



QuestSoft Case Study

Broadview Mortgage Eliminates Investor Repurchases with Compliance EAGLE

Who:

Felicita Kamphuis, operations manager
Orange, CA-based Broadview Mortgage

When:

2009 to present – Compliance EAGLE

What:

Due to investors wanting more compliance checks prior to funding, Broadview Mortgage selected QuestSoft's Compliance EAGLE to run predatory lending and High Cost Loan (HCL) reviews. In the process, Broadview has had 100 percent of their loans meet investor standards for the past two years while avoiding the need to hire additional staff dedicated to compliance.

About Broadview Mortgage

Broadview Mortgage is a well-established mortgage bank based in Orange, Calif. In operation since 1988, Broadview provides homebuyers with in-depth consultation on the best options available for their mortgage needs. For more information, visit the company's website at www.broadviewmortgage.com.

About QuestSoft

Laguna Hills, Calif.-based QuestSoft is an established provider of comprehensive and automated compliance software and services to the mortgage, banking and credit union industries. The company's products enable more than 1,500 banks, credit unions and mortgage companies to simplify the collection, analysis, compilation and reporting of key lending regulatory report data.

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Challenge

Investors Demanding Compliance Checks

As the mortgage industry continued its free fall towards the end of the previous decade, investors began paying more attention to compliance and regulatory issues. Instead of waiting until loans defaulted to look for reasons to demand a buyback, investors began proactively reviewing performing loans and demanding comprehensive compliance checks prior to funding new purchases.

In 2009 Broadview Mortgage Company (Orange, Calif.) decided that manually running compliance checks, specifically California's Section 32 predatory lending laws, was not working anymore.

"When you have several funders all taking a piece of the compliance picture, the opportunity for errors just became too high," said Felicita Kamphuis, operations manager for Broadview Mortgage. "Making things more complicated was the potential for investor disagreements on issues such as which fees were classified as affecting the APR. Simply put, the risk of buybacks was getting too high."

Knowing that most of their investors (and the secondary market) used the Mavent engine to test loans, Broadview sought out a compliance system that could run compliance checks throughout the loan workflow and utilize the Mavent tests for investors.

"Our investors use Mavent," Kamphuis said, "and we needed to be on the same page to ensure that every loan is sellable."

Solution

QuestSoft's Compliance EAGLE Provides Proactive Compliance Protection

After researching several options, Broadview Mortgage selected Laguna Hills, Calif.-based QuestSoft's, Compliance EAGLE. Kamphuis said the reason QuestSoft rose to the top of the list was twofold.

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Solution *(continued)*

First, Compliance EAGLE includes the Mavent investor tests, which met one of the key requirements of the lender. Secondly, QuestSoft was ahead of the competition in developing automated checks for the new rules governing High Cost Loans (HCL).

“Broadview has never sold HCLs, but testing requirements changed so dramatically that we were struggling to keep up, due to our manual workflow,” Kamphuis said. “QuestSoft was ahead of the curve. They gave us the information we needed to interpret the rules correctly, as well as training on how the new rules were accounted for within Compliance EAGLE.”

In addition to the predatory lending laws, Kamphuis said Compliance EAGLE also provides compliance checks for Home Mortgage Disclosure Act (HMDA), Community Reinvestment Act (CRA), Truth in Lending Act (TILA), Mortgage Disclosure Improvement Act (MDIA), Home Ownership and Equity Protection Act (HOEPA), Office of Foreign Assets Control (OFAC) and Social Security Number (SSN) checks.

Kamphuis said an added benefit of using Compliance EAGLE came in the utilization of staff and the cost needed to operate a compliance office.

“The price to pay a staff to manually audit every loan is just not competitive,” Kamphuis said. “We do compliance checks at any point that the fees can change – set up, loan document order and prior to funding. The program is so easy to operate; we can use it across different levels of staff knowledge without having to hire more full-time employees.”

Result

Eliminating Buybacks with Compliance

The most important benefit to Broadview Mortgage is that since converting to Compliance EAGLE, Broadview has not had any repurchase requests from investors.

“In the two years we’ve been using Compliance EAGLE, everything has been 100 percent accurate,” Kamphuis said.

“Investors appreciate having this level of audit ahead of time, and the reports make us look better as a company.”

Kamphuis added that Compliance EAGLE has also proven beneficial with Broadview Mortgage’s warehouse bank.

“Since Compliance EAGLE runs OFAC checks, we can run tests on loans the warehouse bank flags,” Kamphuis explained. “Compliance EAGLE can see where the issue is, and we can usually release the wire to complete funding.”

Kamphuis added that a primary benefit to working with QuestSoft is that the high level of support is like having a compliance consultant on call. She explained that if there are questions about test results, her staff can call and QuestSoft will walk them through the issue within the hour.

“We had a situation where a loan was accidentally keyed in with the wrong index,” Kamphuis explained. “Compliance EAGLE flagged it, and one of our staff worked with QuestSoft’s customer service to identify the mistake and fix it. In less than an hour, their service department helped us avoid a very costly error.” ■

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