



## Welcome to TheFourthC WFG's Monthly Compliance Newsletter

For more than two years, WFG's Compliance and Audit Department has responded to a variety of different types of compliance due diligence requests and questionnaires received from mortgage lenders. During that period of time, we have received hundreds of requests for information about WFG and its qualifications to close real estate transactions and issue title insurance policies. In June, the number of requests doubled from the previous month and year-to-date the number has tripled. In addition to an increase in the number of inquiries, the complexity and amount of information requested has increased significantly since the first of the year. We expect the number to continue to increase for the remainder of 2015. In addition to new inquiries, lenders are also asking for updates to the information provided a year or more ago.

In the beginning, we were asked to give affirmations, or answer questions with a simple "yes or no". We were then asked to provide written policies and procedures evidencing our procedures about specific questions. Recently, lenders are asking for more detailed proof that we follow our written policies and procedures. As examples we have been asked for:

- ✓ *WFG Scholar* attendance reports showing the employee completion percentages for a specific business unit;
- ✓ Results of data security tests;
- ✓ Results of Disaster Recovery and Business Continuity annual tests;
- ✓ Audit results;
- ✓ Consumer Complaints Logs;
- ✓ Bios for employees who will be responsible for a particular type of transactions; and

- ✓ Proof that background checks were completed at the time employees were hired and have been updated as required by service level agreements.

This month's feature article "*Understanding Lender Due Diligence Compliance Questionnaires*" was written by Michelle Epley – WFG's Customer Compliance Specialist. In the article Michelle explains the four levels of complexity of lender questionnaires, together with an explanation of items that we need from the field to process the requests. Michelle also describes the timelines that are expected of WFG when completing these questionnaires. Early in the process of receiving a new title or settlement order from the customer, we need to be asking if we have been approved as a qualified vendor for the new lender. If not, that information needs to be obtained and submitted to [compliance@wfgnationaltitle.com](mailto:compliance@wfgnationaltitle.com), in order to meet the proposed closing dates.

Also in this month's issue, you will read about new and revised corporate-wide policies and procedures that were approved in June.

Interested in a particular compliance or audit topic? Or, writing an article for *TheFourthC*? We are always looking for ideas for new articles and new contributors. If you have an idea for a future article or want to write an article, please contact us at [compliance@wfgnationaltitle.com](mailto:compliance@wfgnationaltitle.com).

*Donald A. O'Neill*  
*Executive Vice President & Chief Compliance Officer*  
*WFG National Title Insurance Company*



## **Understanding Lender Due Diligence Compliance Questionnaires**

You may already have noticed that today in our Industry, Compliance and Due Diligence requests are becoming more common as well as more investigative in nature. You may be wondering, why are they requesting all this information? Why does it take so long to complete some of these requests? What is needed from me to help deliver what the client requested? In this article, we hope to give you a little insight into the growing requests and answer all these questions.

### **Why are they requesting all this information?**

In the past, it was common for Title Companies and Underwriters to complete Vendor Audit requests as well as participate in on-site Vendor Audits. With the additional regulatory requirements and changes such as RESPA and now CFPB and upcoming TRID – we are finding that all customers, from the small lenders to the large top 10 lenders, are now doing their own due diligence requests on their vendors. They are ensuring that their vendors are licensed, insured, following regulatory and legal requirements while maintaining their required Service Levels.

### **Why does it take so long to complete some of these requests?**

As it is said, no two snowflakes are alike, the same goes for Lender due diligence requests. Now it is true, that some may request the same information as others, or appear the same. However, each request is closely reviewed to ensure all requirements are addressed in a consistent manner. Some requests are completed rather quickly, but

when the inquiries are more detailed in nature, and require the involvement of legal and IT – completion may take more time. Please see the grid below that defines the type of requests and their complexity.

<p><b>Questionnaire Type 1</b>          One (1) to Two (2) Page Questionnaire          Information Typically Asked for:</p> <ul style="list-style-type: none"> <li>• WFG Company Information</li> <li>• W9</li> <li>• E&amp;O</li> <li>• Wire Instructions</li> <li>• CPL</li> <li>• License</li> </ul> <p>These requests can normally be handled quickly by the Compliance Department with your assistance. <b>Send your wire instructions and CPL to Compliance along with the initial lender’s request.</b></p>	<p><b>Questionnaire Type 2</b>          Two (2) plus Page Questionnaires          In Addition to the information requested in Questionnaire Type 1,          Information Typically Asked for:</p> <ul style="list-style-type: none"> <li>• Client References</li> <li>• Service Level Promises</li> <li>• Vendor Agreements</li> <li>• Review and Sign-off of Closing Instructions</li> <li>• Copies of Policy and Procedures</li> <li>• Financial Information</li> </ul> <p>These requests will also need to involve the legal department.</p>
<p><b>Questionnaire Type 3</b>          Larger Four (4) plus Page Questionnaires          In Addition to the information requested in Questionnaire Type 1 &amp; 2,          Information Typically Asked for:</p> <ul style="list-style-type: none"> <li>• Disaster Recovery/Business Continuity Plan and Testing Results</li> <li>• Privacy Policy and Procedures</li> <li>• Overall Scope of Technology /Security</li> </ul> <p>These requests will need to involve the legal department and IT department.</p>	<p><b>Questionnaire Type 4</b>          Multiple Document Questionnaire          In addition to the information requested in Questionnaire Type 1, 2 &amp; 3,          Information Typically Asked for:</p> <ul style="list-style-type: none"> <li>• Deep Dive of Company, Financial, Legal and IT information</li> </ul> <p>These requests tend to take longer to process and will need to involve all departments.</p>

**What exactly is an RFP, SLA, MSA, SIG, SOW etc.?**

It wouldn’t be surprising that from time to time you have seen one to all of these acronyms before. Many know what they mean, but some may still be unsure. Below you will find a quick reference of the commonly used acronyms used in lender’s due diligence requests.

