

# SERVICING MANAGEMENT®

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## Is A Paperless Environment Over The Servicer's Horizon?

*New technologies and sophisticated integration capabilities are guiding servicing operations into an automated, paperless world.*

The mortgage industry as a whole has seen an almost seismic shift in the number - and impact - of technology advancements in the last decade. Of all of these, perhaps none has been so influential in changing the very mortgage process itself as the push toward the paper-eliminating, electronic mortgage (e-mortgage).

According to the Mortgage Bankers Association, an e-mortgage is a mortgage where the critical loan documentation - at a minimum, the promissory note, and preferably also the security instrument and other closing docs - is created electronically, executed electronically, transferred electronically and stored electronically.

For years now, the e-mortgage has existed as a holy grail for the mortgage industry - offering the promise of significant savings of time and money for lenders and borrowers alike.

While the majority of the attention on e-mortgages has been garnered on the origination side, the mortgage servicing industry has quietly been making great advances toward establishing paperless processes of its own. From adjusting purely manual processes to real-time, electronic or Web-based technology, servicing companies have continued to use new technologies and resources to better serve their customers and increase their profit margins.

Assisting in the electronic evolution was document imaging technology, electronic document management and delivery of docu-

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ments over the Internet through business-to-consumer applications.

Traditionally, imaging systems were often a cost-prohibitive option for many servicing companies. But with the availability of more scalable imaging systems and inexpensive storage facilities, content management technology quickly became a viable resource for lenders and mortgage servicers of all sizes.

Using this technology, servicing companies can manually print paper documents and then electronically image all of their documents and reports, effectively saving tremendous amounts of storage space.

Once scanned and stored in electronic document repositories, the electronic images are accessible from multiple locations and can easily be shared with borrowers or investors, at their request, through protected in-house software solutions or Internet sites.

"Having the ability to image our servicing-related documents and archive them as a PDF file saved us a tremendous amount in physical storage space expenses," says Sean Mansell, senior vice president, director of loan servicing for Grand Rapids, Mich.-based Member First Mortgage. "The only storage we wor-

ry about with the imaging system is server space, but hard-drive space is comparably inexpensive."

### Document integration

While conventional imaging solutions have provided significant benefits to date, manual processes and personal attention and involvement have remained required components of a successful mortgage servicing operation.

This arrangement is about to change, however, as new technologies and more sophisticated integration capabilities are effectively guiding servicing operations into a fully automated, truly paperless environment. Through seamless integration of document management into an organization's servicing system, servicers realize significant savings.

Savings arrive in the form of reduced expenses associated with printing and physical storage space, as well as a reduction in manual time requirements because reports, documents and borrower correspondence are automatically stored in electronic format.

And because these electronic files can also be sent to other parties



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through electronic means, the need for printing, scanning, shipping (if necessary), couriers, data re-entry, manual data certification and other costly steps of today's mortgage servicing processes is essentially eliminated.

The conventional imaging technology is still used to image any external document such as a note, appraisal or inspection document, but having these pieces stored electronically makes for easy retrieval and a more complete, electronically accessible loan file.

CUC Mortgage Corp., an affiliate of the New York State Credit Union League, has experienced firsthand the benefits of utilizing an automated document management system.

"With today's technology, we have eliminated paper filing and have made all reports and borrower correspondence available at our fingertips," says Krista Currie, mortgage servicing manager of CUC Mortgage Corp. "We no longer request paper files from our off-site storage facility and have saved two-thirds of the time it used to take to print and file daily and monthly reports.

"The savings of time and labor expenses, printing, paper and storage space costs all contribute to a higher level of customer service to our borrowers and to the increase in revenues of the CUSO," she continues.

#### **Immediate access**

Many borrowers, lenders and investors now require immediate access

to information such as that offered by a Web-based approach to manage their loans. Such access requires mortgage servicers to offer online support services in order to remain competitive in today's market.

In response, servicers are not only electronically creating and storing internal documents and reports, but also using the Internet to communicate and securely transfer information to their borrowers by giving them the ability to view the imaged documents online.

