

Title:

Teach Employees "Why" and not just How"

Word Count:

727

Summary:

In spite of their best efforts, errors can occur that create problems for the customer, and for the company. Ongoing training classes should be structured with dedicated resources to provide the training needed. Teach employees "why" and not just "how".

Keywords:

escrow, training, HUD, escrow analysis, insurance, flood insurance, lender placed insurance, loss drafts

Article Body:

Anyone who has been involved in escrow administration of a mortgage company will agree this is one of the most complex areas of loan servicing. Hundreds of thousands of tax bills, hazard insurance premiums, flood insurance premiums, PMI premiums, and MIP premiums are paid by escrow departments around the country every day. Millions of dollars are routinely disbursed from escrow accounts and remitted to tax offices, insurance companies, private mortgage insurance companies, and HUD. Millions of escrow accounts are analyzed each month and mortgage payments are increased or decreased. Changes to mortgage payments result in customer inquiries that must be researched and responded to.

It is no easy task to see that all real estate taxes are paid on time, that properties are adequately insured, and that PMI and MIP premiums are paid; and at the heart of escrow administration are escrow analyses. The staff members involved in conducting escrow analyses must be well trained and have a good understanding of all aspects of escrow servicing.

In addition to handling taxes, insurances, and analyses, the escrow department deals with loss drafts, PMI cancellations, and in some companies, customer inquiries. Also, they deal with lender placed insurance. If a property not previously in a SFHA is later determined to be in a SFHA, the escrow department notifies the customer that flood insurance is required. Flood insurance is placed on the property, if the customer fails to provide a policy. Many customers do not agree that their property is in a SFHA and resist purchasing a flood insurance policy. Lender placed insurance, whether it is flood or F&EC,

frequently results in telephone calls and complaints from customers.

If all of this isn't enough, these functions must be performed in compliance with state and federal laws. Indeed the escrow department has been severely impacted in the last few years by changes brought on by HUD's Final Rule for conducting an escrow analysis, the Homeowners Protection Act and Fannie Mae and Freddie Mac requirements for PMI cancellation, HUD's regulations for cancellation of FHA premiums, and flood insurance regulations.

Department managers, supervisors, and employees of escrow departments have a great deal on their plate. However, the process works and works well in most cases because escrow departments are made up of talented and dedicated people. Unfortunately, in spite of their best efforts, errors can occur that create problems for the customer, and for the company.

There is one item that can help the escrow department immensely and that is employee training. There are always new employees coming on board that need training and seasoned employees that need refresher courses to strengthen what they have already learned. Everyone will agree that a well-trained employee is more productive and generally happier with his or her job. An effective training program creates a much higher quality of work and usually reduces employee turnover.

Depending on the size of the company, an employee may be trained only on the particular function assigned to him or her. In this case, it is difficult for the employee to understand how it all fits together and how one function impacts another function. An employee responsible for escrow disbursements may not realize how a processing error will affect the customer. Generally, new employees are trained how to process their work, but unfortunately they are not always taught why the work they do is important. They may not understand what the ramifications are to others if the work is not performed correctly. If they were provided with all the background information and an understanding of the components of escrow servicing, their work would be a lot of easier. This would result in the overall success of the escrow department.

The need for ongoing training exists in all business types. Some companies rely on a department's management team to provide training. Since managers, supervisors, and other employees know the company's internal policies and procedures, they are wonderful resources for providing training. However, these same people are key players in the day-to-day management of the department and may find it difficult to find time to provide training. Ongoing training classes should be structured with dedicated resources to provide the training needed. There can never be too much training and training is one of the best

investments a company can make.

Teach employees "why" and not just "how".