Trust, But Verify
Why it’s Important to Have an Effective Compliance Management System in Place
…And How Every CEO Can Personally Ensure its Effectiveness.

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Compliance: Lots of activity, lots of meetings and lots of paperwork
Never before has regulatory compliance been a more important part of your business. Since the financial crisis of 2008, regulations like the Dodd-Frank Act have not only raised the compliance bar for lending organizations; they have made lenders materially responsible for compliance of their suppliers.

The Consumer Financial Protection Bureau (CFPB), established to regulate financial institutions, has defined what it considers best compliance practices. It has released a long list of publications on compliance and risk, and how they should be managed effectively by today’s lending organizations. When their auditors pay you a visit, they will be looking for systematic and effective compliance framework within your organization.

Although these guidelines refer to a “Compliance Management System (CMS),” they are vague as to what it should look like. In most organizations, the CMS is a combination of people, technology, and workflow. Whatever the configuration, guidelines are clear on what the product needs to be: rigorous and visible compliance with financial industry regulations.

Effective information management and single version of the truth
If your organization is like most, there are dozens, if not hundreds or thousands, of different places in your IT network for knowledge and data to be hidden. But the list of every compliance issue your company needs to address cannot have the luxury of living out in the hinterlands. It needs to be centralized.

This is more than just common sense: it is a guarantee that all elements of your CMS – policies, procedures, and records – are under tight oversight and security. With centralization, only one authorized version of a policy exists, in one place, and everyone knows where it is.

Without it, information wanders through your network, evolving all on its own.
Pretty soon your production is operating on folklore, urban legend and rumor.

Who’s responsible for compliance?
If you’re the CEO of a financial services organization, you’re the one who’s ultimately responsible for compliance – both within your own organization and among your suppliers. That is, if something goes wrong, no matter who actually makes the error, you are the one who will pay the price. It’s personal.
To prevent such a scenario, and to protect your business, you should have a capable and competent compliance team charged with delivering 100% compliance every day of the week, every week of the year. You should be able to trust these people and their processes, and they should reassure you, regularly and often, through meetings and reports, that everything is fine.

But, how can you be sure? Even organizations with the best intentions can fail to audit themselves effectively, execute a change in policy, or keep the kind of records that avoid red flags during audits.

You may not be a compliance expert. But you can use your own management skills, with the guidance of an industry expert or two – such as a third party with a proven Compliance Management System – to identify the gaps and seize the opportunities for your organization to perform better. For your organization, the goal is 100% compliance, everywhere in the company, all the time.

For you, the goal is making sure that compliance is one less thing to worry about.

Where to Look
The key to evaluating your own compliance capability is knowing which areas of your CMS will act as indicators of system performance, and knowing which questions to ask. But where to look?

How to Look
Open questions can invite open, non-committal answers.
They open the door for a certain “economy with the truth”. And such economy will not be tilted in the CEO’s favor.
Standby to be buried in paper
The buck stops here
One vision—one truth

Documentation
Auditors can often tell that an organization’s CMS is on track by simply looking at the way documents are managed. Organization, coherence and consistency in storing and cataloguing policy and procedure documents and other records indicate your CMS has institutionalized a discipline for keeping things current. This is accomplished by reviewing policies against changing regulations and reviewing performance against policies. The goal of your CMS is to create an unbroken chain between regulations, policies and procedures, with a consistent discipline for reviewing and revising everything on a regular basis.

Actions
Just as important as disciplined record keeping is a disciplined process for verifying that decisions are made and carried out. This typically takes place at meetings of your compliance and risk committee. You’ve seen such administrative meetings happen – you know that it can sometimes seem as if they were on autopilot, with plenty of process but minimal or no outcome. With compliance, this is more than a waste of time: it can become a dangerous way of institutionalizing outdated policies and lapsing into noncompliance without even knowing. The goal of your CMS is to ensure that these meetings regularly review and address outstanding compliance issues, so that nothing falls through the cracks.

In addition, these meetings are where compliance is measured in the real world of your rank and file employees. Your CMS can be the best in the world at managing policies and
Compliance Management System

procedures, but it’s all just busy work unless employee behavior changes. Committee meetings should include reviews that measure procedures for effectiveness, and generates solutions to fix what’s broken.

Coherent Vision
Your CMS can be excellent in recording changes in regulations and adopting them into new policies. But without proper distribution and communication, these new policies are so many trees falling down in a deserted forest. No one will hear. Nothing will be done. That’s why it’s important to examine and measure your CMS’ process for making sure compliance requirements are viewed consistently and coherently across your entire organization.

The goal of your CMS should be to ensure that everyone has the same map, the same view and the same vision.

The companies you keep; third party supplier risk
In this era of extended, material responsibility for compliance, the compliance of your suppliers matters as much as that of your internal organization. Assuming it’s your compliance officer’s job to audit these suppliers, it’s important to make sure they’re being reviewed thoroughly and held to the same high standards to which you hold your own organization.

ULS is 100% Operational in all seven ALTA Best Practices
- Establish and maintain current license(s) as required to conduct the business of title insurance and settlement services.
- Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation.
- Information Security Governance program.
- Adopt standard real estate settlement procedures and policies to ensure compliance with federal and state consumer financial laws as applicable.
- Adopt and maintain written procedures related to title policy production, delivery, reporting and premium remittance.
- Maintain appropriate professional liability insurance and fidelity coverage.
- Consumer Complaint Management.

You don’t have to be a CMS expert
Effective Information Management
Documentation
Actions
Coherent Vision
Third Party Supplier Compliance
Without an objective review of these five basic areas, your CMS, and the organization that supports it can be functioning in a bubble of apparent high performance, yet missing the mark. And they probably won’t even know it.

With your C-level responsibility for the compliance of your own organization and your business partners, it’s important or you to know which questions to ask, and what the answers should be, to remove the blinders and reconnect the processes with regulatory reality. Asking the right questions, and objectively evaluating the answers, can be
challenging. Every organization and CMS is unique. But there are some standard practices that compliance leaders can help you bring to this process – practices that you can learn quickly and use to help evaluate your company’s CMS. Use your network of suppliers and partners to get a better view and develop an approach that fits your organization.

It’s an easy step to take that saves time and money before you call in a formal consultant – or before the auditor shows up

**UALS is a Compliance Leader**

Few other lender service suppliers can match our culture, our standards and our processes for ensuring compliance and reducing risk.

Being part of USAA, one of the country’s most respected and security focused financial services companies, we are part of a business culture that has practiced compliance and integrity since long before the current regulatory environment.

We use the American Land Title Association (ALTA) best practices framework as our compliance model, and we are 100% operational in all seven best practices areas.

To enforce these best practices, we employ a mature fully operational Compliance Management System, as prescribed by the CFPB Inspection Manual. Our CMS replaces traditional, disorganized methods, of information transfer with rule-driven information management processes, delivering the right information to the right point at the right time in the business process. Analysis, organization and accountability are built into this process to minimize risk and maximize efficiency and compliance.

So to repeat…….

Who’s responsible for compliance? ..... If your are the CEO then…..

…..you are!

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**United Lender Services**, a USAA Company is a national title agency and appraisal management company. It provides title and real estate valuation services to the USAA membership and other lending institutions across the country.