



Where We Are & How to Fix It With the Right Platform

Mark McElroy - President & CEO
Pavaso, Inc.



Why is TRID Causing Such an Impact?

To be short, the industry overcomplicated the process, but not on purpose. In the haste to cover perceived liability, the industry responded with technology before the appropriate processes were established.

In comparison, for 30 years the Title Company has been the aggregator of information, preparing the HUD and the focal point for getting the deal closed. Then the industry decided the Lender was going to create and control the CD. This changed a key element in the process, and was equivalent to replacing someone with 30 years of experience with someone who has three months. There is simply no way for the industry to adjust to combinations of every issue, or deal with the various interpretations on how it should work, without having severe implications.

With that being said, the other big challenge is the adoption of more than a dozen TRID solutions. The Lender has no control over who the Title Company is, but expects every title company to learn to be proficient on more than a dozen TRID solutions. This is simply not practical. This by itself, will take many months to iron out and may never fully get straightened out. Title simply cannot be proficient with so many systems.

So what do we do? The same thing we've always done; let Title do it for now, because they have the experience. The only thing a Lender should do is insert the approval step before the CD form is completed, which will protect them from liability. As things settle into the new process, technology can be developed to make it better. Until then, the industry will suffer through this misstep and likely roll back many things which were previously implemented.

What's the Real Issue Here?

- Lender does not understand the Title world
- Lender cannot control which Title Company is chosen
- There is no standardized closing process; every one of them is different
- Consumer is along for the ride; not actively involved
- No Consumer Education
- No audit log of what was done
- Closing takes too long



- Process costs too much
- Not enough profit in Mortgage
- Information is exchanged in an insecure environment and method
- Lender has no insight to their Partners' work
- Real Estate Agent has control of the choice of service
- Lender is beholden to the Real Estate Agent for Referral
- Title is beholden to Lender and Real Estate Agent for Referral
- All the Liability is on the Lender
- CFPB is watching and expecting Consumer focus
- No upsell/cross sell in the deal
- Very little repeat business
- Marketing is relationship driven, no other methods
- Processes are antiquated and employees are conditioned to old ways

How Do We Fix All This?

Step 1 – The Priority initiative is to put the Consumer first, presenting one process inclusive of all partners.

The Consumer's experience is our number one priority, and it covers everything from the very beginning of looking for a home, throughout the entire lifecycle of homeownership. The Consumer must be the number one focus for every reason, because without them, we have no business. The core focus in every decision should be tested against this priority.

The Pavaso platform was built with this in mind from the very beginning, positioning the Consumer first through transparency, education, and participation. Additionally, Pavaso also takes into account the needs of all the other stakeholders in the process.

Step 2 – Realize the difference between “Production” of the product and “Delivery.”

The industry is so entrenched in the production of the product that they forget about the experience of the service, and they have convinced themselves that everyone should just conform to it, including the Consumer. The Consumer does not care about how



you do your job; they care about if they can understand what you've given them and if it will successfully get the deal done.

Delivery of the product is all inclusive of the process itself and of the final product. The reason you don't understand it is because you never had to pay attention to it before. Now that the CFPB created TRID, it is forcing you to do the things you should have already been doing.

The Pavaso system accomplishes overlaying the current processes with a new delivery system, without costly IT projects and integrations. This allows the industry to move quickly and expand from that point forward.

Step 3 – Establishing that the Lender will take the lead on the initiative.

The Lender now has all the liability and needs to take the lead to protect themselves and ensure things are being done within the appropriate guidelines. This does not mean they need to dictate how you do your job in the details, but it does mean we need one place to all come together and get the job done.

Pavaso incorporates production, delivery, marketing, auditing, reputation protection, standardization, and a marketplace, so Lenders can take the lead, and bring the other stakeholders into the new process.

Step 4 – Find advantage in the solution for referrals.

Most of the resistance to starting a project is for fear of upsetting the "apple cart," or the referral business they get from Real Estate Agents. However, the Real Estate Agent is now faced with getting their paycheck cut in half and is seeking a resolution. This is an opportunity for you to take the lead and show the Real Estate Agent how you can do it better, cheaper and faster than everyone else. This will result in more future referrals. You can't ignore the need for referral business, but you can build this into your approach for solving the problem.

Pavaso has built the platform and incorporated referrals through Consumer choice and influence from Real Estate Agents. This method allows for you to conduct business as usual, and transition to new methods without interruption or learning curves.

Step 5 – Incorporate all the "old" production processes with a "new" delivery process.

