



# The Future of Mortgage Examinations “e-Exam”

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# Goals and Objectives of Modernization

- Use Advance Software to Do More with Less
- Develop Risk Profiles for Scheduling and Targeting
- Leverage the Opportunity for Automation
  - Provide advance technology to examination team to automate important aspects of loan level compliance examination procedures
- Encourage Industry Self-Monitoring
- Modernize Examinations
  - Improve examination scope and efficiency
  - Operate more effectively
  - Increase transparency



**RegulatorConnect**

**Web portal for lenders to deliver loan-level data to regulators**



RegulatorConnect

RegulatorDirect

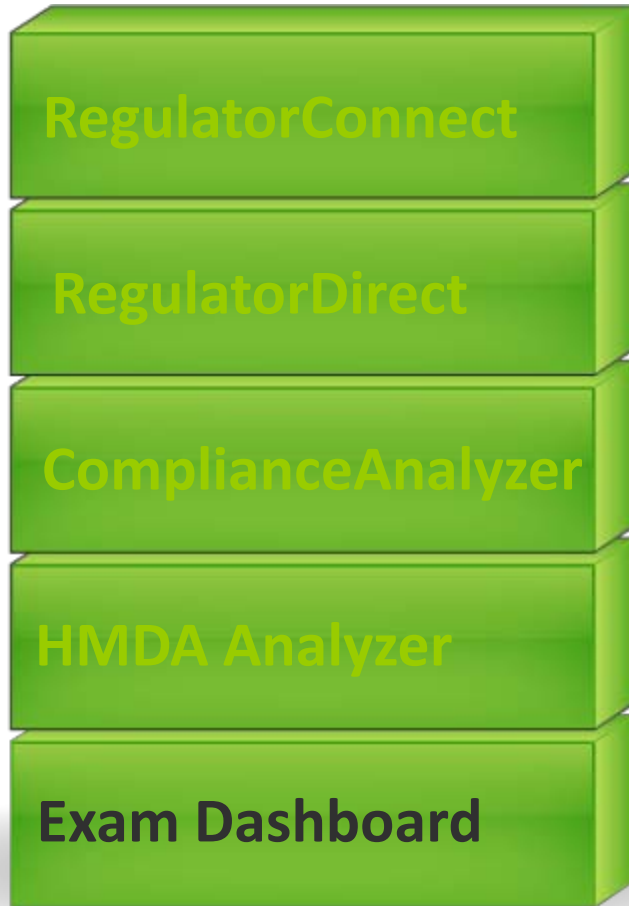
**ComplianceAnalyzer users to deliver loan-level data to regulators**



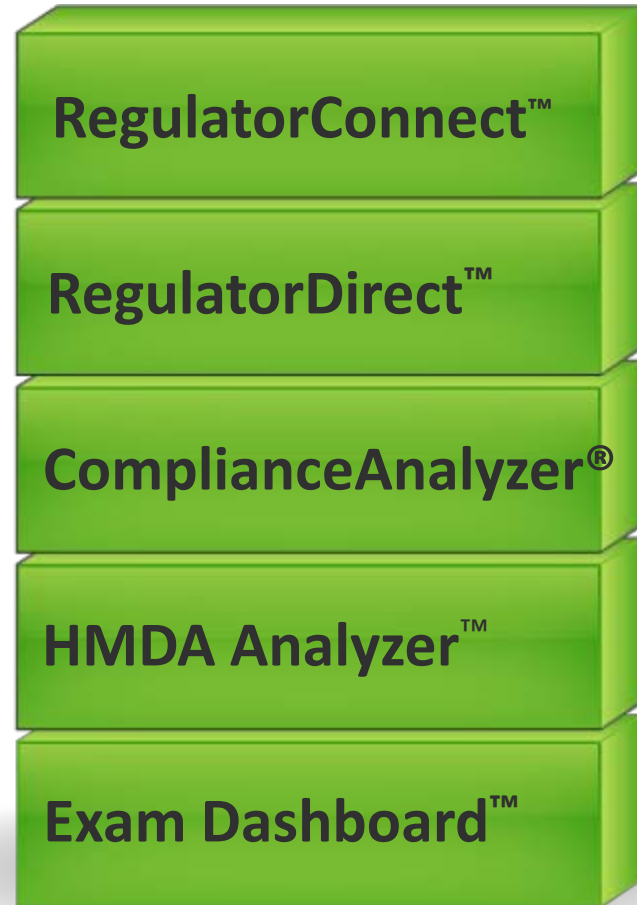
**Federal, State, and Local Regulatory  
Compliance Auditing Tool**



