# White Paper:

## SCORING YOUR TRAILING DOCUMENT PROCESS & TIPS FOR EFFICIENCY

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This white paper is designed to help you score and evaluate your trailing document process and offers helpful tips to improve your process.

### *Score Your Trailing Document Process*

In today's highly regulated environment, problems with document tracking or flow can have a profound negative impact on the firm's ability to protect loan assets. Failure to assess your operation could be viewed as a pattern of negative behavior by regulators. A best practices approach requires annual assessment.  But what should your company assess? We have derived a set of questions for use in evaluating the efficiency of your trailing document process. To start, take a moment and consider how your shop rates on each point. You might be surprised.

- Percentage of outstanding documents aged over 60 days (should be less than 20%).
- Percentage of investor delivery deadlines met (should be minimally 90%).
- Number of investor penalties incurred over the past year.
- Number of documents rejected by investors for failure to meet requirements.
- Staff hours spent tracking and locating documents.
- Ability to quickly adapt staff size to fit fluctuating volumes without creating backlogs.
- How many times this year have you experienced a backlog of documents?
- Functionality of your tracking system, including automation of follow-up on outstanding items and status reports.
- How much was spent in recovering outstanding trailing documents from counties or title companies?
- How much was spent on certified copies needed to replace lost originals?
- How well does your system perform to suit your needs?
- What is the cost of the entire process – this should include full-time and temporary personnel in final documents and imaging areas, benefits, hiring, training, management, space, IT participation, computers, supplies, document retrieval costs, space requirements, imaging equipment, etc. Divide your total costs by the number of loans you are originating or buying on a monthly basis to get your per-loan cost.

If you felt that any of these points had room for improvement, here are a few tips that may help to create a more efficient internal process.

### *Document Tracking: Start at the Beginning*

The first step in tracking a trailing document is to determine the entity who closed the loan, whether an attorney, closing agent, title company or settlement agent. If you never made a record in your system of who closed

the loan, your best option is to pull the (soon-to-be-extinct) HUD-1 to discover the name of the title company/closing agent. We recommend that you have procedures in place to ensure you enter this information up front into your system to avoid this hassle later down the road.

The success of your final/trailing document tracking unit starts with your database and that it contains the name and contact information of the title company/closing agent, including contact phone numbers, address, etc., for each loan. With this information you can begin follow-up without the costly task of pulling files or searching through images looking for the HUD-1's. Maintaining preferred contact methods and direct lines with the correct people in each entity is key to maximize effectiveness. Once you've determined who to follow-up with, often the next question is *when* to start the follow-up process.

County recording timeframes vary widely. It is essential to maintain an accurate and current database of the average timeframes in each county jurisdiction so that you know the appropriate time to begin follow-up steps. Turnaround times should be regularly updated (minimally on a quarterly basis) because they change over time. This database should be cross-referenced against document completion stages, including when it was sent for recording, the recording date and when and if it was returned.

Specific Investor requirements will drive your follow up pattern and urgency. Some Investors require documentation within 30 – 60 days of closing and will require a more stringent pattern of calls and emails to the agents, correspondent lenders and/or underwriters. A matrix of Investor requirements, contacts and address information should be maintained to avoid late delivery and delivering to the wrong address.

Having a system that can automate the follow up process for you based on county record and return time and your investor requirements will cut down on time and cost to manually track the data.

## *When Document Tracking is No Longer an Option*

Another important element of your final/trailing document procedure is to establish your research and retrieval department. When tracking down the original documents is unsuccessful, you'll need systems in place ahead of time to ensure that you can retrieve copies of mortgages and title policies quickly.

You should develop a database of counties that have online access, with their web addresses, specific capabilities and costs, if any. Unfortunately, an increasing number of counties are charging subscription fees for access to their websites to make up for reduced document copying revenue. These subscription fees may be too high for most shops, making it only worthwhile for larger operations. However, many are still offered free of charge and more counties are coming online all the time, so it is important to keep your database current.

Site accessibility varies widely from county to county, from difficult-to-use old DOS based systems to modern user-friendly sites. Though it is time consuming to find web addresses and develop procedures for each county, online access is by far the most economical form of research, so the time spent creating it and training staff is well worth it.

Having a competent and well-organized research department can also bail you out when you are in a hurry to meet a deadline. Missing documents on one loan can hold up an entire sale. The ability to retrieve documents under the direction of your research team can save an entire pool of loans from being dropped from a sale.

### *Establishing a National Abstractor Network*

Another key element of your document retrieval team is your abstractor network. Though it is obviously preferable to avoid the expense when possible, sometimes having someone to walk into the county office is the only option to retrieve a document. It is important to develop a comprehensive network of skilled abstractors – keeping in mind that some are more competent than others. You should have a system for testing new abstractors for accuracy before they are added to your core network. Make sure to quality check each document you receive from the abstractor and track errors for future reviews of that abstractor. Your system should also be intelligent enough to evaluate priority of abstractors based on their accuracy, price and turnaround times allowing your network to work best for you.

Establishing and maintaining your network effectively will require a team of people. One way to establish a cost-effective abstractor network is to start by making a list of the 150 most populous counties in your portfolio. Then, for those counties on the list that do not provide electronic access to the land records, find a capable abstractor in each county that is willing to work within your price limits and turnaround times. Since the majority of your retrieval will be in those most populous counties, this is a great place to start so that it is not too daunting.

### *Maintaining Quality*

Now your documents have arrived and it's time to send them off to the buyer. In a perfect world your trailing documents are complete, correct and meet your buyer's requirements. Most counties do not practice a quality review of a document they are to record. Investors have standards for document acceptability and it is important to review documents for completion and accuracy before sending them to your buyer.

Establish audit points for mortgages and title policies and an experienced review team to ensure all requirements are met. Any documents failing to meet these points need to be returned to the closing agent for correction. This will require follow up to ensure corrections are handled and returned in a timely manner.

### *Should You Consider Outsourcing?*

If establishing these processes and systems sounds too time consuming, or costly, another option to consider is outsourcing the work. This is also a good option if you are in need of an immediate solution and concerned that you will not be able to establish it quickly enough. A reliable outsource vendor should afford you all the benefits of a technically advanced system and process without having to build, manage and maintain it yourself.

It also may be the most cost-effective option when looking at the loan from a cradle-to-grave perspective. Specialized service providers often provide services later on in the life of the loan (such as assignments or lien releases) based off the information and images captured in the final/trailing documents process. These services are often offered at a discounted or bundled rate that will likely save substantial costs in the long run.

The bottom line is, selecting a provider and choosing what part of the process to outsource needs to make sense for you. Weighing the benefits to cost savings proposition is unique for each company and individual circumstances. Look at your own needs and long term goals that you would like to achieve.

### *Summary*

Evaluating your own trailing documents process regularly is a best practice that will help your company avoid negative attention from regulators and help you maximize the return from limited resources. There are many potential savings and efficiencies to be realized if you will just take the time to look for them.