

A large, stylized green chevron graphic pointing to the right, with the text "High performance. Delivered." centered within it.

High performance. Delivered.

Accenture Credit Services

## Meeting Consumer Financial Protection Bureau Mortgage Origination Compliance: Eight Things to Get Right

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.

FIGURE 1. Eight things to get right in meeting CFPB origination compliance.

Key Change Component	Challenges	Things to Get Right
Compliance and Controls	<ul style="list-style-type: none"> <li>• CFPB rules add to the constantly changing regulatory/investor requirements and must be rigorously followed by lender compliance teams</li> <li>• Proof of adherence is mandated to avoid severe legal penalties and fines</li> </ul>	<ol style="list-style-type: none"> <li>1 A strong, centralized function to support intake and manage implementation and tracking of regulatory and investor requirements—must ensure alignment to strategic goals</li> <li>2 Bolstered compliance monitoring functions to incorporate new regulation and detect control failures and the integration of a feedback loop to remediate deficiencies</li> </ol>
Policies, Procedures and People	<ul style="list-style-type: none"> <li>• Training to counsel loan officers on high-cost mortgage requirements</li> <li>• Revised lender-based underwriting standards to measure the ability to repay and policy redefinition</li> <li>• Changes to loan officer compensation structure and sales strategy remain to be fully defined</li> </ul>	<ol style="list-style-type: none"> <li>3 Revised HR and operations policies to monitor adherence focused on most damaging adherence failures</li> <li>4 Robust training curriculum that is role- and system-specific</li> </ol>
Process & Technology Enablement	<ul style="list-style-type: none"> <li>• Change in requirements of appraiser procedures for high-cost mortgages; implying process and procedure changes</li> <li>• Additional copies of appraisals and requirements for borrowers within mandated timeframes</li> <li>• System and process changes to allow for modifications of rule/guidelines and calculation changes as well as clarifications</li> <li>• Disruption of day-to-day operations due to procedure changes as well as increased loan costs for lenders</li> </ul>	<ol style="list-style-type: none"> <li>5 Streamlined processes supported by automation that provide for more efficient processing and a long-term, sustainable business model</li> <li>6 Pliable sales and fulfillment organization necessary to quickly absorb costs from regulations and keep loan price down</li> <li>7 System flexibility to adjust to changing requirements within tight, externally-mandated timeframes</li> <li>8 Dedicated project team to drive efforts across all functional areas (people, process and technology) while anchoring and aligning new requirements to strategic goals</li> </ol>

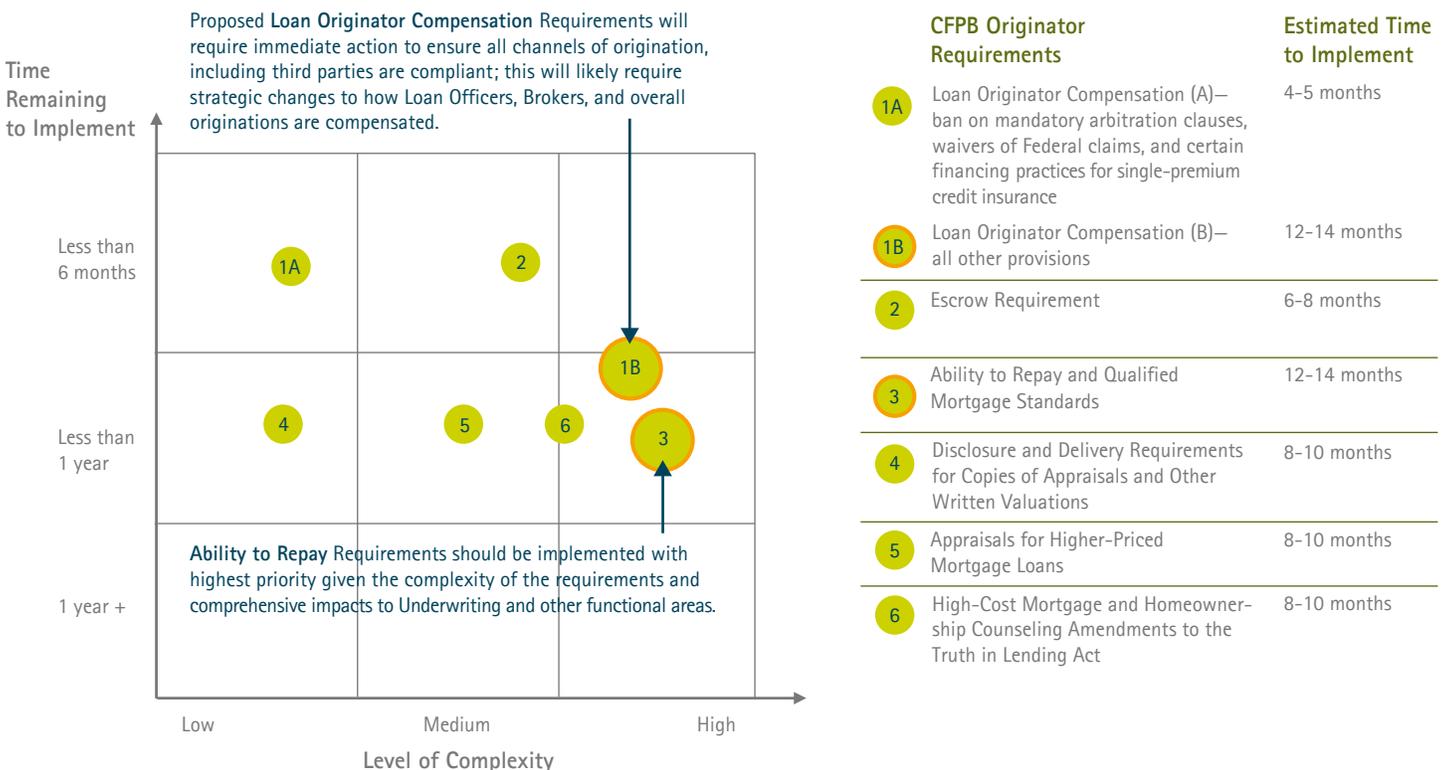
- **Mortgage Origination Target State Process Flows**—Repository of Level 0, 1, 2, 3 process flows, refined over time and specific to mortgage originations that incorporate regulatory and investor requirements.
- **CFPB Impact Responsibility Matrix**—A set of sample RASCI (Responsible, Accountable, Supporting, Consulted, and Informed) diagrams aligned to recent origination regulations.
- **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.
- **Employee Readiness Methodology (Training and Communications)**—Tools within a step-by-step process to deliver comprehensive programs that equip employees to work well within the compliant environment. The methodology has been deployed to mortgage origination and servicing organizations, impacting as many as 10,000 employees.
- **Quality Control and Improvement Methodology**—An approach for assessing and planning quality control and improvements, comprising Data Gathering Plan and Maturity Assessment tools.
- **Operational Excellence Methodology and Tools**—Origination, fulfillment, servicing and default processing capabilities as part of Accenture Credit Services' outsourcing services, offering cost-effective solutions. A flexible right shore fulfillment model provides global delivery capability, intensive quality control and data analytics globally.
- **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.

FIGURE 2. How originators should prioritize.

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.



\*\*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.

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## 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](http://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](http://www.accenture.com/creditservices.com).