Today's technological advances enable servicers to provide borrowers with greatly enhanced levels of online service and support by providing them with a mechanism to access specific mortgage account information, such as monthly statements, escrow analysis, adjustable-rate mortgage change notices, payoff statements and year-end statements, at their convenience.

Not only does this online availability eliminate paper correspondence, but it enables lenders and borrowers alike to have access to up-to-date information as soon as it is available.

In order to inform borrowers that updated information is available online, servicers can send a standardized e-mail message encouraging the borrower to view statements and notices directly on a secure Web site.

On the Web site, in addition to viewing loan information, borrowers can update personal contact information and electronically correspond with the servicer. This correspondence provides a more convenient

means of communication for the borrower - while reducing the incoming call volume for the servicer and continuing to maintain high customer service levels.

Furthermore, eliminating the need to send paper correspondence provides a significant cost savings for servicers by reducing printing costs, paper expenses, manual labor costs and postage expenses.

Taylor Bean & Whitaker, one of the nation's top 25 residential mortgage loan servicers, is currently running an almost paperless servicing operation.

"Today, all of our reports are automatically imaged instead of printed, meaning we no longer have any paper files," according to Nathan Sands, vice president of loan administration for Taylor Bean & Whitaker.

"Added to that, any borrower correspondence or loan documents that come into the office related to a loan file are imaged immediately and tagged into our system. Having this ability saves us a tremendous amount of time and printing costs," he says.

"Our borrowers also have the option to log onto a secured Internet site to view their mortgage information, correspond or process their mortgage payments. These combined capabilities enable us to succeed in a 98-percent paperless operation because multiple people can access reports, view or track task status instantly - and allow us to clearly understand and oversee our business," Sands continues.

While the frequency of electronic correspondence with borrowers is increasing today, many servicers are still required to send paper-based borrower notices to a select client base. To efficiently manage this process, servicers require flexible systems that can handle producing both electronic and paper-based correspondence.

"We aim to become a totally paperless servicing environment," says Mansell. "While we have reduced the number of paper statements sent by 25 percent, we still service customers that are not ready to be completely paperless.

"Servicers, like other mortgage professionals, are held subject to the cus-

tomers' and investors' demands and requirements," he points out. "For that reason, we are sending both paper and electronic statements to our customers."

"We recently launched a national campaign to inform borrowers of the e-statement option in hopes to convert the majority to this more convenient, secure and environmentally friendly way to transact," adds Sands.

### ***New security considerations***

While the Internet has introduced a plethora of new opportunities and changed forever the way that servicing companies operate, it is not without challenges and concerns - primarily security concerns.

As mortgage servicing companies, their vendors and their customers rely more and more on the Internet to access and transfer data, servicing companies must work to ensure that the data is secure. Protecting customer information is paramount. Access control, physical security, encryption of electronic customer information and monitoring attacks are just some of the issues servicing companies

must constantly be aware of and successfully address.

It is important to note that most of the significant security breaches that have happened within the last few years have been perpetrated using very traditional, low-tech methods, such as the physical removal of printed data or hard copies of customer files.

A document imaging system saves on storage space and paper expenses - while also reducing exposure to these more traditional, and more likely, security threats. With these systems, files and reports are no longer sitting out in easily accessible locations, and because files are saved electronically, management can much more easily control who has access to them.

Besides electronically generating reports and borrower correspondence, servicing departments are eliminating paper in other ways. In fact, the mortgage servicing industry has actually been in the process of reducing paper for quite some time.

Such functions as loan boarding, the delivery of tax bills, mortgage insurance premiums, hazard insurance premiums and monthly investor remittance data,

for example, have been electronically transmitted for years.

The Mortgage Electronic Registry System (MERS) also played a significant part in the paperless process by eliminating the need to prepare and record assignments when trading residential and commercial mortgage loans. Most other electronic data transfers that need to be generated between a servicer and another vendor or investor that are not already available through the servicing system can - in most cases - be accomplished through the servicing software's import and export tools.

While the changes for mortgage servicing companies and their technology over the past decade have been astounding, the major force behind these changes has always remained basically the same: streamlining internal processes in order to better serve their customers.

Today, the drive toward reducing paper is greater than ever, with many processes being handled electronically. How long will it take to become completely paperless? Only time will tell. **SM**