**HMDA Compliance Auditing Tool**



**Comprehensive Reporting Tool**



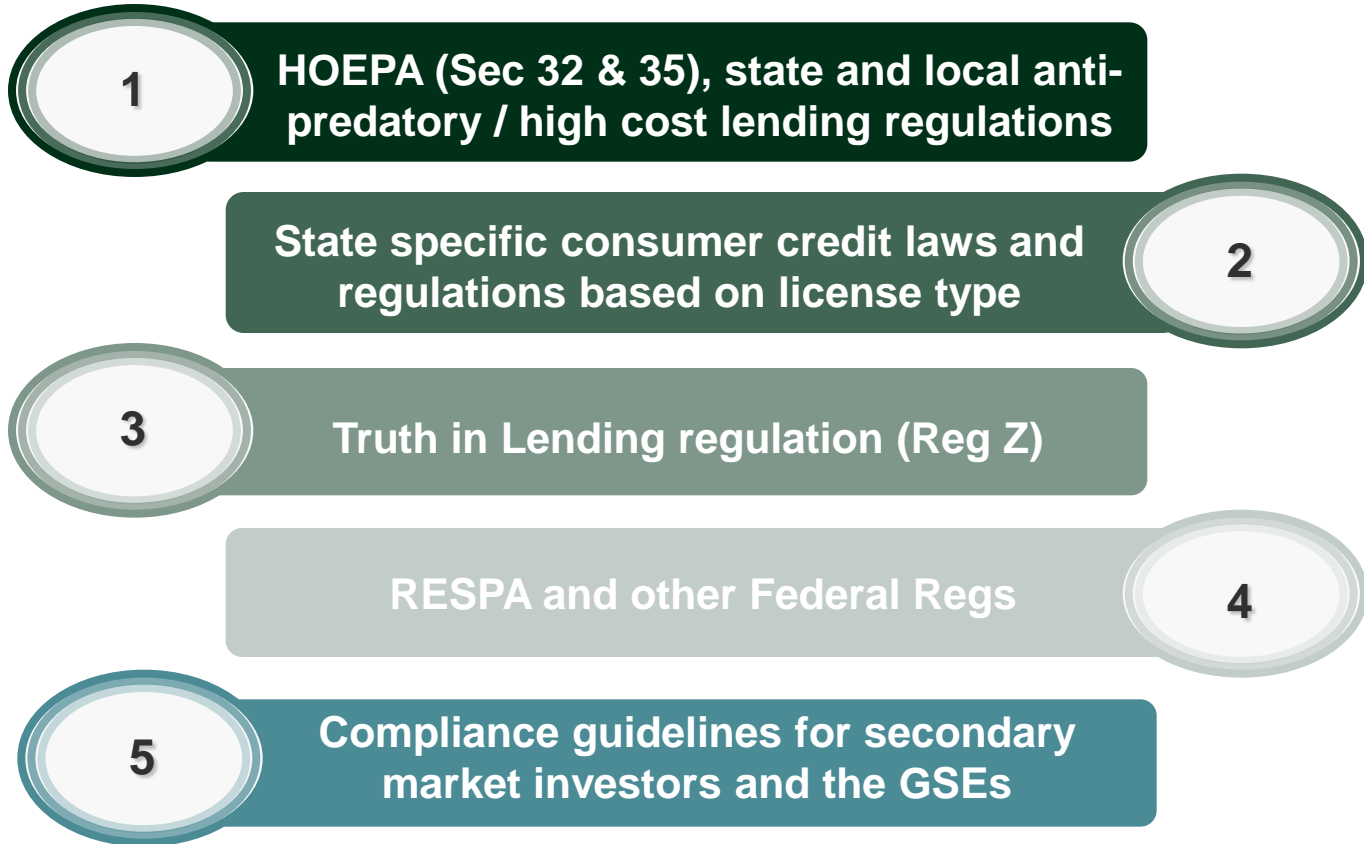
Data Delivery  
Tools



Audit  
and  
Reporting  
Tools

- Industry standard baseline RiskIndicator™ Score
- Comprehensive federal and state regulatory compliance audits based on license types, exemptions and preemptions
- Date-sensitive rule and regulation triggers
- Facilitate 100% loan-level examinations
- Easily identify problematic issues, areas, and trend

# Comprehensive Loan-level Reviews



- Complete web-based system
- Accurate, compliant geocoding engine
- Hundreds of regulatory and proprietary quality edits
- Geographic maps of lending patterns
- Analytics to detect gender / name mismatches
- Complete peer analyses

