



## 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.

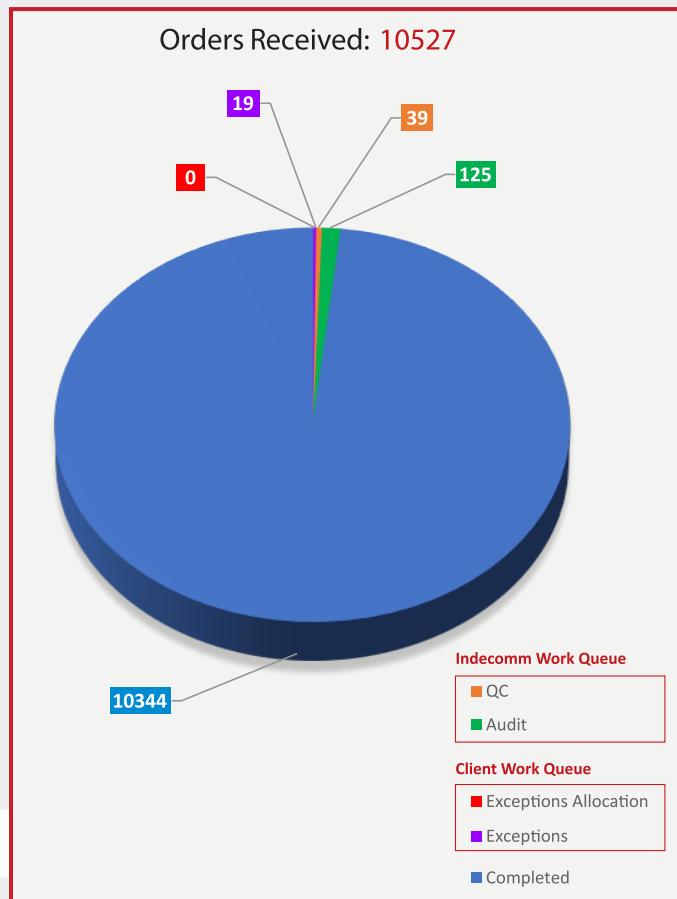
The Kaizen® platform was entirely customized to meet the Client specifications and many adaptations unfolded as needed.

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:

**Post Closing Finding Report (Funding) for period 01-Sep-14 to 30-Sep-14**

**KAIZEN®**  
PURSUIT OF EXCELLENCE

Total Funded Loans	Sampled for Audit	Loans Audited	% of Loans with Exceptions	# of Loans with Exceptions	% Exception Findings Cured	# Exceptions Findings Open
5112	5112	5112	5.14%	263	94.14%	18

**Post Closing Finding Report**

Category	Number of Findings	% of Findings	Open Exceptions
HUD-1 SETTLEMENT STATEMENT	144	51.99%	5
HARP-MANUAL LOANS	55	19.86%	0
TITLE POLICY/ COMMITMENT/ FINAL GFE to FINAL HUD 1 REVIEW	28	10.11%	1
INITIAL GFE TO FINAL GFE REVIEW	19	6.86%	2
CREDIT PACKAGE	11	3.97%	3
RIGHT OF RECSSION/ NOTICE OF CLOSING DOCUMENTS	6	2.17%	0
FLOOD VALIDATION	5	1.81%	0
LOAN APPLICATION	4	1.44%	0
MORTGAGE/ DOT	2	0.72%	0
NOTE	1	0.36%	0
	1	0.36%	0

## Sample AOR-Responsible Party Report:

**Errors by Responsible Party for period 01-Sep-14 to 30-Sep-14**

**KAIZEN®**  
PURSUIT OF EXCELLENCE

**Errors by Responsible Party**

Responsible Party	Count of Errors	Number of Loans with Error	Number of Loans Audited	% of Loans with Errors
F.A.T., Closing Agent	54	54	3480	20.45%
S.L. LLC, Closing Agent	35	34	1373	2.48 %
ABS Title Company, Closing Agent	8	8	192	4.17 %
B.L.A Abstract, Closing Agent	5	5	39	12.82 %
BD, Funder	4	4	197	2.03 %
C.T, Funder	4	4	213	1.88 %
C.S, Funder	4	4	182	2.2 %
G. A., Funder	4	4	206	1.94 %

