



What's Next? FinTech

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Introductions

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Agenda

- ▶ Defining FinTech and RegTech
- ▶ Borrower-Facing FinTech Solutions
- ▶ Back Office FinTech/RegTech Solutions
- ▶ Reverse Lenders in an Evolving Marketplace

FinTech vs. RegTech

▶ FinTech

- ▶ Computer programs and other technology that support delivery of financial products and services in an efficient manner
- ▶ Businesses that deliver financial services by making use of the latest technology
 - ▶ Can be disruptive to existing financial services firms

▶ RegTech

- ▶ Using technology to respond to regulatory compliance challenges in a “FinTech Era”
- ▶ Promises better compliance solutions, reduced compliance cost, and higher efficiency and profitability

Borrower-Facing FinTech Solutions

- ▶ Lenders and servicers are increasingly focused on digitizing the process to reduce their costs and risks and optimize borrowers' experiences
 - ▶ Shifting of core functions involving applicants/borrowers to an online environment
 - ▶ Moving toward eClosings
 - ▶ Allowing borrowers to “manage” their loans online
- ▶ But...
 - ▶ Regulators and investors are generally skeptical of innovation
 - ▶ Recent Fannie Mae survey indicates mortgage loans remain a “high touch” product

Back Office FinTech/RegTech Solutions

- ▶ Using technology to increase efficiency in loan fulfillment and compliance functions
- ▶ Examples
 - ▶ AI monitors sales calls for script deviation or improper practices
 - ▶ Use of AI / digital footprint / alternative data in underwriting
 - ▶ Automated tools perform pre-closing reviews of all disclosures
 - ▶ Automated scrub tools foster accurate HMDA reporting

Back Office FinTech/RegTech Solutions

- ▶ But, there are challenges....
 - ▶ Technology developers may not fully understand the business or legal/compliance needs
 - ▶ Vendor management concerns
 - ▶ Privacy and security concerns
 - ▶ Uncertainty around regulator acceptance of RegTech solutions

Reverse Lenders in an Evolving Marketplace

- ▶ Various roles to play
 - ▶ Front-end mortgage broker
 - ▶ Full mortgage lender
 - ▶ Specialized provider for larger enterprise
 - ▶ Marketplace integrator/aggregator
 - ▶ Pure software vendor