



Title-LOS integration preempts RESPA reform

When HUD finally gets around to issuing a RESPA reform proposal, it's expected most changes will occur in the area of lender/broker good faith estimates (GFEs) to consumers.

One of the main drivers for the reform push has been to ensure consumers get an accurate idea of what they'll pay at the closing table to close their loan. That's also been a prime motivator for the Government Accountability Office to issue its recent report on the title insurance industry.

A recent integration between a title shop and a popular broker-focused loan origination system could help the lending industry take major strides forward in ensuring consumer-friendly, RESPA-compliant mortgage practices.

A collaboration agreement between Ellie Mae and First Title & Escrow lets users of the Encompass origination software receive instant closing fees directly from First Title prior to printing the GFE.

They said they believe it's the first integration of its kind.

For about five years, First Title & Escrow — based in Maryland and authorized to write title insurance in 41 states — has been providing instant title, closing and recording fees to clients via its proprietary Web-based system and the <http://www.firsttitleservices.com> Web site. Through its AUTO HUD-1 offering, for example, the HUD is sent after a title and closing order is completed and includes title, closing and recording fees, as well as doc stamps and tangible taxes. The title shop also offers a closing cost calculator, which delivers those same fees at an earlier point in the process.

The recent work with Ellie Mae marks a new level of integration, though. First Title tied the production side of its proprietary Web system into the ePASS network, bringing fee data — including abstract fees, title premiums, recording and release fees, closing fees and city, county and state transfer taxes— automatically into the lender/broker system.

"This is the first time we've brought it into the GFE," noted **Stephen Papermaster**, president and CEO of First Title. "We're a title and closing provider — we don't create initial disclosure docs. There was a gap between the information we had on our Web site and



New options for early, accurate fee data

First Title is not alone in its quest to bring accurate fee data to originators and borrowers as quickly as possible.

LSI, which provides title and closing services to top-25 lenders for their home equity and refinance deals, said its DecisionStream service brings data on fees for services such as title, valuation (AVM, appraisal or other), flood, credit, etc.

“RESPA reform is what drove us to build DecisionStream,” chief strategy officer **Al Verkuylen** said.

“Our thinking was that we could put some pricing out into the marketplace that lenders might be able to use, say, for a good faith estimate. But we thought the lender needed to know a lot more in order to make an offer to a borrower.” They need to see credit data to know how soon they can process the loan, he said, flood data to know whether flood insurance is required, valuation data to determine if the house is in the borrower’s price range and title data to get legal and vesting information.

The originator can also use the AQUA instant title decisioning service to tell the borrower at the point of sale whether title is clear — that knowledge lets the lender make a guaranteed offer.

In addition to giving consumers early access to accurate closing fees, DecisionStream helps lenders avoid the expense of work done on transactions that don’t end up closing, LSI noted.

“You have a consumer with a level of expectation that the lender can’t meet, whether it’s a pricing question, the valuation wasn’t correct, they’re dealing with a lender that won’t write or refinance a transaction if the property’s held in a trust,” said LSI President **Ron Frazier**. “All the things that ultimately make a loan fall out — there’s so much embedded expense for the lender and the title insurance industry that it has a large long-term impact on pricing per product.”

By getting the data from the core settlement products at the point of sale, the loan originator can find out quickly if he has a viable product for the consumer.

getting those numbers into initial disclosures. This bridged the gap.”

Mortgage originators get a leg up

Without direct integration between providers of closing fees and the LOSs that incorporate fees into the GFE, users would likely have to work through multiple sites and make phone calls to secure the fee information for their loans. Originators therefore often resort to making estimates of closing fees that could lead to lost loans or compliance violations. Using Encompass to automatically populate fees into the GFE will help them avoid that risk.

With a pending regulatory crackdown on consumer disclosures, the capability could be especially timely, giving originators a leg up on RESPA-challenged competitors. “Last year, there was a lot of discussion about the guaranteed GFE or the GFE within 10 percent,” Papermaster said. “We’ve been doing this for years, delivering clients accurate fees. But we thought the timing was perfect for us to be integrating into an LOS.”

The collaborative agreement between First Title and Ellie Mae has huge implications for complying with RESPA and GFE regulations, according to Clearwater, Fla.-based Superior Mortgage Group, the first mega-user of the Encompass/First Title GFE fee system.

Although the National Association of Mortgage Brokers has argued against heavy reform, they would not have done so if they’d had integration similar to the First Title-Encompass offering, said **Mitch Freifeld** of Superior Mortgage.

“I think the new (RESPA) law’s going to be a lot more restrictive. It’s a good thing because it’s going to put everyone on the same page,” Freifeld said.



Why not sooner?

Capturing accurate closing fees at the point of initial disclosures should be easy, Papermaster said. Rates for title insurance vary among states and underwriters, but once a purchase contract has been signed and a loan application completed, there aren't many unpredictable changes that could occur during the transaction to alter the final closing costs. Settlement service providers should be able to provide that information for the purposes of upfront disclosures.

"What it all comes down to is simply automation," Papermaster said. "Whether you're a local title company or a national title company, you should have familiarity on a jurisdiction-by-jurisdiction level of what costs should be. You should be able to get instant fees upfront that will not change and that you can take to the table — as long as the loan amount doesn't change and no additional parties are being added to the title, for example."

The inner workings

Brokers working with a customer can, from within Encompass, submit the type of transaction, where the property is located, loan amount and purchase price. Within ePASS, First Title has a Fee Inquiry module. After the user clicks on that module, the order is processed and a box appears showing the fees. They can then export those fees into the GFE.

First Title's system responds automatically if the loan amount or transaction type changes.

"We have two-way communication with Encompass," Papermaster said. "You make the change in your 1003 and your documents. You'd go back to ePASS and click Get Fee Inquiry, and the system would repopulate the new loan amount."

With Ellie Mae Encompass, First Title can use the Closing data set from MISMO, which enables seamless data transfer. First Title is working with Calyx Point users, as well; in October, it announced it was one of two title vendors on the Calyx DirectConnect platform. However, Calyx required it to use a different MISMO data set (dubbed Title), and so First Title has to return a PDF of the HUD-1 to Point users, who then have to manually enter numbers into the GFE.

Calyx and First Title said they're working together to recommend upgrades to the MISMO Title specifications to allow for an accurate GFE. Those updates should come with the next release of MISMO, they said. When the additional fields added to the MISMO Title specifications, First Title will be able to send closing, title and recordation fee data directly into the Point file. ■

analysis

- With a pending regulatory crackdown on consumer disclosures, automatically populating fees into the GFE could give originators a leg up on RESPA-challenged competitors.
- Tightly integrated access to fee data could make RESPA reform an easier pill to swallow for those who will be affected by more restrictive disclosure requirements — i.e., brokers and loan officers.