

POST-CLOSING - CASE STUDY

Indecomm Global Services' Kaizen® Platform Facilitates Change and Cost Savings for Major Client

Top Lender Partners With Indecomm to Accomplish Multiple Objectives With “Kaizen®”

In Brief

- **Indecomm Lending Solutions**

Kaizen® and Indecomm's Risk Management Solutions transformed a top tier lender's post-closing process.

- **Risk Management Outsourcing**

Indecomm provided a cost efficient risk management system in Kaizen®.

- **Improved Risk Management**

Compliance and error rates have improved while cost savings have been realized through a more efficient process.

Client

The Client is a top tier lender in the mortgage industry with a significant presence in consumer direct, retail and correspondent lending. They are a well-recognized brand with over 600 institutional partners.

Challenge

The Client needed to expand their post-closing audits to identify, measure, and manage their risk exposure from possible loan errors. In order to mitigate this risk, the Client needed to:

- Expand the Post-closing Audit scope of retail loans to include RESPA review and other expanded criteria
- Gain greater transparency and validation of the cost of errors (cost of cures)
- Identify the root causes of errors
- Attribute errors and cost of errors to responsible parties and cost centers
- Identify the risk exposure
- Provide enhanced reporting
- Allow for concurrent vendor and client workflows in the same system

Client satisfaction was high with the existing post-closing audit services that Indecomm was providing. The Client had very limited internal programming resources and the directive was to expand the audit scope with a cost savings approach.

The Client needed a customized workflow that would give them the ability to work concurrently on the loans that were in audit. They needed a system that would provide them with the necessary tools

to manage both vendor and internal resources while providing multiple levels of reporting. These levels of reporting would include - executive level, management level, and loan level.

Resolution

Indecomm presented an all-in-one solution to the Client, which was a risk management platform called Kaizen®.

Kaizen® is Indecomm’s proprietary web-based risk management technology platform. Kaizen (“Ky-zen”) is a Japanese word which means “pursuit of excellence.” The literal translation is “change” (kai) and “to become good” (zen). The Kaizen philosophy lies behind many Japanese quality control concepts and these beliefs are embraced by Indecomm. The key elements of Kaizen are quality, effort, team work, willingness to change and communication.

Key features of Kaizen®

Kaizen® is rich in features which make our system and process stand-out and compete against other QC service providers. Some of the many features include:

- Detailed workflow tracking
- Stratified statistically sound sampling methodology
- Audit questionnaire integrated by loan type and/or audit type
- Loan level data validation and capturing
- Codification of errors by severity levels, responsible parties, and defect root causes
- Efficient error rebuttal and curing functionality
- Robust and customizable reporting features which allows for slicing and dicing of any and all captured data fields and trend analysis
- Full client visibility and automated communication features

To meet all the Client’s requirements, the Kaizen® platform would be customized to meet all the Client’s needs efficiently and at a low cost. Since the Client was already partnered with Indecomm for the post-closing audit solution, Indecomm was able to customize this solution for the Client.

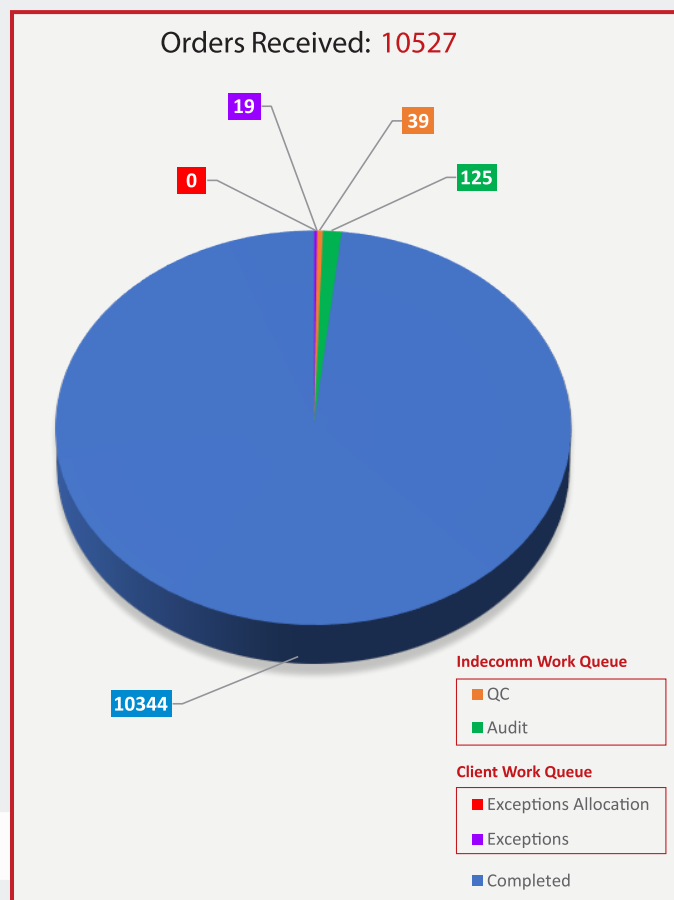
The Kaizen® platform was entirely customized to meet the Client specifications and many adaptations unfolded as needed.

