



Powering the Business of Real Estate

Appraisal Management Tools

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Introduction

Since its inception in 1998, RealEC Technologies, Inc. (RealEC®) has specialized in delivering the most efficient and cost-effective information exchange to and from mortgage originators and their settlement service partners.

Today's business-to-business (B2B) e-commerce environment offers to the lender numerous technologies to integrate business partners. However the choice of vendors, technologies and EPN is rife with uncertainties and challenges.

In the face of all of the confusion surrounding B2B e-commerce, most companies are struggling to understand where their real opportunities lie and how they can make strategic technology investments that align with today's business objectives, while providing the flexibility to respond to rapid changes in the business landscape.

RealEC is a proven technology partner that has one of the best track records of any technology partner serving Mortgage Lenders. RealEC's tools have become recognized as one of the widest adopted technology platforms in the Mortgage Industry and RealEC is widely recognized as a company with strong values and a proven ability to deliver on commitments to our clients.

Currently used by 10 of the top 15 mortgage lenders, RealEC dominates the mortgage industry's Electronic Partner Network (EPN) market through solutions offering efficient ordering, managing and tracking of settlement services.

By turning a PC or LOS system into a safe, secure and fully integrated portal for the fulfillment of real estate transactions, the RealEC Exchange™ offers unprecedented control over the origination, fulfillment and delivery of a full spectrum of core real estate products and services.

RealEC's iSelect™ Suite has become the industry's leading order and intelligent vendor management solution representing the single most sophisticated and efficient intelligent ordering engine in use today. By automatically applying a lender's own predetermined criteria, iSelect connects with exactly the right product, from exactly the right provider -- easily and efficiently.

The pending Real Estate Settlement Procedures Act (RESPA) rule changes under the jurisdiction of the Department of Housing and Urban Development (HUD) have brought heightened interest in the dynamics of bundling settlement services. RealEC has a number of solutions uniquely designed to meet the dynamic needs for this RESPA initiative. In order to meet the potential requirements from these reforms lenders must have a dynamic solution for vendor management, product management and service level tracking and management. RealEC provides the best suite of technology solutions, experienced staff and industry expertise to assist our customers in meeting the ever changing needs for the management of settlement services.

Appraisal Solutions

The industries most efficient lenders have determined that through the use of RealEC's Appraisal Automation tools they are able to generate greater efficiencies in the appraisal management process. RealEC Appraisal Management Tool Set – *SolutionSelect – Appraisal* has been specifically designed with input from some of the industries more innovative lenders. The RealEC *SolutionSelect* software suite includes the following key components.

- The Largest Electronic Partner Network
- Rules Based Colateral Product Selection
- Rules Based Appraiser Selection
- Data Centric (XML) Appraisals
- Automated, rules based appraisal Review
- Automated Appraisal Upgrades or Cascading
- Real-time Collaboration with the Appraiser
- Exception Based Appraisal Processing
- Automated Service Level Evaluation
- Data Management & Analysis

RealEC's *SolutionSelect* is the most comprehensive solution available to the lending industry for electronic management of the collateral assessment process. The following paper provides more details on each of these solutions.

Many lenders utilize a combination of internally developed systems combined with portions of their existing loan origination systems to manage their supply chain partners. Unfortunately these solutions generally consist of systems designed for other purposes that have been adapted to serve the needs of the vendor management and settlement service management groups. As such, they are often severely deficient in functionality and design to provide the necessary value to the lending process.

A significant portion of the expense of creating the loan asset is in managing and interacting with third party providers of services (Credit, Mortgage Insurance, Flood, Tax, Title, Closing, Appraisal, VOI, etc.). However, typically a relatively small portion of lenders' overall technology budgets and infrastructures have been dedicated to this key part of the origination process.

Through the use of RealEC's innovative technology and the adoption of a disciplined approach to vendor management, lenders can tightly control, efficiently manage and significantly reduce the cost and turn time in these areas.

