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insurance proposed requirements are too strict. Making a similar argument as MBA, CBA commented that borrowers should not be allowed to submit oral error resolution requests. The association argued oral communications can be subject to misinterpretation.

> "Most oral complaints can be resolved either during the phone call or soon thereafter and are discussed with the customer, so there should be no need for follow-up or confirming letters."
>
> — Steve Irwin
> executive vice president
> National Reverse Mortgage Lenders Association

"The allowance for oral error requests would be a divergence from the current RESPA requirement that borrowers make error resolution requests via a QWR," wrote **David Pammerehn**, counsel, legislative and regulatory affairs for CBA. "A QWR provides for objective proof that an error resolution request has been made for which timelines and liabilities can be established — a great benefit to the borrower. Absent a written request, it would be difficult to establish exactly what would qualify as an error resolution request, subjecting the borrower to inconsistent procedures. For example, a servicer may believe the orally communicated issue has been resolved during the course of the communication, while the borrower may believe differently."

CBA also suggested changes to the early intervention with delinquent borrowers, continuity of contract with delinquent borrowers and loss mitigation procedures proposals.

NAHB

In relation to RESPA, the association supported the CFPB's loss mitigation proposals.

"NAHB supports efforts to establish national servicing standards that include clear procedures for handling non-performing loans," wrote **David Ledford**, senior vice president, housing finance and regulatory affairs, NAHB. "Specifically, the CFPB proposals requiring servicers to make a good faith effort to notify delinquent borrowers, to provide delinquent borrowers with access to consistent personnel, and to implement procedures to ensure that loss mitigation options are evaluated timely and fairly are positive steps."

NRMLA

The association told the CFPB that they are concerned about the bureau's oral error resolution request proposal.

"The volume of oral complaints received by servicers could be very high, making this process unduly burdensome for servicers. Most oral complaints can be resolved either during the phone call or soon thereafter and are discussed with the customer, so there should be no need for follow-up or confirming letters," wrote **Steve Irwin**, executive vice president of NRMLA.

The association stressed that reverse mortgages are different from other types of mortgages and that they should be excluded from certain proposals, like the bureau's loss mitigation procedures, information management policies and continuity of contact with delinquent borrowers requirements. ■

What agent vetting is all about

By Chris Crowell

A new company has formed to work with warehouse bankers and mortgage lenders in order to tackle the emerging trend of title/closing agent verification. Secure Settlements Inc. is an independent evaluation and risk management firm that specializes in the vetting and ongoing monitoring of closing professional identity, background and credentials in order to reduce fraud, manage risk, and meet recently mandated federal regulatory requirements.

Secure Settlements was founded by **Andrew Liput**, an attorney with more than 20 years of experience in the loss mitigation and financial consulting industries. Liput said he conceived the process of a closing professional vetting system nearly a decade ago and has become a staunch advocate for its adoption while working toward the establishment of a formal identity and credential verification process.

"We have a sophisticated system in place that provides a solution to the challenges lenders suddenly face," Liput said. "Our software system generates a matrix of data that creates a rating for lenders to review on their own. This kind of rating currently doesn't exist in the market, and this type of vetting is necessary if lenders are going to meet recent regulatory requirements. We believe it will be a valuable tool in the risk management portfolio for banks across the country."

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Through the use of a proprietary risk analysis software program and a national database and risk rating system, warehouse banks and mortgage lenders can reduce their overall risk profile during the closing process. It also assists these institutions in meeting federal regulatory requirements regarding third-party service providers outlined by the Consumer Financial Protection Bureau in its April 2012 directive to banks.

In an interview with *The Title Report*, a *RESPA News* sister publication, the company noted that it has been talking with Fidelity, First American, Old Republic and Stewart since about 2009 about its concept in the hopes of collaborating and filling out its database, but there has been none to this point. Regardless of collaboration though, Secure Settlements said it requires fresh data to be submitted by the agents.

While Secure Settlements is not a licensing agency, the company says its process and database will create a national pool of qualified and respected closing professionals who meet basic requirements, as well as a national watch list for high-risk individuals culled from law enforcement, public data and private industry sources. The Secure Settlements Watch List currently includes more than 45,000 names. Liput hopes lenders will use this data as a pre-closing, pre-wiring quality control step for the benefit of consumers, investors and warehouse partners.

"We provide all parties involved in a mortgage transaction the data needed to make the best choice possible when selecting a closing professional, and we provide a uniform standard of care and set of best practices for the benefit of those who work in the closing industry," Liput said. "Our goal is to provide an independent analysis of closing professionals on an individual level, and ultimately establish a standard that further protects both lenders and consumers by creating an environment of transparency and accountability for the industry as a whole."

Here is how it will all work: Beginning in January 2013, warehouse banks and lenders will verify an agent's status through Secure Settlement's system, which will contain a large watch list and information about vetted agents in order for those clients to make more informed decisions about their service provider partners. In terms of turn time, 90 percent of the verification process takes 20 minutes, but the overall process for a lender is 24 to 72 hours. The company said it is working to automate two of the manual steps in the process before year's end, which would then move turn time to 20 to 30 minutes, total.

In terms of the vetting process, Secure Settlement looks at 17 separate data points that verify an individual's identity, background, licensing and other risk factors important to the warehouse banks and lenders before they send documents and wire funds. Right now, the system is stand-alone, but the company is working with software providers to integrate with loan origination systems and warehouse bank operating systems.

"Lenders heartily embrace this process and tell us they have been hoping for greater risk management in this area for a long time, but the process was never fully embraced until regulatory bodies began to require more attention to this gaping hole in risk management," Liput told *The Title Report*. "Lenders realize that they have the largest window of risk in the industry when it comes to losses from negligence and fraud at the closing table. A loan can be subject to repurchase or a make-whole demand for up to three to four years after a closing. Not all fraud involves outright theft of funds but includes conspiracies, willful blindness, and other acts that fall outside of the traditional risk management platform and thus we need new ideas, new approaches and more collaborative sharing of data.

"The CFPB has put this on the front burner for banks, and they can no longer avoid it or they face the possibility of being held jointly and severally liable with errant service providers when and if consumers are harmed," he continued.

The agent verification issue is becoming a hot topic in the industry as all sides try to figure out the best course of action in a changing regulatory environment. All of these discussions can sound like indictments against the title industry, and in some ways they are — at least against unprofessional or "bad actor" agents. That's why Liput believes title agents should embrace Secure Settlements and the entire verification/vetting movement in the industry.

"Agents should champion it," he said. "Agents should embrace a process that weeds out the bad actors, elevates the profession, helps to reduce E&O premiums through better risk management and essentially markets them as trustworthy professionals to consumers and banks.

"Being an agent and handling mortgage proceeds, collateral security documents and a consumer's important transaction is a privilege not a right," he continued. "While licensing is important, licensing for the most part is not vetting. Most agents we talk to understand that and frankly admit they expected this to happen well before now."

First Tennessee Bank is one of the early adopters of the Secure Settlements system to ensure closing professionals are properly credentialed.

"Proper vetting and evaluation of mortgage closing professionals is not only a smart business move, it may also be required of mortgage originators under recent federal regulations," said **Bob Garrett**, executive vice president of the First Tennessee Bank. "Secure Settlements has a firm understanding of the issues the industry faces in this arena and has brought to the table an actionable solution to a problem First Tennessee — along with our peer institutions — has been discussing for years." ■