



IBM **Information Management** software

## Pyramid Solutions SmarterLending RESPA Compliance

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### Partner Solution

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■ **Target Industry**

*Banking and Financial Markets*

■ **Business Application**

*Consumer Mortgage Processing*

■ **Products**

*IBM Content Manager*

*IBM FileNet Business Process  
Manager*

*IBM FileNet Capture ADR*

*IBM FileNet Content Manager*

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### Business Challenge

The Real Estate Settlement Procedures Act (RESPA) was created because various companies associated with the buying and selling of real estate (i.e., lenders, realtors, construction companies and title insurance companies) were engaging in providing undisclosed kickbacks to each other, inflating the cost of real estate transactions and obscuring price competition by facilitating bait-and-switch tactics.

New RESPA regulations went into effect on Jan. 1, 2010. These regulations require that loan originators provide borrowers with a standard Good Faith Estimate (GFE) that clearly discloses key loan terms and closing costs and that closing agents provide borrowers with a new HUD-1 Settlement Statement. When tolerance violations between these two documents appear, lenders have 30 days to cure them or face potential fees, lawsuits, and even more significantly, a tarnished reputation.

Financial institutions are anticipating that fifteen to twenty five percent of loans may violate RESPA tolerances. Lenders now must get loan documents into the mortgage processing stream faster than ever before. They will have three business days to determine

if new loan documents constitute qualifying changed circumstances, enabling them to issue a revised GFE with updated fee estimates. In addition, they must streamline and automate the comparison review process, and quickly gain visibility into problematic loans to know when to react. Loans that need immediate action must be prioritized in order to meet the regulatory time frame. Moreover, since these new requirements come at a time when the mortgage industry is straining to keep costs down, all of these events must transpire without being able to hire additional staff, thus making the best use of existing human resources.

### The Solution

Pyramid Solutions' SmarterLending RESPA Compliance solution allows financial institutions to demonstrate not just good faith effort toward compliance, but help ensure successful compliance with applicable RESPA regulations. It quickly delivers received documents, individually classified, along with the existing loan folder, to the appropriate staff to determine if the new information is an eligible changed circumstance that allows the lender to issue a revised GFE with updated fees. It also extracts the relevant data from the Final GFE and HUD-1 and



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compares them field by field, based on the specific RESPA tolerances. Problem files are automatically routed to appropriate RESPA curing personnel with line-item violations highlighted for easy resolution.



For long term audit preparedness, the solution records results of the RESPA tolerance comparison of the cured and compliant loans. It also provides a comprehensive operational dashboard which enables management to take action when compliance deadlines are at risk.

## Value Proposition

Pyramid's SmarterLending RESPA Compliance solution helps financial institutions better manage risk by achieving compliance quickly and easily with increased management visibility, and eliminate tolerance violations. By automating this complex process, lenders have increased accuracy, greater efficiency and improved insight.

SmarterLending enables customers to:

- Protect the business reputation of the lender in the marketplace by demonstrating successful compliance to the applicable RESPA regulations;
- Minimize potential non-compliance fees and lawsuits by ensuring timely and accurate curing of tolerance violations;
- Increase revenue by ensuring the timely evaluation of changed circumstances;
- Improve auditability with loan-level detailed reporting of cured and compliant loans; and,
- Avoid the need to hire additional staff by automatically processing compliant loans and identifying exceptions for human intervention.

## Company Description

Pyramid Solutions, Inc., an IBM Software ValueNet partner, specializes in enterprise content management and business process management technologies, that resolve today's challenges with best-in-class, grow-for-tomorrow solutions. With its unique combination of strategic thinking, technology leadership and industry expertise, Pyramid Solutions routinely helps companies solve operational and technology challenges and deliver visionary solutions that produce exceptional results.

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