Electronic Partner Network

No eCommerce platform has better relationships or connections with the settlement service side of the lending process than RealEC. The RealEC Exchange is the preferred EPN for interfacing with lenders/clients of all the leading settlement service providers. In addition, the market leader in title fulfillment designates RealEC as its sole network for communicating electronically with its customers.

These relationships mean that RealEC alone has the ability to provide you a fully inter-connected world of service providers. RealEC believes that the settlement services providers are key strategic partners to mortgage lenders and without strong relationships with the service providers true collaboration and enhanced e-commerce cannot be achieved.

RealEC has fully embraced the business of providing mortgage origination settlement services and has built integration paths directly into service providers' workflow systems. Additionally, RealEC has worked with independent software providers to build integrations into workflow solutions used by thousands of independent service providers across the country.

Through the use of an electronic partner network the lender is able to derive the following immediate benefits:

- Reduced Technology Costs
- Reduced Technology Risk
- Reduced Vendor Dependence
- Reduced Switching Risks
- Increased Flexibility in Vendor Management

When it comes to electronic connections, RealEC offers the most extensive and highest quality electronic connections and provider relationships available in the industry today.

Order Management & Collaboration

RealEC offers a comprehensive electronic order management and collaboration solution for mortgage lenders. Through the use of RealEC's Exchange Tools the following features are available:

- Real-Time Order Placement via RealEC's secure web site or direct from your Loan Origination System
- Instant Order Status and updates from the Appraiser. Know the status of each appraisal from the click of a mouse, no more phone and email tag.
- Shared Communication Log between the Appraisal, the Loan Officer, Loan Processor, Lender's Appraisal Management Staff and any other parties associated with the transactions.
- Single, secure digital appraisal file. Store the original appraisal, AVM, appraisal fraud screen, addendums and appraisal review along with all the communication and discussions regarding the appraisal in a single, secure and electronic file.
- RealEC's automated service notification engine electronically delivers updates to your appraisal order over the web, through email, fax, or directly to your Loan Origination System.
- All comments and events on each appraisal are Date / Time stamped to create an external audit trail.

Electronic Loan File

- Utilize RealEC's secure document indexing and storage capabilities.
 - Utilize one easy to use, Web-based utility to easily access your document and data.
 - Store your entire loan document in one secure location and securely share access to any one individual document to other parties.
 - Retrieve archival copies of any appraisal report or loan document online whenever you need it.
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Service Level Management

RealEC offers a comprehensive electronic order management and collaboration solution for mortgage lenders. Through the use of RealEC's Exchange Tools the following features are available:

- Electronically store detailed appraisal information include appraisal services, coverage areas, licensing, insurance, credentials and fee schedules
 - Store and manage the performance of each appraiser for each product in each zip code. Track not only their turn time performance, but also their fees, fee modifications, quality measurements, review results and compliance to your workflow and quality requirements.
 - Instant Access to suite of reports designed to allow you to compare and contrast the performance of your appraisal panel for each product, program and geographic area.
 - Utilize iSelect to rank and group your appraisers into meaningful groupings to ensure you are always selecting the optimal provider for your appraisal service.
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Intelligent Order Selection

iSelect™ - ProductSelect™

Intelligent Order Management is defined as the automated placement of the optimal settlement services, custom selected, for each individual loan. As the industry's leading Intelligent Order Management engine, iSelect's robust decision engine provides customers the optimum solution for managing the product ordering process.

