

LOAN BUILDER® CREATES AN AUTOMATED, TIGHTLY-CONTROLLED INFRASTRUCTURE FOR RESIDENTIAL LENDERS

Dramatically reduces costs, cycle times, and compliance issues, while offering a transformed infrastructure needed by private secondary market investors (PSMIs)

ESSENTIALS

- Transforms operations for the residential mortgage industry
- Built with proven EMC technologies and TWC Process Architecture
- Virtual Loan File (VLF) contains all of the approximately 4,000 discrete data elements and documents aggregated during production of a closed loan file, delivering unprecedented data transparency
- Helps ensure compliance with new regulations at every level
- Replaces human work orchestration with automated work orchestration
- Reduces direct labor costs by 50% -70%
- Accelerates transaction velocity from 60 days to 20 days, improving customer service and increasing revenue
- Detailed audit trails for all task performance, communication, and documentation
- Built-in workflow analysis and optimization engine



THE WAKEFIELD COMPANY, LLC

MORTGAGE INDUSTRY INFRASTRUCTURE CRISIS

The infrastructure that supports the residential mortgage industry has been in crisis since the 2008 collapse. Cycle times are out of control, with loan submission-to-decision and decision-to-funding times at historic highs: 60 to 90 days is common. The glut of delinquencies has caused a breakdown in the ability of servicers to follow due process in handling foreclosures. Costs are up too: the combination of uncertainty, new regulations, and out-of-date processes has caused loan origination and production expenses to increase by 175% over the last ten years.

With Fannie Mae and Freddie Mac funding expected to decline, it has become vital to bring PSMIs back into the new issue MBS market: these include life and casualty insurers, public and private pension funds, fixed income mutual funds, money managers, and REITs. Collectively, the PSMI community has \$29 trillion of assets under management. PSMIs are anxious to return to the new issue MBS market, but they will hesitate until a new infrastructure emerges that provides PSMIs with greater control over the loan production process and delivers a new standard of data transparency.

This new infrastructure must transcend the antiquated model centered on the Loan Origination System (LOS), which has hobbled the mortgage industry with a paper-intensive environment in which humans, rather than auditable workflow technologies, orchestrate events—creating compliance risks at every level.

NEW SOLUTION REMAKES THE INFRASTRUCTURE

EMC has partnered with The Wakefield Company (TWC) and leaders in the residential lending community to create Loan Builder®, a combination of advanced technology, proven processes, and IT services which can fundamentally change the way mortgages are produced and delivered to the PSMI community, as well as to traditional sources of liquidity such as Fannie Mae, Freddie Mac and Ginnie Mae. This solution offers an unprecedented level of data transparency and regulatory control, while greatly increasing efficiency and reducing cycle times.

Loan Builder merges robust TWC Process Architecture with EMC Business Process Management (BPMS); Business Rules Management (BRMS); Enterprise Content Management (ECMS); along with advanced data storage, retrieval and analytics capabilities—all elements absent or underpowered in an LOS-centric infrastructure.

In the Loan Builder infrastructure model, a lender's existing LOS is demoted to serve as one of many third party subsystems and databases that are integrated with Loan Builder. Loan Builder core software components interact with the LOS when required, but the LOS no longer serves as the primary tool to produce mortgage loans.

The high level of task automation within Loan Builder minimizes human work orchestration, reduces or eliminates compliance risk, and breaks dependency on the very expensive hire/fire model of dealing with industry cyclicalities.

ARCHITECTURE

Over the past twenty years, TWC has continually updated its Process Architecture suite to reflect the maturation of technologies not imbedded in traditional LOS-centric production environments. Loan Builder was created with proven EMC Documentum® xCP case management, EMC Captiva® Capture, and EMC Document Sciences® xPression®. It is a cloud-based solution delivered through EMC OnDemand and offers a number of groundbreaking process breakthroughs for the residential mortgage industry and the PSMI community. TWC's Process Architecture provides the "sheet music" that allows EMC software to automate work orchestration in an optimized state. Key architectural features include:

THE PRODUCTION TIME SUMMARY (PTS)

The PTS provides the entire organization with an accurate picture of the current loan production environment and highlights the tasks that absorb the most resources. It takes the next crucial step by defining the cost in time and dollars of each loan production task—making it possible to optimize for cost control and production efficiency. The PTS provides the foundation for reliable cost/benefit analysis, justifying optimization expenses, and effectively including both production employees and supervisors as part of process optimization.