It is not practical to change every production process at once



and try to make it work the way it needs to. You must deliver the foundation for a solution now, which takes into account the old way of producing the product. This is accomplished with Pavaso by creating a platform dedicated to what has been ignored first and inserting the old processes and methods into it.

Pavaso allows each stakeholder to continue doing what they do, but creates methods and approaches to solving what has been missed for years. In doing so, it allows everyone to work together, providing a seamless and cohesive delivery to the Consumer throughout their experience.

Step 6 – Realize each stakeholder has their own individual relationship with the Consumer but “we” collectively do too.

You cannot change the way business has been done overnight, so you must allow each stakeholder to have their own relationship with the Consumer. But doing it in the same place will allow you to collectively collaborate and streamline all communication to one location.

Pavaso has taken an approach to combine the collective need and ability to collaborate, with the individual needs of running your own business. This creative approach delivers tools for both allowing each to coexist in the same place and in the same tasks.

Step 7 – Best is the enemy of Better.

The problem with most major initiatives is that they shoot for the perfect solution right from the beginning. They then fail because so much effort was put into it, and by the time it was completed, perfection is something else entirely. A much better approach is to capture the low-hanging fruit, and install a culture of continuous business process change, where you strive to be better than you were yesterday. In doing so, your company stays perpetually close to perfection, whatever it might be.

The Pavaso platform was built with this in mind, incorporating old methods and processes into the platform, creating new processes and approaches, and then providing the evolutionary approach to get from one to the other. This method allows everyone to get started today, providing evolution at a pace their company can handle.

Step 8 – Forget data for the moment.

For the past 30 years there has been no data integration between Lender and Title, and you don't have any integration today. It's just a general misunderstanding that we need data integration. The fact is, we don't. We may want it later, but it's not a problem today.



Pavaso has created multiple entry points for data. From the most basic form of the documents themselves to MISMO 3.3 XML and integrations with Doc Prep companies, in the future you may want an integration to further your evolution. However, because we have created tools for every circumstance, today you don't need any data integration to work with Pavaso.

Step 9 – Make getting the deal done a common goal, not the only one.

For years, each individual stakeholder has taken an approach to getting the deal done at all costs, and each of you have learned how to do that very well. The problem is that the industry sacrificed everything else along the way to get the deal done. This created inefficiencies and bureaucracies, and essentially made it cost more and more over time.

Pavaso solves this problem by providing easy ways to put the Consumer first, eliminate the bureaucracy, and create new efficiencies in getting and keeping business. Pavaso changes the mindset from getting it done, to getting it done right.

Step 10 – Be positive; don't search for reasons not to do this.

A year or so ago, every person I spoke with said "this is the future," "the consumer doesn't care," "there is no data integration," "warehouse lenders won't do it," "investors hate it and won't accept it," and many more objections. Everyone took a negative view, trying to figure out why it won't work. In order to achieve anything, you must first set your mind in understanding and belief of what needs to be accomplished. As a business leader, you must not accept status quo, must not accept defeat, and cannot tolerate negativity towards this or any other initiative. Realize that obstacles are part of the process and will be overcome.

Pavaso is founded on a belief that anything can be done. The result is the incredible platform you see before you. As an industry, you must adopt a belief you can achieve anything. After all, isn't that what makes America great?

Conclusion

We can all agree that the challenges we face are massive and broad in nature. Clearly, the industry must come together to be able to solve these issues, for the last 30 years of individuality is what created it. Pavaso has created a solution that takes all of this into account, and gives you the lowest risk solution possible. The only

thing standing in the way of your success in the future is yourself and getting to the starting line.

Contact Pavaso and begin your transformation into a new world, free of the issues and problems you are facing today.





About Mark McElroy

After starting in Fortune 100 application development in 1984, McElroy moved to a partnership in 1996 at the multi-national SAP firm IT Services, Inc., where he helped grow the business to \$40M in annual revenues by 2000.

In May 2001, McElroy purchased RamQuest, Inc. with several other investors. During his tenure there as President and CEO, revenue increased 28 fold for 50 consecutive quarters of profitability, the user base exploded to 30,000 users nationwide, and several new products were developed and launched for the title industry.

In 2011, under McElroy's direction, RamQuest began to widen its focus and develop products and services for vertical real estate markets under the Guardian Consumer Services brand, which officially launched and separated in 2014 as Pavaso, Inc.



2901 N. Dallas Parkway - Suite 300 - Plano, Texas 75093

866 288 7051

www.pavaso.com