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The CFPB’s Deep Impact: Raising Standards for Everyone

By Michael Lewis

During the last few years, we’ve witnessed the rapid transformation of the mortgage finance industry—and more changes are on the horizon as the Consumer Financial Protection Bureau (CFPB) continues its work. The CFPB is shining a light into every corner, exposing every link in the mort-

gage finance chain from the highly visible lenders all the way to the often overlooked notaries who witness borrowers signing their loan package documents. While change is typically difficult, evolution is inevitable. While many links in the mortgage finance chain already have some level

of education or licensing requirements, higher standards across the industry will benefit everyone in the long run.

Lenders taking charge

These environmental challenges have prompted lenders to review the entire mortgage origination process and adopt new policies that better protect consumers. The bar is clearly being raised for everyone regardless of their role in the process, and it’s particularly evident with the new standards for notary signing agents—the independent contractors who handle loan signings. Lenders recognize the impact notary signing agents have because, more often than not, they are the only people a borrower actually sees in the lending process.

That realization was the catalyst behind establishing the Signing Professionals Workgroup (SPW)—an industry committee formed to create, maintain and promote recommended best practices for notary signing agents. The SPW includes mortgage lenders, title companies, signing services, trade associations, and companies that provide education, background screenings or supportive services to signing agents. Serving as an advisor, the National Notary Association (NNA) also hosts meetings for SPW members, which include executives from Bank of America, JPMorgan Chase, Wells Fargo, CitiMortgage, U.S. Bank, Title Source Inc., LSI Corporation and First American Mortgage Services.

Together, the SPW members created the Certified Signing Specialist Standards—the first set of recommended best practices for notary signing agents—and a new designation, the “Certified Signing Specialist,” for the notaries who qualify. These standards are intended to streamline the various qualifications and requirements notary signing agents need to meet in order to work with the widest variety of lenders, title companies and signing services. Currently, notaries who conduct loan signings for multiple com-

panies must meet redundant requirements and jump through numerous hoops to demonstrate that they are qualified to handle the task.

“These standards provide a set of qualifications and best practices for everyone concerned with what happens at the signing table while helping to reduce inconsistencies,” said National Notary Association President and Chief Executive Officer Thomas Heymann.

Another important consideration for the SPW and for the CFPB is improving the borrower’s overall experience with lenders and title companies.

Jim Sloan, vice president of vendor management for JPMorgan Chase, emphasized this consideration during the NNA annual conference in June. Apart from gathering information from mortgage officers and branch personnel, Sloan said, “We review our performance from our vendors on a weekly basis. We also survey every borrower. We direct our vendors to direct more business to those signing agents with the positive results.”

That sentiment was echoed by vice president of Wells Fargo Home Mortgage Sally Freudenberg.

“Today, the regulators have made it very, very clear that the lender is accountable for anything that a third-party service provider is utilized to perform within the entire end-to-end life of the loan process,” said Freudenberg. “The spotlight has been turned up a little bit and just the expectations and the importance of us all partnering together to deliver that quality product that helps us all succeed with the customers and ultimately with the regulators is really critical.”

Explaining the new standards

The Certified Signing Specialist Standards are divided into five categories:

- The Certified Signing Specialist Code Conduct;
- A standardized signing script;
- An annual background screening;

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The Certified Signing Specialist Code of Conduct

The Code of Conduct is organized into 10 guiding principles that cover more than 100 separate best practices. The Code addresses everything from protecting signers' privacy and acting in a professional manner to not providing unauthorized legal advice or services and reporting illegal or suspicious activity.

Notaries will be required sign an acknowledgement stating that they will abide by the code as a part of this new certification process.

Standardized signing script

Although every signing is different, the script outlines how a signing should be conducted. The script provides brief document descriptions and notes when the signer should be asked to contact the lender as well as when the signing specialist should call the title company representative. The goal is to establish a consistent and positive experience at the signing table.

Annual background screening

The SPW chose an annual background screening because signing specialists are invited into borrowers' homes and they handle documents with sensitive financial information. While annual background screenings have become a common request, not all screenings are as thorough as the one the SPW supports. SPW-approved background screening providers will be required to search state, local and federal records and to follow a point system for specific offenses when calculating the pass/fail result.

Shawn Murphy, ValUmerica's executive vice president, expressed complete support for background screenings to hundreds of notaries during the NNA's June conference.

"We are sending you often to a borrower's house," said Murphy. "That is their private domain, that's their pride and joy, that's where they're most comfortable in their life. It's very important that we're not sending

convicted felons. We require background checks of all our vendors so we stand behind the effort."

This element of the standards should also reduce a significant amount of redundant qualifications and costs for signing specialists who do business with multiple lenders, title companies and signing services.

