# CLOSING THE POST-CLOSING LOOP

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# Executive Summary

Post-closing errors related to trailing or missing documents are an expensive thorn in our industry's side. Follow-up is a manual and time-consuming process that may take days or weeks. In addition, lenders may incur substantial indirect costs ranging from regulatory penalties to investor "holdbacks" if final recording fees differ from the disclosed amount or if the recorded security instrument and title policy are not received.

In an attempt to address these issues, many lenders simply assign more personnel to the problem or outsource post-closing activities to third-party providers. However, technology is now available to automate and simplify post-closing processes without the need to outsource or hire additional resources. A collaboration portal designed to ease the burden of the TILA-RESPA Integrated Disclosures rule (TRID) and enhanced with post-closing and e-recording services allows lenders, title insurance underwriters, and title and settlement agents to view the status of post-closing deliverables in real time. Recorded security instruments are immediately delivered to all parties, and any change in recording fees is automatically updated on the closing disclosure.

Because a post-closing collaboration service eliminates the need for personnel, internal or outsourced, to manually track down trailing documents, the return on investment is almost immediate. Moreover, recent signals from the GSEs indicate that forthcoming guideline revisions will only further pave the way for efficient, paper-free post-closing collaboration by reducing the requirement for a copy of the ink-signed security instrument in the servicing file. Now is the time for lenders to invest in their best defense against the regulatory repurcussions of improperly perfected loans.

# Trailing Docs: An Expensive Thorn in Our Industry's Side

Today's strict regulatory environment places tremendous pressure on mortgage lenders to ensure loan files are complete, accurate, and compliant. Historically, lenders have viewed the closing as the finish line of accountability. However, regulations have extended the lender's responsibility beyond the closing table. Post-closing errors, especially ones related to trailing documents, are common, and the lender is just as responsible for these errors as ones that occur earlier in the process.

Just how many loans require follow-up action related to trailing documents and other post-closing issues? An August 2016 report by Aces Risk Management (ARMCO) found that missing documents are responsible for more than one in four critical loan defects. In our experience, it's not uncommon for large lenders to have thousands or tens of thousands of documents outstanding. In some cases, more outstanding documents are searched for in a given month than loans actually closed. The cost of not getting post-closing right the first time is high, because follow-up is a manual, and time-consuming process.

For example, consider the all-too-common scenario in which post-closing review reveals the loan file is missing the recorded security instrument and title policy. To remedy this problem, a lender typically begins by sending the settlement agent a "demand letter" requesting the missing documentation.

If the request goes unanswered, the lender will next reach out to the title insurance underwriter, who will query the settlement agent again. If the settlement agent can't readily provide the missing documents, they will likely have to coordinate with the county recorder to obtain proof that the security instrument was recorded.

Once the recorded document is secured, title policy issuance is yet another workflow that eats into limited post-closing time and resources. Even when the settlement agent sends both security instrument and title policy to the lender, the documents can easily get misplaced in the mountain of paperwork the lender receives.

In short, there are many steps and parties involved in tracking down missing documents, each of which may take days or weeks. To further complicate the process, tracking and collection methods must also be documented — something many lenders do manually, via spreadsheet. Any midstream personnel changes mean new staff must be trained and brought up to speed on the status of the loan review at additional time and cost.

These are examples of direct costs, but trailing documents carry substantial indirect costs as well. For example, TRID penalties may apply if final recording fees differ from the disclosed amount or if the proof of recording is never received. In addition, purchase agreements frequently stipulate that a portion of the agreed-upon sales price for mortgage loan and servicing rights transactions can be "held back" until or unless final recorded security instruments and title polices are delivered. These holdbacks can amount to 10% or more of the purchase price, and in some instances release of the held funds is contingent on perfection of every loan involved in the transaction.

Because post-closing review and document follow-up is such a time-consuming and resource-intensive process, high-volume lenders often outsource this task to a third-party provider whose workflows are built for tracking, locating, and delivering post-closing documents. This remains a viable option, but is not the only option. Technology is available now to automate and simplify post-closing processes.

