Ask lenders their feelings about the coming year’s compliance changes and many will respond that fear and uncertainty are their overriding emotions. These feelings of fear are not completely unwarranted either.

The government’s solution to the housing crisis of 2008 has been to enact thousands upon thousands of pages of regulations, each with a special penalty allowing immediate and almost unlimited use of “Whack a Lender” to penalize anyone who steps out of line. As a result, many lenders are taking a fearful “wait and see” approach to the upcoming rules due in 2013.

However, fear does not have to drive regulatory oversight and compliance changes. There are three simple steps lenders can take to better work with regulators and manage compliance reform. The best way to do this is to embrace automation, partner with regulators to shape rules, and know your risk policies inside and out.

**Embrace Technology**

One of the biggest obstacles for lenders facing compliance challenges is the pure volume of reports, exams and data fields that must be tracked, tested and reported each quarter or year.

Many regulations, such as preliminary disclosures, fee calculations, required RESPA, MDIA calculations, quick identification of Federal and State consumer laws and even the new QM requirements (once they are finalized) can be completely automated by software. These solutions contain features that flag incomplete applications and stop loans from closing if all the required steps have not been followed. Look for seamless integration between your technology providers — especially the LOS, Document Provider and automated compliance engines. Communication with your vendors is the key to ensuring these relationships flourish while helping you provide optimal compliance.

**Understand Your Market and Policies**

For regulations with more subjective requirements, such as CRA or fraud exams, lenders must combine their best good-faith efforts with documentation efforts and reports from their automation tools. Lenders who use available software to analyze loan applications and document how and why decisions are made will be in a stronger position to defend their offerings in the market.

The same goes for risk policies. Every lender will have to make their own decisions on the level of risk they are willing to embrace. While jumbo loans, subprime and adjustable mortgages have all shrunk in volume in response to the focus on ultra-safe mortgages, there is still a viable market for these services. Lenders must fully understand and document their risk mitigation policies to ensure that examiners can see how these riskier loan products still meet the definitions and standards required by law.
Get Involved in the Regulatory Process

Though it may seem like these laws are passed overnight, that is certainly not the case. One of the first new rules to be defined in 2013 will be the reformed RESPA and TILA disclosure form. The CFPB has publicly detailed and outlined every step of the process over the past year at a special website, www.cfpb.gov/knowbeforeyouowe. Each new phase of the disclosure was open to public comment from consumers and lenders alike, and the current draft reflects much of that feedback. In addition, the CFPB has implemented “Project Catalyst” — www.consumerfinance.gov/projectcatalyst — to help borrowers and lenders alike foster consumer friendly innovation in the marketplace.

Each new regulation always includes a commentary period. Take the time to follow the major rule announcements, call your representatives to discuss issues affecting your business and get involved on the front end. Social networking is another great way to get involved and stay aware. The result will be a better understanding of what the regulators are trying to accomplish while better communicating the needs of mortgage lenders who are trying to help consumers purchase a home at a fair price and rate.

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