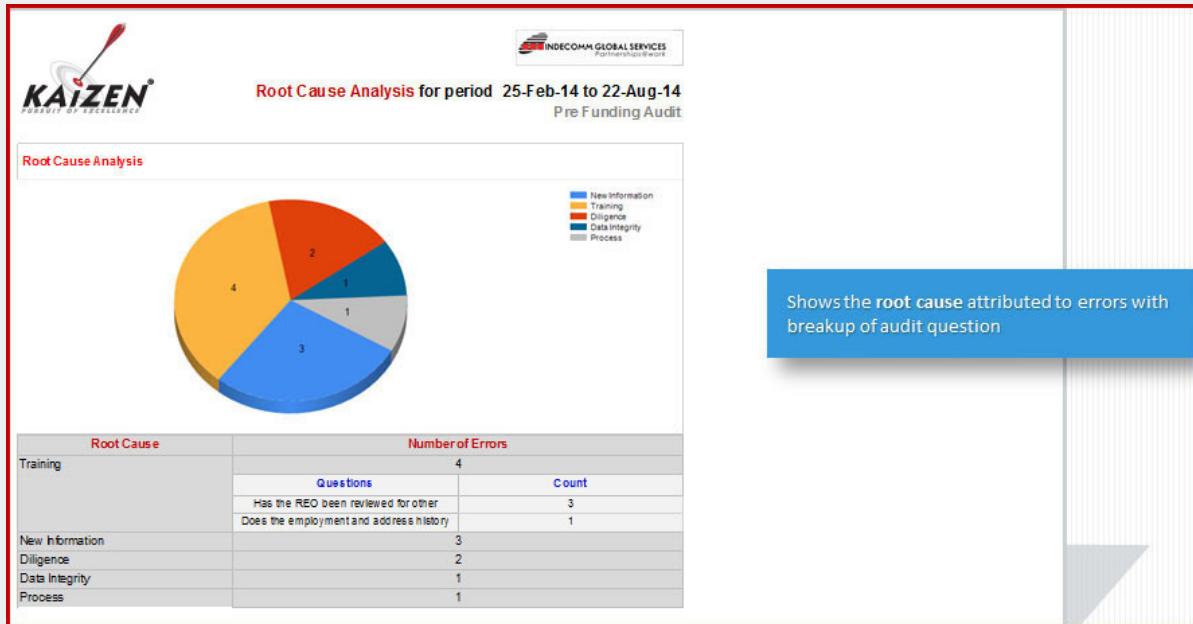
Loan Number	Borrower Name	Exceptions	Comments
929852435	Judith Ming	Final HUD must be received to	Finding - Revised HUD signed by all
999615808	Michael Bloomberg	Final HUD must be received to	Finding - Revised HUD signed by all
999365030	Bridget Boyd	ABA and Account Number on Wiring	ABA# & Account# is not matching
999337973	Ruby Mills	Final HUD must be received to	Finding - Revised HUD signed by all

Drill down

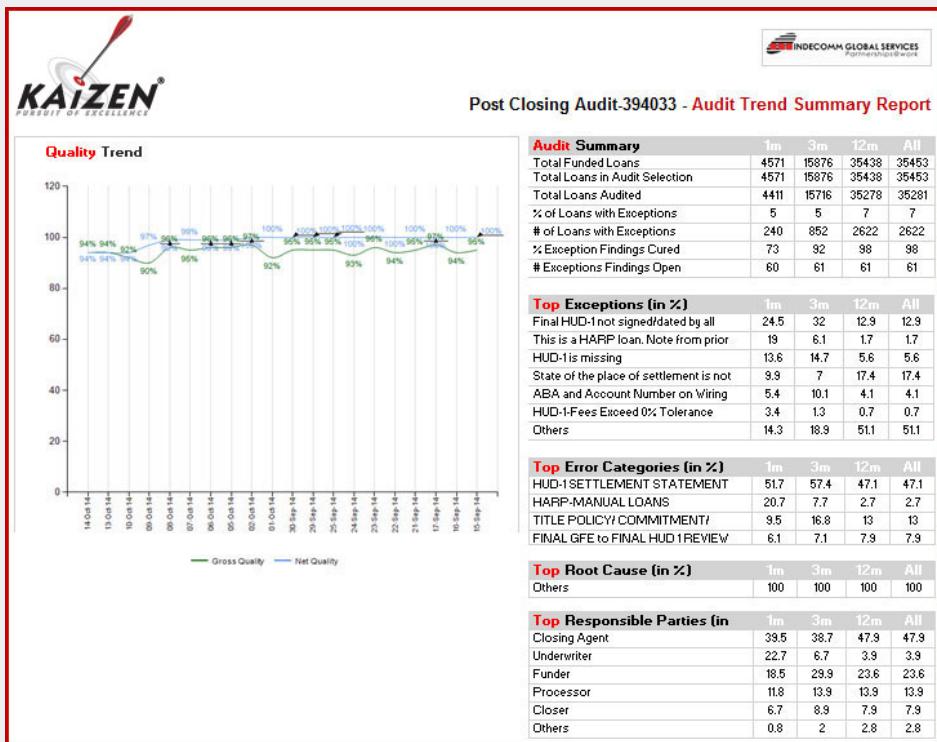
## Sample Customized Exceptions Report - with Severity Rating:

Exception Report for period (Funding) 01-Sep-14 to 30-Sep-14										Assign Risk 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 FINAL GFE to FINAL HUD 1 REVIEW	Is the mortgagee clause on title commitment correct? ...its successors and/or assigns ...Check the file for both a title commitment Increase, Charges that in Total Cannot	Mortgagee 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	INITIAL GFE to FINAL GFE REVIEW	Comparison Sections (Charges that Cannot Increase, Charges that in Total Cannot	HUD-1 Fees Exceed 0% Tolerance Threshold	9/12 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 8/28 to Gfe 9/2.	2	CONVENTIONAL	09/26/2014	William Morrow		
999449885	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 CURE REQUIRED	SSPL not within 3 days of initial 1003	Initial application date is 6/5/ but initial gfe disclosed is 7/14/ is showing in Eclipse and also in Eclipse showing rate history 6/5/ is initial Gfe. In blets initial gfe dated 6/5/ is not available.hence cured in validation worksheet 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 HUD-1 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 validation worksheet initial application date	1	CONVENTIONAL	09/29/2014	Bill Miller		

## Sample Root Cause Analysis:



## Sample Audit Trend Summary & Executive Report:



*"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

- 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

## 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