# Avoid *DEATH* by 1,000 Paper Cuts

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**BY LIONEL URBAN**

For years the mortgage industry has been inundated with paper processes and the shuffling or paper files back and forth to complete a loan file. This has definitely been the case with disclosures causing numerous inefficiencies and not to mention 1,000's of paper cuts throughout the process.

Historically, mortgage lenders have loosely managed the paper intensive disclosure process without much attention to detail in two steps. For the first step most lenders issued initial disclosures when they had a file ready for processing. Then a second step would be to correct disclosures that were missing, had non-compliant dates, or were incorrectly prepared at closing. Although many regulatory requirements were in place back then, regulators often assumed that the lenders were properly handling these regulations. Today it's a whole new game and lenders need to implement effective electronic disclosure solutions to stay in business.

The Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) has required lenders to provide two different disclosure documents to consumers applying for a residential mortgage loan. The goal of these two documents was to present a complete picture of the loan transaction for borrowers in a timely manner to simplify the process of understanding fees, payment terms, and loan program features.

Additionally, there are numerous Federal and State disclosure requirements for locking rates, loan programs, mortgage insurance, appraisal, flood, Change of Circumstance, and of course the new TILA-RESPA Integrated Disclosure (TRID) process. The disclosure process now takes place at application and at multiple times along the way, prior to a loan closing. And, to add stress to a lender's operation, regulators are stepping-up enforcement to ensure and document how disclosures were completed, delivered, and received by applicants.

The CFPB has acknowledged that the disclosure process has been a huge pain-point for all parties involved. There are multiple disclosure types and numerous paper documents that are shuffled back and forth, and it is easy to see how those involved in the current disclosure process are experiencing "death by a 1,000 paper cuts". To "simplify" the lending process for applicants the CFPB set out to address this issue by integrating the mortgage loan disclosures required under TILA and RESPA to create the TILA-RESPA Integrated Disclosure (TRID). The mortgage industry is now only months away from the CFPB's August 1, 2015 deadline for the new requirements under TILA-RESPA and the new Integrated Mortgage disclosures. The requirements of TILA-RESPA reform (TRID) as well as other ongoing regulatory updates create a host of challenges for mortgage lenders and their technology providers.

Let's face it - the disclosure process is extremely complex. While TRID is getting all of the headlines, there have been and continue to be an onslaught of changes, updates, and new requirements for all types of disclosures. These include: Application disclosures, 3-Day Disclosures, Program Disclosures, MI Disclosures, Change of Circumstance Disclosures, Lock Disclosures, Appraisal Disclosures, Closing Disclosures, and even Flood Disclosures when required.

Are you confident your vendor is able to comply with these complex changes while maintaining service levels and operational efficiency? The time to enhance your outdated disclosure process and technology is now. It's not just about avoiding paper cuts anymore but being able to proactively address the new and mandatory regulations hitting our industry.

**About The Author**

Lionel Urban serves as CEO, founding partner and chairman of the board for PCLender, LLC. Prior founding PCLender, LLC, Lionel was a co-founder and CEO of Navigator Lending Solutions, Inc. (NavPros) a fulfilment services company specializing in mortgage banking services.