

A New Compliance Era Requires More Vigorous Vendor Training

Successful vendor education can help servicers avoid compliance penalties.

by Russ Klein

For the mortgage industry, non-compliance can be costly. Banks and mortgage companies routinely incur millions of dollars in fines and penalties for failure to comply with hundreds of regulatory requirements. Additionally, to minimize their risks from threats to security and business operations, companies have created their own compliance requirements to protect the security of information, personnel, facilities and other business assets.

To address not only the sheer volume of new requirements, but also stricter enforcement by regulatory agencies, banks and mortgage companies have invested heavily in dedicated compliance departments, compliance officers, risk managers and technologies to monitor,

measure and maintain regulatory compliance and compliance with corporate policies. In turn, vendors and business partners serving the mortgage industry must submit to thorough audits to ensure that their processes and procedures comply with regulatory and corporate requirements as well.

The challenge for these vendors is to develop processes that cascade to their own employees and subcontractors to support their clients' compliance and audit requirements.

For example, a national property preservation company may serve hundreds of clients, each with different requirements designed to comply with government regulations and their own business risk management practices. Serving those clients are hundreds of employees who process and verify work

orders on properties in various stages of the default and foreclosure cycle, as well as thousands of contractors who perform inspection and maintenance services on properties nationwide.

To conduct their work, employees and contractors utilize desktop computers and mobile devices in order to remotely access information from their homes and other off-site locations. Security procedures must be in place around all of these, and employees and contractors must be trained to follow them.

Industry guidelines for maintaining properties vary significantly depending on the status of the property. Services that may be performed legally on a property after it has gone through a foreclosure sale and is owned by the bank are vastly different from those that may be done prior to foreclosure, when the property is still in title to the homeowner. Properties have different needs and challenges based on the neighborhoods or climates in which they are located, and local ordinances vary significantly between cities and states.

Training wheels

As a starting point, employees and contractors must undergo training to ensure that the services they deliver comply with industry guidelines, municipal and other government requirements, client specifications, and the property preservation company's internal procedures.

But training cannot be static, because the mortgage servicing industry is not static. Industry guidelines, government regulations and local ordinances change, as do client policies and requirements.

To ensure that training evolves accordingly and that it helps maintain performance at the highest levels of quality and compliance, a sophisticated



approach is essential. The availability of courses must be flexible to accommodate the unique schedules of users.

Furthermore, course offerings must be layered. Some will be required for everyone, such as those covering basic policies and security procedures, while others will be specific to the type of work a contractor or an employee performs.

Some training must incorporate classroom and online learning - though in both online and classroom venues, coaches must be available to address questions and follow-up needs.

New employees and contractors need basic training to teach them to do their jobs, and all will need refresher courses to reinforce knowledge and to provide retraining when policies, procedures and guidelines change.

Testing must be done, outcomes monitored, and improvements made to ensure that training remains relevant and that it contributes to successful outcomes in compliance and performance. Also, random checks of employees' work and the work of contractors must be performed to ensure that quality remains consistently high.

Measuring progress

The old cliché "what doesn't get measured doesn't get done" is 100% accurate. If you measure performance and outcomes, you can improve them. Measurement is an essential part of the training process; it is also needed to

evaluate, adapt and improve processes along the entire spectrum of services.

Client and internal scorecards must be tied to client service level agreements to maintain client satisfaction and to ensure that timely actions are taken to address issues and problems. Additionally, effective monitoring and measurement protocols must be devised to anticipate and prepare for client audits.

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There is another cliché that is spot-on: "information is power." Field service companies hold billions of pieces of data that we can harness to improve our own operational performance and efficiencies, as well as to help clients make better decisions regarding regulatory compliance and their own risk mitigation practices.

One example is utilizing data to anticipate the potential risks to a client's property assets in certain markets and communities. By evaluating vandalism and damage trends, vendors can help mortgage servicing clients anticipate the financial impact on their portfolios as part of their asset management and

property disposition planning.

By evaluating code enforcement trends in local markets, vendors can work with clients to minimize code violations and the associated fines and penalties that can result from failure to comply with local laws and ordinances.

For example, the critical partners in the data-gathering process are field service companies' networks of vendors and contractors who collectively visit millions of properties every year. They are the eyes and ears for field service companies and their clients, with first-hand knowledge about the properties themselves, the surrounding neighborhoods, and local ordinances and requirements. By training them to gather nuggets of information, one can build and strengthen data effectively.

The results ultimately speak for themselves. When a field service company can become an effective partner with its mortgage servicing clients to deliver higher instances of "clean" compliance audits, demonstrate effectiveness at protecting the security of information, and consistently quantify improvements in its quality and performance, the entire industry benefits. **SM**



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