In order to customize the Kaizen® platform to meet the Client’s needs, the following process was taken:

- Cost and time analysis
- Gap analysis to assess programming needs
- Development of workflow enhancements
- Collaboration and development of customized reporting specifications
- Expansion of audit checklist and audit criteria (job aids)

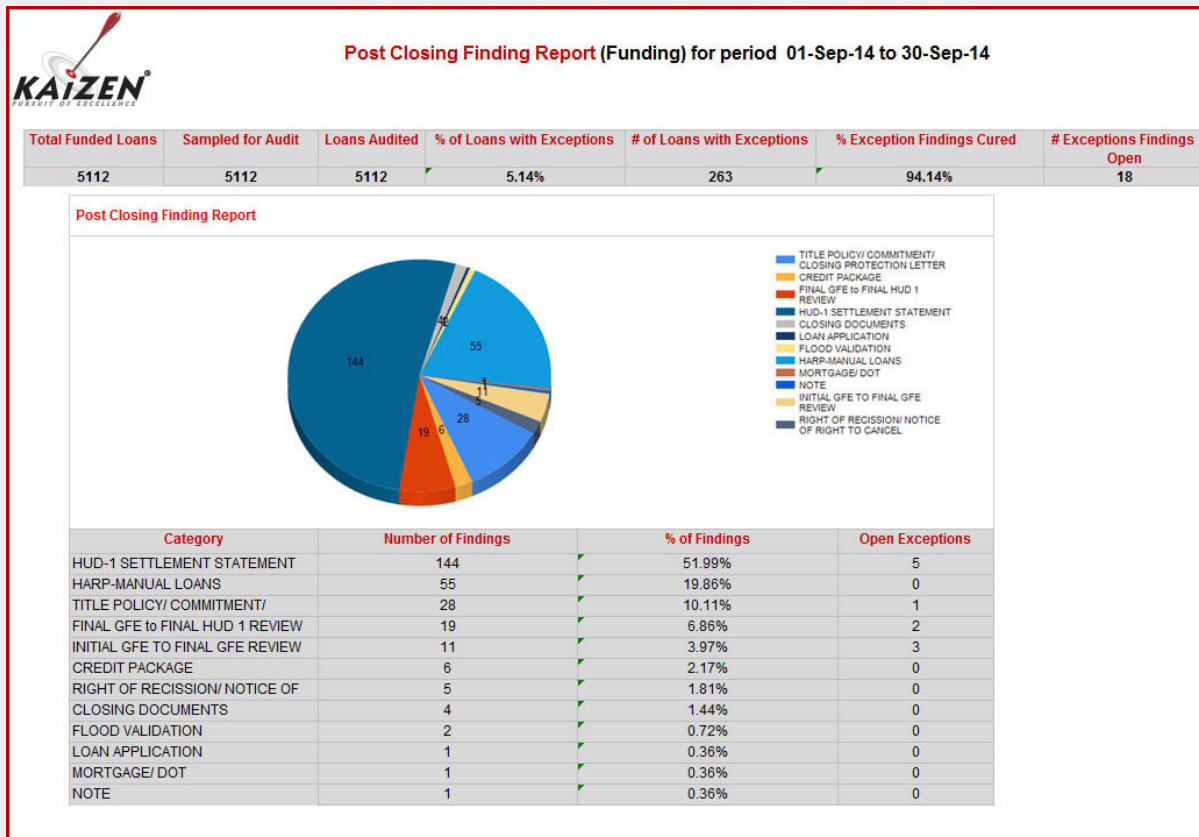
The customizations that were made included:

