



CASE STUDY

Using Integra INVESTOR to consolidate clearing account reconciliation operations

Executive summary

Using Integra INVESTOR to automate clearing account reconciliation, a top-20 non-bank mortgage servicer has substantially improved efficiency, consolidated operations and introduced critical operational controls.

Results

- 50% Reduction in FTEs required to complete the process
- 89% Payment clearing transaction automatically matched by the system 3 Number of checks manually cleared per day, instead of 400+
- 30 Hours required to train a new FTE on the new process
- 15 Minutes it takes to prepare an account for audit, instead of weeks

Challenge

The company's clearing reconciliation process required five full-time employees to manage seven accounts using spreadsheet solutions that offered limited quality control. And because there was no formalized process for clearing reconciliation, training new staff took several weeks.

Each clearing account also came with its own specific challenges. For example, payment clearing required coordination of data from multiple sources and presented an unmanageable daily transaction volume. Disbursement clearing involved multiple touchpoints and heavy manual intervention, resulting in higher risk of errors.

Solution

Implementation of Integra INVESTOR resulted in multiple key benefits:

- **The application-based process brings standardization and visibility** Introducing a single application was key to centralizing the function in one department and standardizing the process. Furthermore, the system's workflow capabilities ensure easy oversight of the entire process.
- **Automation streamlines several aspects of the process** Thanks to automated data gathering and matching, analysts no longer spend time on tedious, error-prone tasks like collecting bank statements or manually entering data.
- **Built-in controls ensure processing integrity** The clearing reconciliation process no longer poses an audit concern, since built-in controls prevent unauthorized changes to data; timestamp analysts' work; and keep analysts from submitting unbalanced reconciliations.
- **Audit preparation requires considerably less time** With Integra INVESTOR, preparing for an audit now takes about 15 minutes. Analysts simply print or export the appropriate reports directly from the application.

Using Integra INVESTOR to automate clearing account reconciliation, a leading non-bank servicer has substantially improved efficiency, consolidated operations and introduced critical operational controls.

The challenge

The company's analyst team was overwhelmed with the daily volume of clearing account transactions, which could no longer be managed with Excel spreadsheets. Furthermore, responsibility for managing the process was split between two departments, each with its own methodology and procedure. This approach created several operational challenges:

- The process required five full-time employees to manage seven accounts using spreadsheet-based solutions that offered limited quality control. Manual data errors were common, and there were no audit controls or visibility over analysts' activities.
- Each department used its own procedure for reconciliation, so there was no consistency or formalized process, increasing the risk of undetected variances.
- Training new staff took several weeks because of numerous nuances and exceptions for each reconciliation type.

Each clearing account also came with its own specific challenges:

- Payment clearing required coordination of data from multiple sources and presented an unmanageable daily transaction volume.
- Disbursement clearing involved multiple touchpoints and heavy manual intervention to clear items, resulting in higher risk of errors.
- Remaining clearing accounts had their own complexities and idiosyncrasies.

"Our process wasn't achieving the desired results. Some accounts were simply irreconcilable. There was no hope of improvement unless we implemented a true system that offered the kinds of analysis we needed."

— Senior Vice President, Cash and Investor Reporting

The opportunity

The company's team needed a solution that would not only help consolidate the clearing account reconciliation process, but also make it more efficient and reduce the risk of audit findings. After evaluating the challenges associated with the existing process, the senior vice president determined that Integra INVESTOR's clearing account reconciliation module would be an ideal fit.

- Automation would significantly reduce errors and FTE hours required to perform the process.
- Built-in controls would ensure the integrity of the process and provide visibility over analysts' activities.
- Standardization using a single application promised a much more consistent, controlled and audit-friendly business process.

CUSTOMER HIGHLIGHTS

- » A top-20 non-bank mortgage servicer and a prominent provider of mortgage liquidity
- » Currently services more than \$75 billion worth of mortgage assets, comprising its own assets and loans sub-serviced for many other investor types nationwide
- » Publicly rated by Fitch, S&P and Knoll Bond Rating Agency

"We were looking for a solution that wouldn't merely address our most pressing problems. With Integra INVESTOR, we saw the opportunity to formalize a more effective, proactive process."