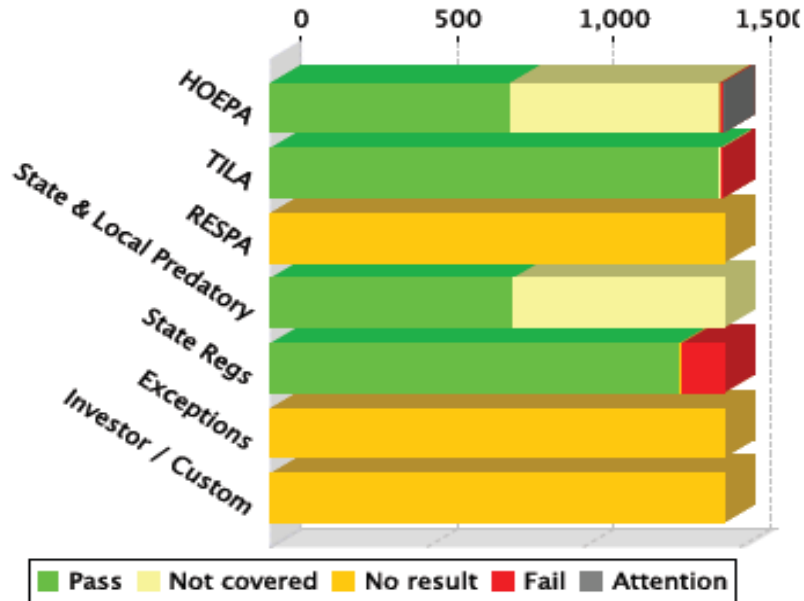
# Examination Dashboard™

Generated on Tue Nov 25 15:35:14 PST 2008

## Conference of State Bank Supervisors – State

ComplianceAnalyzer Examination Dashboard Report for 09/2008

### Test Results Distribution



	Pass	Not covered	No result	Fail	Attention	Sub-Total
HOEPA	767 7.57%	670 6.61%	0 0%	10 0.1%	0 0%	1447 14.29%
TILA	1437 14.19%	7 0.07%	0 0%	3 0.03%	0 0%	1447 14.29%
RESPA	0 0%	0 0%	1447 14.29%	0 0%	0 0%	1447 14.29%
State & Local	777 7.67%	670 6.61%	0 0%	0 0%	0 0%	1447 14.29%
State Regs	1308 12.91%	0 0%	7 0.07%	132 1.3%	0 0%	1447 14.29%
Exceptions	0 0%	0 0%	1447 14.29%	0 0%	0 0%	1447 14.29%
Investor / Custom	0 0%	0 0%	1447 14.29%	0 0%	0 0%	1447 14.29%
<b>Total</b>	<b>4289</b>	<b>1347</b>	<b>4348</b>	<b>145</b>	<b>0</b>	<b>10129</b>

Test	Description
HOEPA	Federal high-cost lending regulations (Section 32)
TILA	Federal Truth-In-Lending Act (Regulation Z)
RESPA	Timing of delivery of Good Faith Estimate disclosure
State & Local Predatory	State and municipal high-cost / anti-predatory laws and regulations
State Regs	State license-based consumer credit regulations
Exceptions	Additional conditions that may affect loan marketability
Investor / Custom	Secondary market investor policies, GSE compliance guidelines and lenders' internal policies

**Scan and deliver file documents for examiner review.**

- Licensee Examination File (LEF)
- The industry data standard for regulatory examinations
- Adopted by the CSBS/AARMR Multistate Mortgage Committee
- Free to use by brokers, lenders, servicers
- Free to license by technology vendors and consultants that involve with regulatory examinations – [RCcertify.org](http://RCcertify.org)

- Pre-examination (offsite)
  - Audit 100% of loans to target specific loans for onsite review
  - Risk profiling for Risk-Based examinations
- Examination (onsite)
  - Select the specific loan for review based on the results from ComplianceAnalyzer and HMDA Analyzer
  - Share Examination Dashboard analytics with licensee
- Multi-State Exams
  - Multistate Mortgage Committee (MMC) representing all state banking / mortgage agencies
- Single State Exams
  - In parallel with the MMC on many pilot projects and initiatives
  - e.g. CA, CT, IA, IN, LA, MI, NC, PA, WA, WY

# Participation and Adoption

State agencies trained	31
Active agencies	12
Examiner Users	86
Loans Audited	86,098

- Most of the States and the MMC will be in full force by 2011
- Get your electronic data ready
- Self-monitor your production and portfolio with an automated tool
- It is becoming:
  - **5-10%** sampling to **100%** audit
  - Don't ask, don't tell to **zero tolerance, zero defect**
- Eventually e-Exam will become easy-Exam for most lenders

*“... a lender or their software provider will have access to all the tools necessary to make the data extraction work and make electronic examinations a reality by 2011.”*

John Prendergast

Chief Risk Officer for Massachusetts Division of Banking  
and the Chair of the MMC



- [CSBS.org](https://www.csbs.org)
- [AARMR.org](https://www.aarmr.org)
- [RegulatorConnect.org](https://www.regulatorconnect.org)
- [RCcertify.org](https://www.rccertify.org)

***Thank you!***

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