What Is Your Time Worth?

CrossCheck Compliance

Todd Krell, Managing Director
Consumer Loan Review Practice
tkrell@crosscheckcompliance.com

Having an effective quality assurance program has become increasingly important to an organization's overall success. Many lenders choose to outsource the pre-funding and post-closing quality control functions, believing they will experience lower cost and time savings, while gaining independent and professional reviews. However, do mortgage lenders fully consider their personnel time savings in the cost-benefit analysis?

VENDOR OR PARTNER

Since 2008, CrossCheck Compliance has provided quality assurance services to banks, mortgage lenders, and credit unions of all sizes and with different lending strategies. We partner with our clients to customize our processes and reports to ensure they achieve their cost-benefit goals. Consider the time factor in the following three areas:

1. Responses to Findings – When potential clients are asked why a change of providers is being considered, we often hear, "We are responding to the same findings month after month" or "We are cited for findings that are not applicable to our business model each month." This time redundancy prevents department managers from focusing on other critical issues such as originating and closing more loans. A true partner will review the scope of the file review at least semi-annually and will make monthly adjustments to the review questions based on the client's responses to findings. These real time adjustments to the review questions ensure that the next month's findings are not clouded with issues previously addressed by the client, allowing the client to spend more time focusing on new production or other critical issues.

2. Reporting and Governance – Many quality control providers deliver monthly reports to clients that satisfy all basic GSE and HUD requirements. Are your reports formatted in a manner that satisfy the audit committee, board, investors, and regulators? If not, the quality control manager spends valuable time revising the reports. An effective and value-added quality control partner will customize summary reports to meet all of these needs, including (and especially) corporate governance. For example, a separate compliance only, executive management, or quarterly audit report may be provided. This approach allows the organization's quality control manager to spend time analyzing results, recommending process changes, and conducting additional training.

3. Monthly Review of the Vendor – Fannie Mae requires all lenders that outsource their quality control function to perform a review of at least 10% of the files reviewed by the quality control vendor. This review must be completed by internal personnel of the organization. Are you spending an excessive amount of time performing reviews because of inaccurate findings by your service provider? Inaccurate findings are often attributed to inexperienced or new analysts. Have you completed a due diligence review of the qualifications of the analysts who review your loans? Do you know the year-over-year turnover rate of the analysts at your service provider? Are these employees or contracted individuals? A low turnover rate may be an indication of the employee's commitment and satisfaction with their employer. Highly experienced and tenured analysts produce more consistent results, and accurate findings. Do you want an experienced industry veteran or a rookie?

Remember that "time is money." While the price of your outsource vendor's services is important, the time saving element of the cost-benefit analysis is equally important. Perhaps even more important, especially if your investors are not receiving timely or accurate reports. Factor both time and price in your analysis; there is no refund on time or quality.