

New Dynamic Solutions for Lending and Deposit Environments

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Abstract

Financial institutions with a high volume of transactions sold through multiple channels, jurisdictions, and product lines face unique challenges in remaining competitive and in compliance with increasing regulatory demands. In an era of heightened competition, greater consumer choice, and mounting pressures to drive costs out of the business, it's time for financial institutions to rethink their compliance solution. Dynamic documents are created on demand from a central repository of compliance-checked document elements and are ideal for lending transactions, such as mortgages and home equity loans, and also for deposit transactions, including savings and individual retirement accounts (IRAs). They can substantially reduce document creation and maintenance costs, make compliance easier and reduce risk, and produce a better customer experience.

Introduction

Dynamic documents can help financial institutions better manage new competitive and regulatory challenges for mortgages, loans, deposits, and other products. These challenges include the need to update loan products and deposit accounts, get new loan products to market faster, handle increased origination volumes without additional overhead, and drive costs out of the business. These challenges can be addressed by using technology to lower origination, documentation, and processing costs.

Although static documents will always have a place, dynamic documents can improve the origination and documentation processes. With the costs to originate a mortgage ranging from between \$1,500 to \$2,500, according to the Mortgage Focus benchmarking study, financial institutions need a strong alternative to their traditional document processes.¹ With dynamic documents, which are documents created on demand from a central repository of compliance-checked document elements, financial institutions now have a better alternative.

Static Documents and Their Challenges

Static documents are written and prepared in advance for particular processes or lending transactions. The document is created with specific content in a fixed format and its compliance knowledge has been resolved. Often, static documents contain check boxes and empty text fields that must be filled in order to complete the transaction. The data required for these blank areas comes from on-screen prompts, usually in a financial institution's origination system.

While static documents may look like the easiest and lowest cost method to meet document needs, this isn't true for transactions that require multiple disclosures, collateral, agreements, borrowers, and entities. As noted, static documents must be authored and prepared in advance of the transaction. Then they must be checked for compliance content and programmed into origination systems—a process that accounts for a great deal of the time and money it takes to change existing products or introduce new ones.

And as libraries of static documents build up, financial institutions must use resources to ensure they are maintained to reflect the latest compliance requirements and corporate branding and other policies. Even so, errors may occur. And if the personnel who create or maintain static documents leave the organization, this may cause inefficiencies and the need for new personnel to be trained on document maintenance procedures.

¹ Fannie Mae's 4th Annual Mortgage Focus Study, October 2003.

The Dynamic Document Alternative

A dynamic document is a document created on demand for financial transactions, such as consumer or commercial lending, deposit accounts, home equity, and mortgage lending. Dynamic documents are constructed from words, sentences, paragraphs, and sections that are selected for the specific transaction being documented. The content of the document is determined by applying a set of rules to prewritten content variations, a process referred to as “authoring,” and a particular data set.

For example, a dynamic document may contain information pertaining to a unique jurisdiction or multiple collateral items. The documents are tailored to the specific transaction and include only relevant text. By applying lender-specific business rules and style guides, documents are assembled and formatted during the transaction. Each document package can be tailored by the financial institution to fit its policy and transaction needs.

Benefits of Dynamic Documents

Easier to Modify

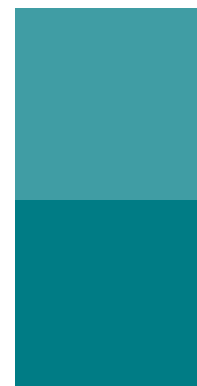
Dynamic documents may look complex and expensive, but they provide greater flexibility for lending and deposit transactions than their static counterparts and are more quickly and efficiently deployed. This reduces the time and expense needed to develop document sets for new products. Instead of writing new documents or changing existing documents when a new product is rolled out, content owners—not programmers—can simply select the appropriate data elements from a dynamic document repository and assemble documents on the fly. The different requirements of different jurisdictions pose no problem, since in a dynamic document repository maintained by an outsourced content provider, data elements are regularly updated and warranted to be compliant with specific jurisdictions.

In addition, it's easy to modify or replace content in dynamic documents. This can be done by state, branch, transaction, or document. Dynamic documents are created by the transaction data so they can more readily accommodate for multiple borrowers, signers, and collateral items. This flexibility eliminates check boxes, fill-in-the-blank areas, addendums, and other work arounds required by static documents.

The same base content in a dynamic document repository can also be used across all distribution channels. Instead of maintaining one set of document generation procedures for the web, one for retail, one for private client services, and so on, the same dynamic document repository serves all channels simultaneously with the same warranted compliant content.

The advantages of dynamic documents in this instance are easy to see. With static documents, the financial institution must conduct extensive research on regulatory requirements in numerous jurisdictions and assess their potential risk impact, a process that can significantly delay product introductions. With dynamic documents, all compliance and regulatory requirements are monitored and the contents of dynamic document repositories are always up to date.

Static documents require a separate version to be drafted for each variation, and there may be dozens of versions due to different jurisdictions, policies, products, structural organizational requirements, channel needs, and more. With dynamic documents, content is built with reusable content objects repositories of compliance-checked data elements and individual pieces of content, which are simply combined on demand when the need arises.



The result is that documentation no longer slows down time to market for new products and no longer represents the bulk of a financial institution's fixed costs for product delivery. Instead, documentation actually becomes a way to increase speed to market and drive operational efficiencies.

This is so important today because all financial institutions understand the need to reduce origination expenses. In fact, according to the Mortgage Bankers Association 2005 Technology Study, nearly 75 percent of technology spending by financial institutions in 2004 was dedicated to streamlining and improving the efficiency of loan origination functions.² For many financial institutions, document maintenance represents one of the chief obstacles to bring origination costs down. Dynamic documents provide a clear and more cost-efficient alternative—one that reduces risk and makes the experience easier for customers in the process.

Dynamic documents won't replace static forms entirely. Both have a place in an integrated document management strategy because static forms still work for some situations. However, dynamic documents provide more flexibility, control, and reduced risk for complex transactions. Wolters Kluwer Financial Services understands the changing needs of financial institutions and can help your institution develop a strategy that produces the right documents for the right situation—a strategy that maximizes the reusability and ensures the compliance of your institution's text and logic.

For more information, call 800.552.9410 or visit www.WoltersKluwerFS.com.

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Wolters Kluwer Financial Services' solutions include integrated and stand-alone compliance and workflow tools, documentation, analytics, authoritative information, and professional services. Customers include banks, credit unions, mortgage lenders, and securities and insurance organizations of all sizes throughout the United States.

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² Mortgage Bankers Association 2005 Technology Study, June 2005.