



## Streamlining MSR Transfer: DocVu.AI, the One-stop Solution

The sale and transfer of Mortgage Servicing Rights (MSR) have always been vital to the mortgage value chain. The high frequency of repurchasing mortgages or servicing rights maintains the market liquidity and generates stakeholder revenues. Yet the manual handling of MSR processes, even during handoff, can affect borrower interest. Further, strict scrutiny of regulations and compliance associated with the mortgages require the transfer to be Transparent and error-free. Any discrepancy in the process can result in financial, legal, or reputational risk for servicers. This article analyzes the complexities of MSR transfers and how DocVu.AI, as a solution, mitigates process challenges and risks.

## Impact of MSR Transfers on the Mortgage Market

The MSR market has been trading at high volumes since the start of 2022. Naturally, the robust deal volumes are making the market buoyant, primarily driven by two factors:

1. Originators turn into net servicing portfolio sellers to offset revenue losses due to dipping production volumes and stay afloat.
2. Large lenders and servicers are turning net buyers due to the rise in MSR valuation. Multiple interest rate hikes, resulting in slower repayments, also increase the valuation of servicing portfolios. Subsequently, it allows buyers to improve revenue generation due to high servicing costs.

Since MSR is vital for sellers and buyers, they should also evaluate its risks for a smoother transition.

## Risks Associated with MSR Transfer

As servicers concentrate on MSRs, it is necessary to evaluate a few risks that come along:



### Repurchase risk:

This is one of the most common risks for lenders and servicers. Repurchase or Indemnification risk is something that Government Sponsored Enterprises (GSEs) and aggregators consider strictly to evaluate the mortgage quality in terms of data integrity and compliance. Therefore, every loan asset must pass a rigorous QC and due diligence process, resulting in a higher turnaround time. Subsequently, MSR buyers and sellers must ensure accurate and complete mortgage portfolios without any compliance issues.



### Portfolio retention risk:

While transferring the mortgage servicing rights, the risk of portfolio retention is prevalent among buyers and sellers. Any red flags with the mortgage portfolios can cause a massive blow to the reputation of lenders during MSR transfers due to loss of trust. Therefore, having a robust loan onboarding system can make the process safer through faster document review and reconciliations. It also helps borrowers to make the process error-free and reduce back & forth in clarifying missing documents and data. Subsequently, it offers the borrower a better experience, improving portfolio retention with enhanced MSR valuation and actual cash flows.



### Compliance risk:

With CFPB enforcement getting more stringent by the day, the impact of compliance risks arising during MSR transfer cannot be neglected. MSR buyers depend on sub-servicers to validate compliance issues without an effective in-house loan boarding system. These usually cause borrowers to pay hefty fees to these sub-servicers and supervise the entire process, making it cumbersome for them. Further, any wrongly captured data can cause compliance issues too. Having an in-house system for MSR due diligence can significantly impact mitigating compliance risks.

## How Intelligent Document Processing Ensures High-quality MSR Transfers

Since massive amounts of user data are transferred from one stakeholder to another in the MSR transfer process, a close collaboration is required to ensure transparency. Further, inconsistencies across document types and incoming data streams can cause issues with mortgage servicing obligations if not monitored carefully.

Enabling smooth, secure, and effective data management during the mortgage transfers is mandatory to avoid regulatory pitfalls. Yet, the amount of documents involved makes the process challenging while portfolios change hands. Certain aspects, such as mortgage payments, loan defaults, and bankruptcy proceedings, are beyond both parties' control. Moreover, delays in loss mitigation activities, initiation of dual-track foreclosure, unnecessary force-placed



insurance in the absence of real-time updates, and error-prone manual processes add to the complexity. Ensuring transparency while executing safe and secure MSR transfers without compromising the data further complicates the situation.

Stakeholders involved in MSR transfer can tackle these challenges using automation via intelligent document processing technology to handle bulk documents and carry out seamless data transfers between the seller's LOS & buyer's servicing platform.

## Impact of Automating Loan Validation and Boarding

The current demands in the MSR market offer an opportunity for buyers and sellers to maximize their revenue generation. However, processing bulk transfers manually can dampen those returns and potentially erode borrower trust.

DocVu.AI offers faster and more accurate MSR Transfers with its standardized process that caters to the repeatable processes in ingesting mortgage portfolios. The highly scalable solution allows lenders to maximize their ROI with its almost entirely automated processing. Subsequently, it helps services to lower their FTE costs significantly due to the negligible requirement of human intervention. Moreover, it also results in cost savings for servicers due to cutting down on outsourcing & sub-servicing fees and performing in-house due diligence.

Also, automation entails lesser chances of human error, resulting in better compliance. As a result, it improves trust and transparency with the CFPB and delivers a better borrower experience with a faster turnaround time. The portfolio retention risks are also further mitigated, so that servicers can easily foresee delinquency and defaults ahead of time.

Leveraging DocVu.AI, service providers can derive more value during transfers. It helps by



### Checking for duplicate documents:

this focuses on improving the efficiency of loan servicing while dealing with up to 1,500 pages by identifying and removing duplicate records right in the beginning



### Organizing documents by document type :

DocVu.AI helps assess documents and arrange them by document type, making scrutinizing loan documents easier



### Document relevance

DocVu.AI recognizes each document's most recent version and eliminates old and redundant ones



### Data quality

After thoroughly analyzing the customer documents, DocVu.AI reconciles data and prepares it systematically for underwriting/loan modification to ensure it passes the underwriter's scrutiny



## **In Conclusion...**

MSR transfers are important for the mortgage market because they maintain market liquidity and generate stakeholder revenues. However, MSR transfers can be complex and challenging, with potential financial, legal, or reputational risks for servicers if the transfer process is not smooth and error-free.

DocVu.AI can help ensure high-quality MSR transfers by enabling smooth, secure, and effective data management during mortgage transfers. Automation via intelligent document processing technology can handle bulk documents and carry out seamless data transfers between the seller's LOS and the buyer's servicing platform. This results in faster and more accurate MSR transfers, better compliance, and a better borrower experience with a faster turnaround time.

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