— Senior Vice President, Cash and Investor Reporting

The results

50%

Reduction in FTEs required to complete the process

89%

Payment clearing transactions automatically matched by the system

3

Number of checks manually cleared each day, instead of 400

30

Hours required to train a new FTE on the process

15

Minutes it takes to prepare an account for audit, instead of weeks

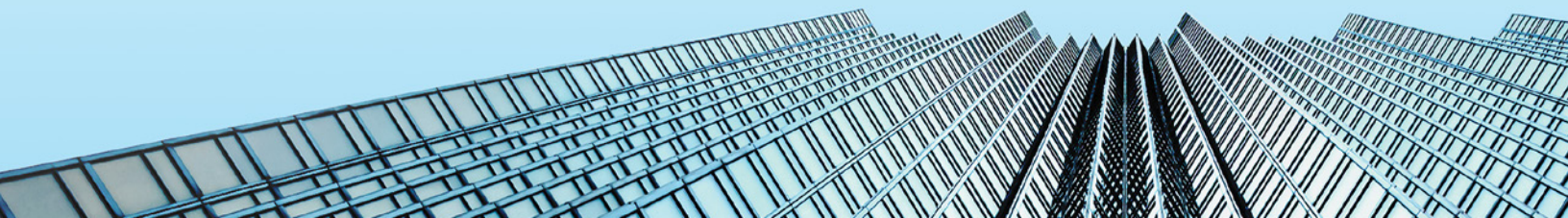
The implementation of Integra INVESTOR took about eight weeks. Introducing a single application was key to centralizing the clearing account reconciliation function in one department and standardizing the process:

Implementation of Integra INVESTOR resulted in multiple key benefits:

- **The application-based process brings standardization and visibility** Sharing responsibility between two departments resulted in little to no visibility over the clearing reconciliation process. Introducing a single application was key to centralizing the function in one department and standardizing the process. In addition, the system's workflow capabilities ensure that reconciliations are completed on time. Managers can easily oversee the entire process within the application.
- **Automation streamlines several aspects of the process** Thanks to automated data gathering, analysts no longer spend time on tedious, error-prone tasks like collecting bank statements or manually entering data. Since most matching is also automated, analysts can devote more time to researching and resolving irregular transactions.
- **Built-in controls ensure processing integrity** The old clearing reconciliation process was prone to processing errors and data-integrity issues that presented a concern for both internal and external audit partners. The clearing reconciliation process no longer poses an audit concern, thanks to controls that prevent unauthorized changes to data, timestamp analysts' work and keep analysts from submitting unbalanced reconciliations.
- **Audit preparation requires considerably less time** Prior to implementation, preparing for an audit often took weeks because analysts would have to manually correct reconciliations and assemble reconciliation reports. With Integra INVESTOR, preparing for an audit now takes about 15 minutes. To prepare for an audit, analysts simply need to print or export the appropriate reports directly from the application.

“Integra INVESTOR has completely transformed our process. Investing in this system has paid off in terms of accuracy, efficiency and audit readiness.”

— Senior Vice President, Cash and Investor Reporting



Lessons learned

The implementation of any new software system can be challenging, especially when that system will totally transform a complicated daily process like clearing account reconciliation. To ensure a successful implementation of Integra INVESTOR, the team employed three innovative strategies:

- **Focus on the reconciliation summary first** The most immediate benefit of Integra INVESTOR is that it creates a reconciliation summary that acts as a control to the process by ensuring that data is correct and that analysts are matching congruent transactions. By automating the reconciliation summary first, the team created a solid foundation for the process. They also introduced the foundation for leveraging functionality in Integra INVESTOR to match reconciling account transactions—arguably the most time-consuming and difficult aspect of a manual clearing account reconciliation process.
- **Drill down to loan level** Many organizations reconcile clearing accounts using batch-level information, with extra steps to gain additional detail. Moving transaction activity from batch-level to loan-level detail in Integra INVESTOR allowed analysts to better understand exception items when needed, while continuing to work in batches to manage non-exception activity.
- **Allow multiple sets of rules to automate clearing** During implementation, the team focused on creating, refining and extending reconciliation rules in the Integra INVESTOR application to further automate the matching of clearing exceptions. After go-live, the team remained vigilant in identifying new reconciliation patterns, which they used to gain additional automation.

Conclusion

Thanks to the implementation of Integra INVESTOR, the mortgage servicer has dramatically improved the efficiency and reliability of its clearing reconciliation process. Internal and external audit partners are pleased with the controls and visibility of the system, and team members have time for more meaningful work, including the detection and correction of previously undetected variances.