- Creation of client workflow with assignment queue

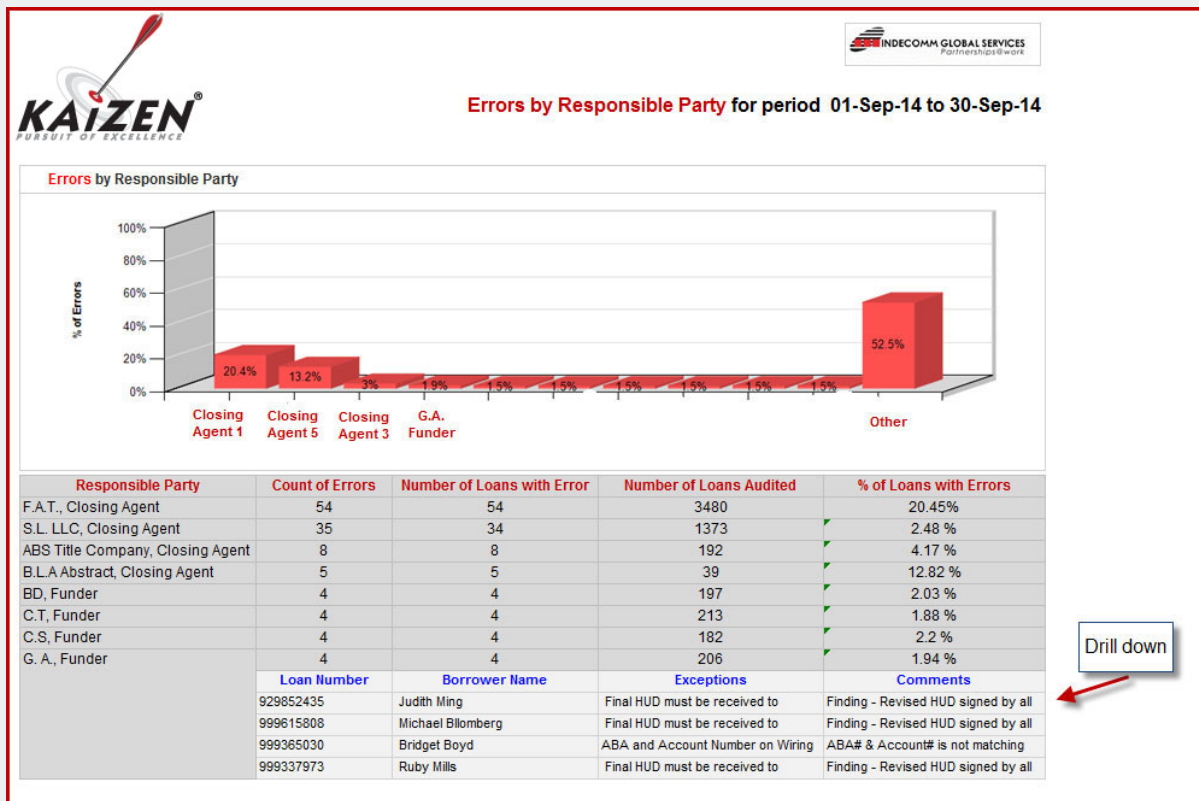


- Many customized reports were created including:
 - o Post-closing Exceptions Analysis & Findings Report
 - o Area of Responsibility – Responsible Party Report
 - o Post-closing Exceptions & Risk Report (severity ratings)
 - o RESPA refund (cure) amount added
 - o RCA (root cause) drop down customized to client specifications
 - o Audit Trend and Executive Summary Report

Sample Post-closing Exceptions Analysis & Findings Report:



Sample AOR-Responsible Party Report:




Sample Customized Exceptions Report - with Severity Rating:


File No	Received	Borrower	Category	Audit Question	Exception	Exception Comments	Risk	Loan	Funding Date	Funder
999728247	09/10/2014	Michael Lake	TITLE POLICY/ COMMITMENT/ CLOSING PROTECTION	Is the mortgage clause on title commitment correct? (...its successors and/or assigns ...Check the file for both a title commitment	Mortgage clause on the title commitment is incorrect	ISADA is missing from the file.	1	CONVENTIONAL	09/04/2014	Greg Fisher
999286103	09/29/2014	Barry Bond	FINAL GFE TO FINAL HUD 1 REVIEW	Comparison Sections (Charges that Cannot Increase, Charges that in Total Cannot	HUD-1-Fees Exceed 0% Tolerance Threshold	912 emailed title company for updated title Block 2 on final GFE is not matching with comparison section of final HUD-1.	2	CONVENTIONAL	09/22/2014	Shelly Smith
999508615	10/01/2014	Ellen Stone	INITIAL GFE TO FINAL GFE REVIEW	Does the valid change correlate to the fee that was changed on the subsequent GFE?	Revised GFE fees are not valid	Title service fee is increased from Gfe dated 9/28 to Gfe 9/2.	2	CONVENTIONAL	09/26/2014	William Morrow
999449085	10/05/2014	Bao Chang	INITIAL GFE TO FINAL GFE REVIEW	Was initial GFE and Settlement Service Provider List (SSPL) issued within 3 days of initial application date? If NO - all GFE Fees on Final HUD must be \$0 in the GFE Column of the HUD Comparison Section. TOLERANCE CUPE REQUIRED	SSPL not within 3 days of initial 1003	Initial application date is 6/5/14 but initial gfe disclosed is 7/14/14 is showing in Eclipse and also in Eclipse showing rate history 6/5/14 is initial Gfe. In bits initial gfe dated 6/5/14 is not available, hence considered in gfe validation work sheet initial application date	2	CONVENTIONAL	09/29/2014	Bill Miller
999449885	10/05/2014	Bao Chang	HUD-1 SETTLEMENT STATEMENT	Does the state on the Place of Settlement Section on the HUD1 match the state of the	State of the place of settlement is not matching the state of the property	State of property location and state of place of settlement is not matching with	1	CONVENTIONAL	09/29/2014	Bill Miller