Designed to facilitate the selection of the appropriate product for each individual loan, iSelect makes the optimum product selection decision through a predefined set of criteria, in a consistent and automated format, every time. The iSelect engine utilizes information from the lender's production systems to make the product selection decision. The use of an Intelligent Process for product section provides the following benefits

- Reduce Costs – Eliminate Costs for incorrect products
- Reduce Risk – Control products via Underwriting
- Reduce Duplicate Order Placement
- Eliminate Inefficiency

With **iSelect™ - ProductSelect™** tools, lenders can develop sophisticated rules to automatically order the optimal product for each situation. Utilizing the ProductSelect engine, customers may design a custom decision matrix for automated ordering of their settlement services. The flexibility of the iSelect matrix enables the customer to utilize this platform for all loan types. The iSelect decision engine uses numerous data points, a small sample of which are listed below, to make the product selection:

- Loan Amount (Loan Amount Ranges)
- Loan to Value (LTV)
- Sales Price (Sales Price Ranges)
- Loan Program (Lender Defined)
- Property Geographic Area
- Credit Score
- Underwriting Decision and Recommendations
- Unlimited User Defined Fields

From these criteria the Product Selection system selects the appropriate product order and automatically places this order with the provider of choice.

Most lenders utilize manual efforts or adapted AUS decisions to make settlement service product sections. Unfortunately, neither model lends itself to sophisticated and accurate selection of settlement service products. Often times the result is an incorrect product being ordered that requires subsequent products be ordered – thus delaying the loan closing and increasing lenders' costs. Another common problem is "over" ordering of products. This is the situation where the loan processor inadvertently orders the most expensive or highest coverage product just "to be safe". Through an automated and

Intelligent Appraiser Selection

optimized product ordering matrix the lender can be assured that no additional time or expense is being added to the origination projects.

iSelect – ProviderSelect™

Intelligent Appraiser Selection is the process of incorporating sophisticated decision logic into the selection and management of settlement service providers.

RealEC's **iSelect - ProviderSelect** offers a sophisticated decision matrix for automating the appraiser selection process. When layered upon RealEC, this engine offers customers the industry's most powerful, automated tool for selecting and routing orders to the industry's most extensive service provider network. The integrated network of service providers, along with the existing technological infrastructure of RealEC, provides iSelect instant access to the largest network of service provider resources.

Lenders traditionally manage their appraiser network utilizing the following criteria:

- Pricing
- Product Turn-Time
- Volume Capacity
- Product Coverage Areas
- Loan Characteristics
- Business Allocation Agreements

Occasionally, other factors such as reinsurance programs or revenue sharing joint ventures influence the choice of providers. To support these requirements, the iSelect engine was developed to automate the management of the lender's network of service providers utilizing the following variables:

- Loan Data
- Pricing Agreement Data
- Volume Capacity Points
- Product Coverage Areas
- Product Allocation by Percentages

The iSelect structure enables each customer to manage a specific decision matrix in determining the optimal assignment of each order. iSelect stores and tracks information on each appraiser, including performance, pricing, capacity, coverage, licensing and insurance, service levels and availability. This information is aggregated based on each specific product and geographic area in order to provide optimum decisioning.

The iSelect decision engine utilizes the customer's matrix to evaluate the list of appraisers and determine the service provider who best matches the customer's criteria. Utilizing criteria such as the items listed above, the lender is able to design a sophisticated rules matrix for selection and allocation of orders.

Advanced Vendor Decision Tools

DecisionSelect

A number of Mortgage Lenders have increased the degree of sophistication upon which they base their vendor management decisions. For the more advanced vendor management and strategic sourcing based organizations, RealEC has introduced the next generation of vendor decisioning tools, **DecisionSelect**.

DecisionSelect introduces a whole series of unique and innovative methods to enhance vendor management. These new methods include the following:

Real Time Scheduling – Through the use of the **DecisionSelect** tools and close collaboration with the lender's available vendors, lenders are able to track the appraiser's availability windows for inspections and closings and schedule appointments in real time at the point of sale.

Vendor Grouping & Tiers – Through the use of **DecisionSelect**, lenders are able to define specific groups and tiers of appraisers based upon key loan characteristics. This innovative methodology allows the lender to configure groupings based upon loan programs, loan and property types, branch offices or any other defined set of data.

