



Powering the Business of Real Estate

Vendor 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.

Vendor Management

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.

Vendor Management Tools

In order for a Vendor Management solution to effectively manage settlement services it must incorporate the following components:

- An Extensive Electronic Partner Network
- Intelligent Product Selection
- Rules Based Provider Selection
- Data Centric Product Return
- Automated Product Review and Evaluation
- Automated Upgrades / Product Cascading
- Real-time Service Collaboration
- Standardized Collaborative Workflows
- Exception Based Product Processing
- Service Level Evaluation
- Standardized Product Data Management & Analysis

RealEC has a comprehensive suite of solutions designed to uniquely meet lenders' needs in each of these areas. This document will focus on outlining the RealEC solutions available for several of these areas. Additional whitepapers are available to provide detailed information on each of the RealEC solutions. Please contact your Account Executive or call 877-2-RealEC for more information.

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 provider's 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.

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

Intelligent Provider Selection

iSelect – ProviderSelect™

Intelligent Provider 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 service provider 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 vendor 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 routing of each order. iSelect stores and tracks information on each service provider, including performance, pricing, capacity, coverage, 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 service providers 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 vendors' 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 vendors 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 providers assigned by pre-defined loan criteria.

Example – Lenders can define a set of providers 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.

The lender can then define another grouping of providers who service the next set of criteria. These Provider Qualification rules can be defined until all the lender's loan profiles are serviced by a series of provider groups.

This innovative methodology allows the lender to define vendor 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 provider. 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 provider.

Example – If a Title Service Provider 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.

RealEC Mortgage Insurance Allocation Tools

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 provider’s “opportunity” to receive an order. In the event that the service provider 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.

For Mortgage Lenders with a need for sophisticated allocation of Mortgage Insurance orders RealEC has developed the RealEC Mortgage Insurance Allocation Tools. These tools introduce a series of exclusive methods to manage allocation models within the lender’s organization. These models include the following:

Mortgage Insurance – Provider Qualifications

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

Example – Lenders can define a set of providers 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.

The lender can then define another grouping of providers who service the next set of criteria. These Provider Qualification rules can be defined until the lender’s entire loan profiles are serviced by a series of provider groups.

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

Mortgage Insurance – Provider Allocation

The Mortgage Insurance Provider Allocation Tool allows the lender to create a set of defined order allocation models. This allows the lender to allocate their Mortgage Insurance orders using a percentage allocation model. This tool allows the lender to designate a specific percentage of their Mortgage Insurance orders to be sent to each provider within the groupings defined in the Provider Qualification module.

Example – Lenders can define a set of three providers who service only A paper loans in the state of Texas and allocate the business between these three providers by a percentage allocation model. Such as Provider A = 25%, Provider B = 20%, Provider C = 55%

Mortgage Insurance - Exclusionary Rules - RealEC also offers the ability for the lender to define "Exclusionary Rules" for each provider. These rules are designed by the lender and allow for additional filtering to be applied before allocation of the order to the provider. The 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 provider.

Example - If a Mortgage Insurance Service Provider only accepts loans with Credit Scores greater than 650, the qualifying rule will not allocate an order to the service provider if the borrower's Credit Score is less than 650.

Mortgage Insurance - 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 provider's "opportunity" to receive an order. In the event that the service provider 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.

Through a combination of the Mortgage Insurance Qualifying Rules, Opportunity Cost Allocation and Exclusion Rules, RealEC provides the most sophisticated tools for Mortgage Insurance management and automation in the industry.

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, 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.
