure timely distribution of disclosures?</p>
COMPLIANCE & CONTROLS	<p>Implementation of new controls throughout the process to ensure compliance with policies, procedures, and technology changes</p> <p>Lender financially liable for inaccurate disclosures</p>	<p>Have the potential risks been identified?</p> <p>Does the lender have a risk mitigation strategy against each risk point and over third parties (brokers, wholesalers, vendors) to provide oversight and ensure compliance?</p>
PEOPLE	<p>Changing staff's status quo with new policies, procedures, and forms</p> <p>New coordination with third party originators due to creation of Loan Estimate residing with Lender</p>	<p>What is the lender's training and change management strategy?</p> <p>How is the lender going to interact with their wholesale brokers and correspondents?</p>

Execute with the Right Partner

Accenture Credit Services has the knowledge, experience, and solutions to help mortgage originators satisfy the demands of this game-changing regulation. We provide a full suite of market-leading management consulting and technology integration capabilities backed by more than 3,000 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:

- Mortgage Target State Process Flows—** High-level process flows spanning origination and servicing that identify key solution changes needed to maintain CFPB compliance.

- CFPB Business Requirements—** A baseline set of business requirements mapped to regulatory rules that provides a standard template and level of detail, helping clients to quickly identify, document and prioritize their specific requirements in a holistic fashion.

- 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 successfully by executing complex implementation programs for National Mortgage Settlement, federal consent orders and GSEs' Servicer Alignment Initiative.

- Employee Readiness Methodology (Training and Communications)—** A step-by-step process that equips employees with the knowledge and skills for operating within a compliant environment. The methodology has been deployed to mortgage origination and servicing organizations, impacting as many as 10,000 employees.

- Compliant Technology—** A fully robust software suite, Accenture Mortgage Cadence, which will support all compliance obligations required by the Integrated Disclosure Regulation in advance of August 2015.

Where it fits a client's needs, Accenture Credit Services couples our consulting services with mortgage outsourcing solutions to address compliance, improve quality, reduce per loan manufacturing expenses, enhance the customer experience, and improve delivery cycle time. A flexible right shore fulfillment model provides global delivery capability, intensive quality control, and data analytics globally.

Banks and other financial institutions that manage home loans should navigate new regulatory requirements to their advantage. Accenture Credit Services has innovative, end-to-end capabilities to help lenders and servicers transform their operations as a catalyst for high performance.

Contact Us

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ABOUT ACCENTURE

Accenture is a global management consulting, technology services and outsourcing company, with more than 336,000 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\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

ABOUT ACCENTURE CREDIT SERVICES

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.