Provider Qualification Rules - Through the use of the Provider Qualification Tools, the lender is able to define distinct groups of appraisers assigned by pre-defined loan criteria.

Example – Lenders can define a set of appraisers who service only A paper loans, with loan values under \$550,000, with a property type of single family and that are in the state of Texas.

These Provider Qualification rules can be defined until all the lender's loan profiles are serviced by a series of appraiser groups.

This innovative methodology allows the lender to define appraiser groupings based upon loan programs, loan and property types, branch offices or any other defined set of data.

Exclusionary Rules - RealEC also offers the ability for the lender to define "Exclusionary Rules" for each appraiser. These rules are designed by the lender and allow for additional filtering to be applied before allocation of the order to the provider. Exclusionary Rules enable the lender to provide a granular level of filtering that prevents orders that fail to meet the defined criteria from being delivered to a specified appraiser.

Example – If an appraiser only accepts loans with a loan amount less than \$500,000 the Exclusionary Rule will not allocate an order to the service provider if the loan amount was greater than \$500,000.

Opportunity Cost Allocation – RealEC’s Opportunity Cost Allocation introduces a new model for order allocations. RealEC’s newest tools provide the lender the ability to allocate orders by percentage of opportunity instead of a percentage of actual orders. This “Opportunity Cost” model of allocations is designed to allow for a configurable percentage allocation based upon the appraiser’s “opportunity” to receive an order. In the event that the appraiser is unable to accept and process the offered order due to program limitations or geographic coverage issues, this order is still counted as an attempt to send an order to the service provider. The Opportunity Cost model allows the lender to reward providers with more flexible program requirements or greater coverage areas.

Automated Review Tools

RealEC’s provides a sophisticated set of automated review tools. Through the use of RealEC automated tools the lender is able to greatly increase the efficiency of the loan origination and central appraisal management processes.

Utilizing RealEC the mortgage lender is able to ensure all their appraisals are received in digital, XML formats and are automatically reviewed for compliance and potential valuation issues. Through the combination of RealEC’s iSelect tools and the worlds largest Mortgage EPN the lenders are able to move their internal staff into a true exception based processing model. Allowing them to focus upon the few, true exception files.

Use of RealEC’s iSelect Review Rules engine allows the lender to ensure that each appraisal is automatically checked for compliance with regulatory guidelines as wells as for compliance with the GSEs underwriting guidelines. RealEC XML-centric appraisal and iSelect’s rules-based engine provides for automated for pre-funding fraud review of appraisals in your origination process or pre-funding in the wholesale division

RealEC’s iSelect suite also allows the lender to incorporate the results of the automated review rules to drive workflow and additional decisioning. iSelect can automatically screen your appraisal for compliance and based upon the result of any individual review rules results automatically order additional products such as AVMs, Fraud Screening, Property Data Validation Report and additional appraisal products.

Furthermore, iSelect can assure that subsequent appraisals are automatically orders from a different appraiser than the one on the original appraisal.

The results of these subsequent product orders are also evaluated by iSelect and the data from all products is available for screening and automated review.

Finally the results of all these checks, which happen in a matter of seconds, drive the order into specific Work Queues for exception based processing if needed.

Workflow Management Tools

RealEC provides a web-based tool for managing the appraisal workflow within your lending operations. The RealEC workflow tools allow the lender to perform the following functions:

- Automatically order all your appraisal or settlement services. Through iSelect's rules-based engine, define the criteria and timing of order placement.
- Electronically manage the fee negotiation process. Prevent the appraiser from increasing the appraisal fees without your approval.
- Automatic appraisal order reassignment. iSelect automatically reassigns orders based upon your assignment rules. In the event that the appraisal fails the review rules, if the appraisal exceeds your assigned time allowance, if the appraiser increases the fees beyond your tolerances, or if the appraiser fails to accept your order.
- Do you have special conditions that need to be met for certain types of properties? Or for specific service providers? No problem—your conditions are seamlessly incorporated into your automated workflow.
- Manage appraisals via Work Queues. Assign orders to Work Queues based upon appraisal status or individual status events / actions. Assign individual staff members to manage and work with specific queues.