# It’s Time for Lenders to Streamline Post Closing

Collaboration between lenders and settlement agents, once autonomous actors in the mortgage lending process, has become essential for meeting loan estimate (LE) and closing disclosure (CD) requirements in the aftermath of the Consumer Finance Protection Bureau’s “Know Before You Owe” initiative. Collaborative online workspaces allow lenders to interact with settlement agents in real time to determine the appropriate fees for a transaction, removing the risks associated with manual data entry and automatically creating an audit-ready compliance trail.

But the need for lender-settlement collaboration doesn’t end with the LE and CD. The best collaboration solution has post-closing and e-recording services built in. This allows lenders to track trailing documents without writing a single letter, making a single call, or sending a single email. Instead, lenders simply connect to an integrated collaboration portal to view the current status of each deliverable. Even where e-recording isn’t yet available, a collaborative post-closing solution provides transparency into the paper recording process.

Once the signed security instrument is recorded, it’s immediately delivered back to the lender, title recording desk, and settlement agent before the file is closed out. Any change in recording fees is updated on the closing disclosure and shared with all parties via the collaboration portal.

The benefits of electronic post-closing collaboration are compelling, yet lenders often tell us that because post closing is not a revenue-generating process, it’s simply not where they decide to invest in technology. As a result, trailing documents continue to cause major headaches and expenses for lenders year after year. It’s time for lenders to shift their priorities and reap the benefits of a more streamlined approach to post closing. Here’s why:

- **Post closing is too risky to get wrong.**
  The post-TRID regulatory environment puts the originating lender on the hook for the life of the loan. Lenders must not only track down trailing documents, they must confirm final recording fees (one of the most common updates after closing), and re-issue disclosures if the fees have changed. Investors, too, can be held accountable if loans aren’t properly perfected.

- **The GSEs are paving the way.**
  Fannie Mae and Freddie Mac already support e-recording and have recently revised their guidelines to eliminate the requirement of maintaining a paper copy for the servicing file if the document is electronically recorded. “Having both the closing and post-closing documents in an electronic format not only provides a better consumer experience, but helps to ensure timely compliance with state laws and investor requirements,” says Jennifer Parker, eMortgage Manager for Fannie Mae. This development paves the way for more efficient, paper-free, post-closing collaboration.

- **Collaboration pays for itself.**
  Because a collaboration service with built-in post-closing and e-recording eliminates the need for personnel to manually track down trailing documents, the return on investment is almost immediate.

# Electronic Post-Closing Collaboration: Better for Everyone

### BETTER FOR LENDERS

- ✓ Transparency into settlement and recording processes
- ✓ Immediate receipt of electronically recorded documents directly into lender's system
- ✓ Secure and prompt receipt of the title insurance policy
- ✓ Automated tracking, proof of receipt, and outstanding document reports
- ✓ Prompt notification of variances in final recording fees or transfer tax amounts and any related re-disclosure requirements
- ✓ Reduced back-office costs and no sorting, opening, or scanning mail or storing paper files
- ✓ Automated audit trail
- ✓ Fewer transactions requiring third-party involvement thanks to self-service status tracking
- ✓ Automated scoring of settlement agent turn times
- ✓ No more lost or misplaced paperwork

### BETTER FOR SETTLEMENT AGENTS

- ✓ Transparency that supports lender's post-closing process
- ✓ Easy upload and immediate delivery of electronically recorded documents
- ✓ Fast and secure policy delivery to title insurance underwriter
- ✓ Automated tracking and proof of delivery
- ✓ Prompt notification of variances in final recording fees or transfer tax amounts
- ✓ Reduced mailing and tracking costs
- ✓ Automated audit trail
- ✓ Fewer status inquiries from lenders and no need to revisit the file every time a demand letter is received
- ✓ Better turn times that yield improved customer satisfaction and more lender business

**For more information about Simplifile Post Closing, please call 800.460.5657 or email sales@simplifile.com**

**ABOUT SIMPLIFILE**

Simplifile is a rapidly-growing, online service that connects lenders, settlement agents, and counties. Since 2000, Simplifile has grown to become the nation's largest e-recording network and transformed the title and real estate industry. From e-recording to document sharing, collaboration and post closing, Simplifile offers an array of services in one place to help users securely record, share, and track documents, data, and fees with ease.

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