Since 2003, TWC has interviewed hundreds of employees and supervisors and developed analyses for 32 different loan production environments.

THE OPTIMIZED PRODUCTION TIME SUMMARY (OPTS)

The OPTS effectively implements the efficiency improvements identified in the PTS by leveraging TWC experience and the INPLORE™ Task Level Database described below.

The OPTS systematically removes all non-value added (NVA) Tasks from the PTS and identifies process improvements that are achievable through improved workflow and/or consolidation of job functions. Tasks that can be automated are identified. The OPTS provides an immediate operational lift by eliminating NVA tasks and implementing some workflow improvements with minimal capital investment. The OPTS provides operational metrics that enable performance monitoring and continuous improvement.

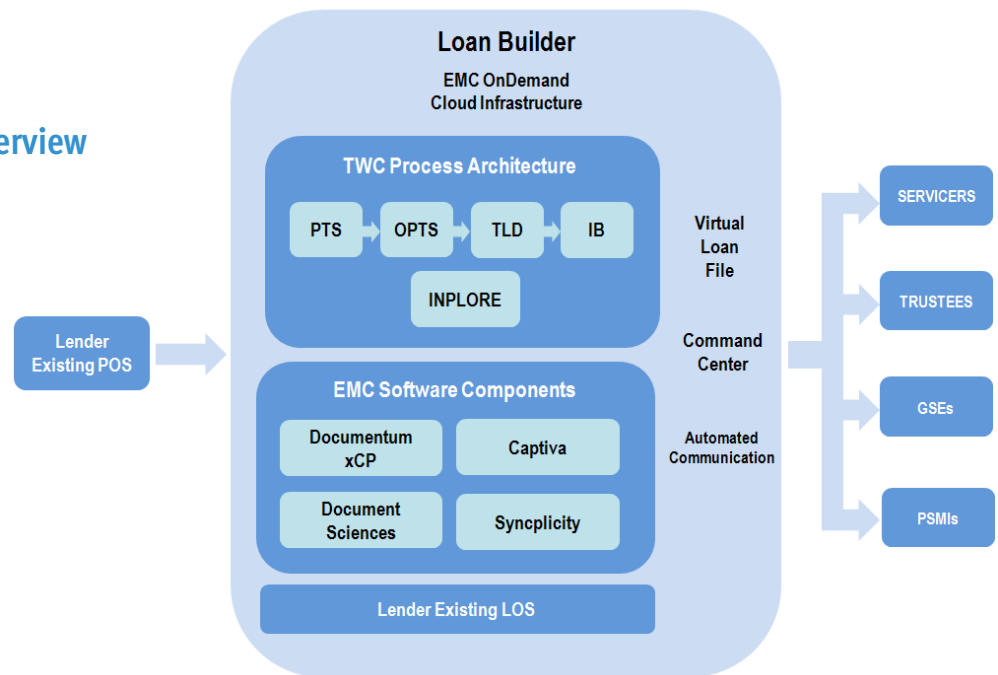
TASK LEVEL DETAIL (TLD)

The TLD describes, at a step level, all tasks in the OPTS. With TLD, management has an invaluable tool to implement uniform, top-down loan production and change management processes. TLD acts as an accelerant to the attainment of the OPTS and serves as the foundation for BPMS which leads to automated work orchestration. Once the TLD is in place, all levels of the organization can effectively participate in process optimization.

TLD provides an online help tool which accelerates cross-training and enhances the effectiveness of both onshore and offshore human resources. TWC has recently updated the TLD to include extensive compliance input from two nationwide originators.



Structural Overview



THE INFRASTRUCTURE BLUEPRINT (IB)

The IB clearly depicts the complex interaction of process architecture, people, and technology as specified in the OPTS. Critical components of this infrastructure include the proven, best-of-breed BPMS, BRMS, ECMS and data storage, management, retrieval and analytics functionality of Loan Builder. The IB demonstrates the aggregation, management, retrieval and analytics of the approximately 4,000 discrete data elements collected during the loan production process, providing PSIMs and regulators with complete process definition, as well as data transparency.