**RFP/RFX – Request for Proposals:** When a client is in need of new vendors, they may issue an RFP to a group of chosen potential vendors. Typically, vendors will be asked to

provide; Company History, Policy and Procedure information, Technology Offerings, Training and Operational Offerings, Pricing as well as additional information. The proposal requirements may be lengthy and take weeks to complete, but will always need to be delivered by the Clients established due date. It is important to note, that even if a proposal is submitted by WFG, there is no guarantee we will be awarded the business.

**RFI – Request for Information:** When a potential client is unaware of a company that is perusing them, they may have them complete an RFI that outlines details of that company. This type of request usually come early in sales negotiations, or prior to an official RFP.

**SLA – Service Level Agreement:** Is part of the Statement of Work (SOW) that states the specific turn times and service expectations that we agree to provide to our client.

**MSA/GSA – Master Services Agreement/General Services Agreement** – These are contracts/agreements that we enter into with our clients that provide the overall scope of the relationship and govern future transactions.

**SOW – Statement of Work or Scope of Work:** This is a legal agreement that describes the services and pricing WFG agrees to and will be providing to a particular client.

**NDA – Non-Disclosure Agreement:** An NDA is a contract we may enter into with our clients agreeing that neither party will disclose any confidential information that has been shared throughout the span of the relationship.

**SIG – Standardized Information Gathering:** This is a comprehensive questionnaire that we complete when requested by our clients. Within this questionnaire, we typically detail our technology specifications, Business Continuity/Disaster Recovery plans and System and on-site security.

**What is needed from me to help deliver what my client requested?**

95% of the requests ask for a copy of your offices CPL, Wire and Instructions and contact person for the customer. It would help speed up the process if these could be provided when the initial request is sent to the compliance department at [compliance@wfgnationaltitle.com](mailto:compliance@wfgnationaltitle.com). The Compliance department does retain all the information that is provided to us from each office, legal and IT: however, due to the ever-changing environment that is our industry, it is important for us to receive this information with each request to ensure the proper information is always being distributed to your customers. **If you receive a request from your customer for only wire instructions and CPL, you may send them directly to the customer without involving the compliance department.**

**Your help is always needed and appreciated:** The Compliance Department understands the importance of timely responses and will always do its best to facilitate each request

as quickly as possible. However, it is important that you always inform your customer that the larger requests may take additional time to complete. This communication will help ensure that your customer is reassured that their request is receiving the attention it deserves and will help strengthen your relationship with your client. The compliance department may also reach out to your customer if there is a delay in completing their request. As an example: when an MNDA needs to be signed, or if we have any questions regarding some of their requirements.

The Compliance Department would like to commend everyone in the WFG organization for all their patience and due diligence in this new ever-changing regulatory environment. Our industry has seen many regulatory changes these past few years, and WFG National Title Insurance Company continues to be on the forefront and sets a standard of excellence.

*Michelle Epley*  
VP Compliance/Customer Compliance Specialist  
WFG National Title Insurance Company



## Policies & Procedures

### Policies and Procedures

A summary of new and revised WFG Policies and Procedures that were issued in June, 2015 are:

→ [WFG Information Security Policy v2.1](#)

The revised Information Security P&P includes a new sub-section in the e-mail procedures as follows:

10.8.4.1.4: Use of personal email to conduct company business is prohibited.

CFPB  
Final Rule  
click

# FAST FACTS

Closing  
Disclosure  
Form  
click

Turn to The FourthC Fast Facts each month for continued information from The Dodd-Frank Wall Street Reform and Consumer Protection Act, the final CFPB rule on the Integrated Mortgage Disclosures, and updated information from CFPB.

**TRID rule is delayed again from October 1<sup>st</sup> to October 3<sup>rd</sup>.**

The CFPB has issued its formal proposal to delay the effective date of the TILA-RESPA Integrated Disclosures (TRID) rule until Saturday, October 3, 2015. The new effective date came only a week after the CFPB announced it would delay the effective date until October 1, 2015 due to an administrative error that was made in the rules disclosure and review process.

**Is a creditor responsible for providing its own Loan Estimate and Closing Disclosure when borrowers obtain housing assistance program subordinate loans for low-income borrowers? Some of these loans were exempt from having a separate HUD-1, so under the new rule, would the first lender disclose both?**

On October 3, 2015 and thereafter, creditors are responsible for their own Loan Estimates and Closing Disclosures, regardless of the entity which may actually be providing the specific disclosures. The creditor for the subordinate loan must determine whether a GFE, TIL, and HUD-1 will be used for an exempt transaction or whether they will use the Loan Estimate and Closing Disclosure for purposes of file retention.

**Can we use the new disclosure forms (Loan Estimate and Closing Disclosures) on all transactions after October 3<sup>rd</sup>?**

The creditor will determine which forms they will accept under their different loan programs. However, the new forms are allowable if completed properly to meet the new requirements. It is not recommended to use the new forms for HELOC loans and Reverse Mortgage loans due to the disclosure requirements under §1026.40(d) and the Reverse Mortgage requirements under §1026.33(b) which are not supported by the new forms.



## **WFG Compliance Program**

The WFG Compliance Program incorporates the latest industry best practices, as well as CFPB's most recent guidance for third party settlement services providers.

[Check out all the new information on our website](#)