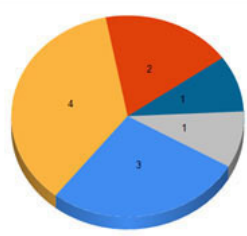
Assign Risk Rating

Sample Root Cause Analysis:



Root Cause Analysis for period 25-Feb-14 to 22-Aug-14
Pre Funding Audit







Shows the root cause attributed to errors with breakup of audit question


Root Cause	Number of Errors
Training	4
New Information	3
Diligence	2
Data Integrity	1
Process	1

Sample Audit Trend Summary & Executive Report:



Post Closing Audit-394033 - Audit Trend Summary Report





Audit Summary				
	1m	3m	12m	All
Total Funded Loans	4571	15876	35438	35453
Total Loans in Audit Selection	4571	15876	35438	35453
Total Loans Audited	4411	15716	35278	35281
% of Loans with Exceptions	5	5	7	7
# of Loans with Exceptions	240	852	2622	2622
% Exception Findings Cured	73	92	98	98
# Exceptions Findings Open	60	61	61	61

Top Exceptions (in %)				
	1m	3m	12m	All
Final HUD-1 not signed/dated by all	24.5	32	12.9	12.9
This is a HARP loan. Note from prior HUD-1 is missing	19	6.1	1.7	1.7
HUD-1 is missing	13.6	14.7	5.6	5.6
State of the place of settlement is not ABA and Account Number on Wiring	3.9	7	17.4	17.4
HUD-1-Fees Exceed 0% Tolerance	5.4	10.1	4.1	4.1
Others	3.4	1.3	0.7	0.7

Top Error Categories (in %)				
	1m	3m	12m	All
HUD-1 SETTLEMENT STATEMENT	51.7	57.4	47.1	47.1
HARP-MANUAL LOANS	20.7	7.7	2.7	2.7
TITLE POLICY/ COMMITMENT/ FINAL GFE TO FINAL HUD 1 REVIEW	9.5	16.8	13	13
Others	6.1	7.1	7.9	7.9

Top Root Cause (in %)				
	1m	3m	12m	All
Others	100	100	100	100

Top Responsible Parties (in %)				
	1m	3m	12m	All
Closing Agent	39.5	38.7	47.9	47.9
Underwriter	22.7	6.7	3.9	3.9
Funder	18.5	23.9	23.6	23.6
Processor	11.8	13.9	13.9	13.9
Closer	6.7	8.9	7.9	7.9
Others	0.8	2	2.8	2.8

“Your team has been wonderful in getting the queue situation identified, root cause identified, and hopefully resolved so this does not recur in future. And they have also been very patient in answering all my questions as I tried to grasp this process - I know I ask a lot of them!”

— Client Manager

The Client found that the Kaizen® platform was very customizable and was able to develop the workflow, reporting and curing solution that they needed.

Currently, the Client is using the Kaizen® system to process, track, and report on an average of 4500-5000 funded loans per month.

Benefits

The benefits to the Client included:

- **Flexibility:** Kaizen® integrated with the Client’s business strategy
- **Customization:** Kaizen® offered the full complement of customization
- **Root-Cause Analytics:** Kaizen® provided findings to the Client, which allowed them to identify and analyze the root causes for errors. These analytics allowed the Client to implement corrective action to be taken and measured
- **Robust Reporting & Integrated Communications Module:** Kaizen® built dashboards, executive summaries, loan level reports and trend tracking across the data. The integrated communications module enabled automated feedback and response

Significant Efficiencies

Efficient process and reporting to manage risk exposure through:

- Significant efficiencies & streamlined processes
- Reduction of RESPA refunds from cures (cost savings) and by identification and tracking of root causes

- Improved compliance with RESPA cure requirements
- Comprehensive reporting and dashboards to prompt corrective action, which enable best practices to help manage risk.
- Consistent quality of audit findings with <5% error rates
- 100% audit review of approximately 4500-5000 loans per month

Major Advantages for the Client

- Timely post-closing audits and curing
- Improved workflow efficiencies
- Ability to focus on market expansion project results rather than the process
- Cost efficiencies

Indecomm Elements

- Subject Matter Experts
- Unique Technology Platform