INPLORE™ TASK LEVEL DATABASE

The INPLORE database houses over 3,700 discrete loan production tasks and is the most comprehensive mortgage-specific task database in the U.S. It includes all tasks from the entire mortgage fulfillment process, from loan origination in the Inquire Milestone through loan delivery and shipment in the Ship Milestone. Each task performed in the processing of a loan is identified with a user-friendly verb-noun syntax that succinctly defines each item in the INPLORE database (e.g., “review appraisal”). This verb-noun syntax facilitates querying and analysis of loan production costs in time and dollars.

KEY FEATURES

THE VIRTUAL LOAN FILE (VLF)

The VLF serves as an electronic repository that stores the approximately 4,000 discrete data elements and documents aggregated in a closed mortgage file. The VLF also creates and stores an audit trail of all human and automated tasks—including the cost to perform each task and the task performance outcome. The VLF’s audit trail also includes a record of all internal and external communications that occurred during the loan origination and production cycle. The VLF can be accessed remotely with proper security credentials by regulators, auditors, and PSIMs, thus providing an unparalleled level of data transparency.

COMMAND CENTER

Loan Builder’s Command Center allows supervisors and managers to manage task performance in real time. As tasks are pushed to workers, supervisory and management personnel can observe task performance and direct attention to a worker who fails to

perform a task per the metrics established in TWC's Process Architecture. This real time window ensures compliance, accelerates transaction velocity, and promotes continuous improvement of task performance.

AUTOMATED COMMUNICATIONS

Upon completion of designated tasks, Loan Builder delivers automated, pre-scripted messages both internally and externally. This capability provides a client's legal and compliance resources with greater control over the content and timeliness of required disclosures, loan status updates, additional documentation requests and closing documents. All automated communications include an audit trail.

KEY BENEFITS

The highly automated and tightly-controlled Loan Builder infrastructure delivers many key operational benefits to mortgage lenders.

- Provides unparalleled transaction velocity on loan decisions—within ten business days of application and loan closings within five business days of loan approval
- Increases profitability by eliminating redundant processing steps
- Improves the borrower experience through automated, proactive status updates
- Provides lenders with access to private sources of liquidity as the role of the GSEs is reduced
- Eliminates buy-back liability except for submission of fraudulent documentation
- Provides a proactive response to the demands of the CFPB and other federal and state regulators
- Handles compliance responsibilities and protects lenders in a dynamic regulatory environment by issuing federal initial disclosures, GFEs and state-specific disclosures
- Enhances ease of doing business by creating a repeatable and well-defined loan production process, viewable by loan officers and borrowers 24/7.
- Creates a virtual HUD-1 Settlement Statement that eliminates “HUD-1 insanity”
- Provides electronic delivery of loan and loan-level data to PSMIs, trustees and servicers
- Offers an unprecedented audit trail in the VLF which includes all tasks and actors, all internal and external communications, and all related documents, including federal and state-specific disclosures and closing documents

ABOUT THE WAKEFIELD COMPANY

The Wakefield Company (TWC) is a consulting firm of experienced and diversified professionals focused on improving the operational effectiveness of process-centric environments that are paper-dependent, rely on functional divisions of labor, or deploy outdated system architecture. TWC offers deep experience in the mortgage industry, and TWC executives have built nationwide processing environments for prominent firms such as Salomon Brothers, Norwest Mortgage, Prudential Insurance Company, Metavante, and MGIC. The company offers a firsthand perspective on incorporating People, Process, and Technology into enduring and profitable solutions. See www.thewakefieldcompany.com

LEARN MORE

To learn more about Loan Builder, contact The Wakefield Company, LLC, at 262.375.8000 x 6640 or email twakefield@twcllc.com. To learn more about how EMC products, services, and solutions help solve your business and IT challenges contact your local representative or authorized reseller—or visit us at www.EMC.com

ABOUT EMC

EMC Corporation is a global leader in enabling businesses and service providers to transform their operations and deliver IT as a service. Fundamental to this transformation is cloud computing. Through innovative products and services, EMC accelerates the journey to cloud computing, helping IT departments to store, manage, protect and analyze their most valuable asset — information — in a more agile, trusted and cost-efficient way. Additional information about EMC can be found at www.EMC.com

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