Annual exam

An annual exam is being created to ensure notaries know the best practices outlined in the code of conduct, the signing script details and that they have a working knowledge of standard loan documents. Notaries will need to score a minimum of 80 percent to pass.

The SPW will make revisions as regulatory and market conditions change, which makes annual testing necessary to ensure that Certified Signing Specialists know the updates. Training courses will be provided by SPW-approved vendors to help notaries prepare for the annual exam but are not required in order to take the exam.

Notary errors-and-omissions insurance

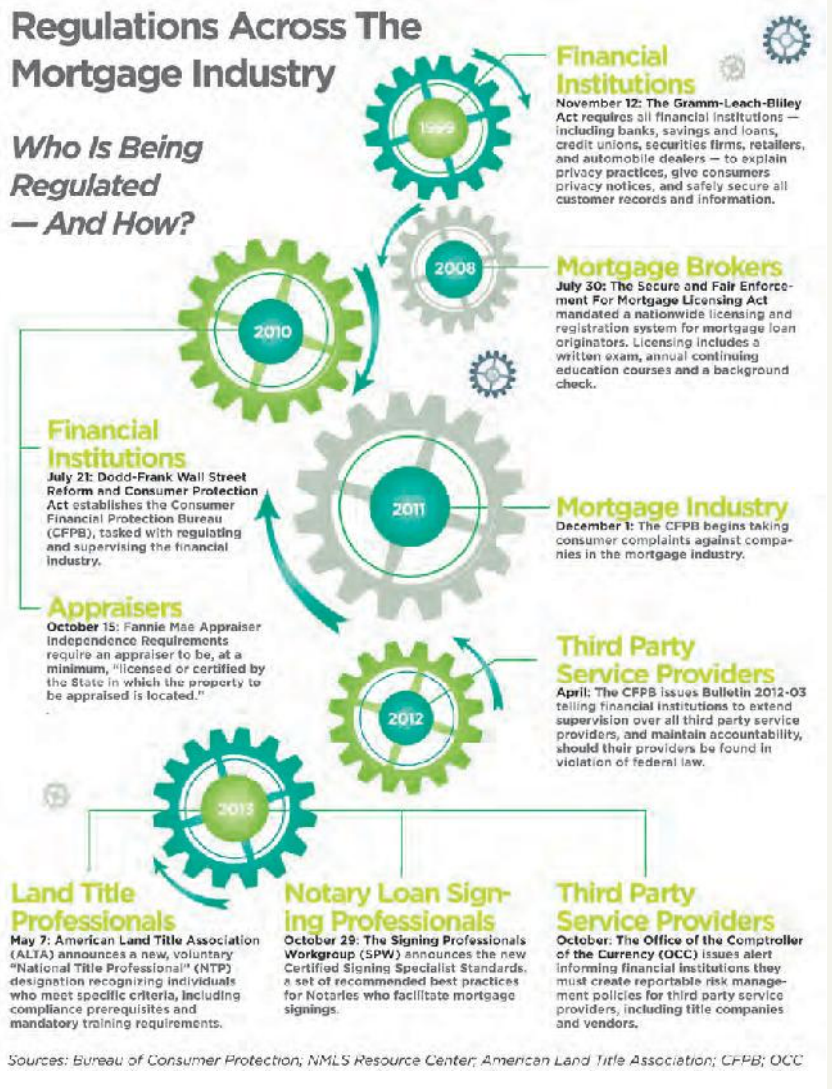
Requiring notary signing agents to carry notary errors-and-omissions (E&O) insurance is a common request made by lenders and title companies but the amounts vary widely. The SPW spent a lot of time debating an appropriate coverage level with some participants suggesting a minimum of \$100,000. Given that notary E&O insurance only covers notarial acts, they decided a minimum \$25,000 policy would be sufficient.

Evolving to survive

Many of these new standards for

Regulations Across The Mortgage Industry

Who Is Being Regulated — And How?



notary signing agents are in line with requirements for other professionals working in the real estate finance industry. For example, mortgage originators are required under federal law to complete a minimum of eight hours of continuing education annually.

Now signing agents are under the microscope and will need to evolve to survive in the industry. When the SPW first met in the fall of 2012, the committee discovered the lack of nationwide standards for commissioning notaries. Only two states require background checks and more than 30 states do not have any kind of training or testing requirements.

The SPW spent the following year

developing the Certified Signing Specialist Standards so companies of all sizes will be able to carry out mortgage signings that protect consumers and comply with the flood of new regulations. Every notary who becomes a Certified Signing Specialist—and every company that relies on them—will operate under the same rules and will have the same quality of service expectations for every mortgage signing.

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