Reporting Tools

- RealEC provides a comprehensive suite of pre-defined reports designed to assist you in managing your appraisal process.
 - Real-Time Reporting – All reports are run real-time, so your data and information is always current.
 - Utilize Appraiser performance reports including the performance and review results date
 - XML Data Warehouse – RealEC automatically stores into a relational database every part of your Appraisal, including the performance information, results of the appraisal review. – Combine loan data, appraisal data and review data to perform real-time sophisticated analysis.
 - RealEC reporting and analytic tools you are able to access current and historical appraisal and property data combined with loan information provide your robust analysis and historical comparisons.
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Security and Assurance

- RealEC's Network Security Program assures you data is secure, 24 x 7 x 365.
- TruSecure Certified by the leading Network Security Company – Cybertrust – Assures data security
- RealEC's network is protected and monitored 24 x 7 x 365 for intrusions, hacking, viruses, worms and a whole host of other security concerns
- RealEC's Data Center incorporates the latest technology for ensuring fault tolerant performance. Including advanced server clusters, load balancing server farms and multiple fiber-based storage area networks, RealEC network infrastructure is designed to provide the maximum possible uptime.
- RealEC has a fully redundant Recovery Center capable of servicing all your orders and technology in the event of a natural disaster. RealEC's primary data center replicates your data real-time to the Recovery Center to ensure the maximum possible assurance of recovery in the event of a disaster.

Bundling

- RealEC's leading tool set for bundling is the iBundle suite. RealEC's iBundle provides a powerful technology tool to utilize you loan data to dynamic assemble and choose the optimal loan services bundle.
 - iBundle allows you to dynamically create bundles utilizing any one of the thousands of providers on the RealEC Exchange.
 - RealEC's iBundle rule technology allows you to define the contents of your bundles based upon your loan level rule sets. This keep you from having to define hundreds of bundle combinations to accommodate all your lending needs
 - Utilize iSelect to dynamically insert the optimal provider into your bundle. Saving you money and time.
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Conclusion

Management of Settlement Services and lenders' key business partners is vital to the timely execution of an efficient, effective and customer friendly loan origination and closing experience for the borrower. Too often lenders manage their Settlement Service Product and Partners through inefficient and aging systems adapted from incompatible systems. In today's connected, always-on world, borrowers are expecting a much higher degree of sophistication, service and collaboration with their lender.

In most lender operations, appraisal vendor management consists of simply working to get the cheapest price for the settlement service, with little emphasis on the collaboration, service or data required to efficiently execute the lending process.

RealEC believes and has proven to our customers that through the use of our innovative technology, combined with a disciplined vendor management methodology and collaborative service execution, the lender can significantly improve the quality and execution of the loan as well as significantly reduce cost of originating their loans.

The adoption of new technology is a risk in any marketplace and more so in the Mortgage industry. In our industry, technology vendors have failed to execute for their clients more often than not. Combining this fact with the ever changing and adapting world of eCommerce presents a daunting task for the operations and technology managers of today's lenders.

RealEC is proud to have a long track record of providing successful, on-time and on-budget solutions for our customers. Before selecting an eCommerce platform, consider one that has been tailored specifically for your use and the needs of your industry.

RealEC is one of the most financially sound technology suppliers in the market today. With our ownership consisting of equity from three of the top four largest Title Underwriters, you can be assured that RealEC will be the technology supplier of choice in the Mortgage Industry for many years to come.

Take a moment to contact RealEC at 877-2-RealEC or sales@realec.com, and let us show you how we can help you improve your lending operations.

If you are still unsure, then ask around. RealEC will be glad to provide references and examples of how your competition has successfully implemented RealEC's solutions.
