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White Paper

Achieving Success in the New Mortgage Ecosystem

Qualifying the Benefits of a Modern Digital Lending Platform

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Changing mortgage borrower expectations and rising origination costs have sent lenders in search of a better way to conduct business. The digital mortgage provides a streamlined approach to lending, delivering a better borrower experience at lower costs. For those reasons, it has emerged as the solution of choice for most lenders.

While every lender sees the digital mortgage through its own lens, the end goal involves lenders receiving all of the data required to complete loan files electronically. Few lenders are completely digital, but many have made significant progress while addressing inevitable challenges.

Digital lending is fast, but, like traditional lending, it needs safeguards to ensure lenders receive accurate data. Without those safeguards, institutions face serious compliance risks.

Mortgage lending is a team sport. Like a quarterback in football, lenders rely on an array of service providers, including those for credit, flood protection, fraud prevention, compliance, appraisal, title and as well as verification providers for income, employment and assets. Each player is essential to the creation of a loan that can be closed and sold into the secondary market.

Connecting parties for mortgage origination has traditionally been paper-based work. That creates significant time delays and the potential for inconsistent or inaccurate data, resulting in low-quality files and higher loan origination costs.

Modern lenders need more.

While there is still paper in lenders' processes, new technologies have made it possible to connect disparate systems across a global network for high-speed data transfer. Instead of the system-to-system integrations of the past, which were difficult to code and expensive to maintain, a robust ecosystem of APIs have made data sharing simple.

Mortgage originators can now easily connect with virtually any third party, sharing information across a secure network in near real time. Lenders have embraced this single ecosystem and are leveraging it to deliver affordable digital mortgages and an optimal borrower experience.

But many lenders still exist in a connected ecosystem of industry technology developers, service providers and other third parties to mortgage origination and servicing processes. Few are thriving there as they face increasing complexity and its negative effect on data accuracy.

The more systems lenders must connect with to process a loan, the higher the opportunity for inaccurate or incomplete data to make its way into the database of record. With multiple systems, it's also more difficult to find the source of the problem and a responsible party to correct it.

A Mostly Digital Lending Process

For some time, lenders have known the benefits of digital lending. But they have also understood the challenges of perfecting automation in a high-volume environment.

Lenders have been investing in digital tools, such as technology for the point of sale and regulatory compliance, which has yet to be fully adopted in many cases. Though only a few of those tools interface directly with the consumer, everything involved in the digital back end affects customer satisfaction. Mistakes and inaccuracies at the closing table cause customer satisfaction to plummet.

Lenders need to be certain the data they are receiving from digital tools, internal staff and third parties is accurate and that loan files are complete before shipping them to investors. Lenders remember the challenges of the foreclosure crisis, when incomplete loan files and inaccurate collateral information in those files made default servicing processes ineffective.

Finally, there is risk involved in selling a loan into the secondary market only to learn later that the loan did not qualify for the investor's program and must be bought back.

The Pandemic's Effect

The pandemic and a 70 percent increase in residential loan volume put incredible pressure on IT teams. With so much borrower information flowing into lenders' systems, verification became a significant challenge.

During the pandemic, most lenders' loan origination processes were primarily automated. However, staff members often needed to pull loans out of automation to manually "stare and compare" electronic files to loan files that could consist of hundreds of documents.

That drop in efficiency limited lenders' capacity or led them to outsource more of the origination process, reducing their profit during the busiest year the mortgage industry has seen in decades. Like a speed bump in the path of a fast-moving car, lenders' systems were disrupted when they had to go to a third party for help.

More significantly, reliance on manual processes has made lenders dependent upon employees when it has been expensive to recruit and hire qualified workers. When volumes drop, many lenders who have not invested and implemented the right technology will likely have high fixed overhead costs without the volume to remain profitable.

The Real Solution Lenders are Seeking Now

Most lenders are working toward a fully digital lending process, made possible by a vibrant and robust digital mortgage ecosystem. To take full advantage of that infrastructure, lenders need a solution that helps ensure loan files are complete and the data they contain is accurate.

Lenders are carefully considering their technology options. They know when volumes drop, they will need the best technology available. Lenders also need to have confidence they can depend on automation to reduce costs and deliver high customer satisfaction.

Data integrity is key. Applying powerful analytics to the process helps ensure data is accurate. That's the missing piece that could make lenders' recent technology investments pay off.

But where will lenders go in search of such a solution?

Choosing the Right Solution

Before choosing a product off the shelf, it pays to look in the right place. Lenders have very specific requirements; they need a solution with the analytical power to ensure loan files are correct and complete, especially when data is coming from many places within the ecosystem.

To be effective, a solution should meet the following criteria.

It should be a fully automated solution. An analytical tool must operate without human intervention to streamline lenders' processes, reduce the cost of loan origination and increase customer satisfaction. The only manual entry required should be for a rare exception.

It should serve lenders for the life of the loan. The days of performing quality control at the end of the process – or at any single point within the process – are long gone. Because a loan file is a living document that changes hands, an analytic solution must follow the loan and keep it accurate and complete.

It should ensure regulatory and investor compliance. Especially in the current regulatory environment, compliance is vital. Mortgage solutions should have built-in compliance and accelerate case management and government reporting. Those are ground-level requirements for mortgage solutions, which have zero tolerance for failure.

It should be technology-agnostic. Many vendors create tools that only work with a single set of technologies or that require massive modifications or difficult integrations to work with legacy platforms. Effective software solutions must easily work with data provided by any system connected to the mortgage ecosystem.

It should be configurable by lenders. While the analytics should be capable of checking any data point in a loan file, most lenders will only want the system to analyze certain critical data points to check more loans faster. If an error is detected in one of the critical data elements, a loan is pulled from automation and sent to an exception queue for a staff member to investigate.

It should be made available through a hosted environment. Effective software should be highly reliable, scalable, cost-effective and available anywhere a lender's operation happens to be. That requires the solution be offered as software as a service.

An Automated Life-of-Loan Mortgage Solution

A life-of-loan solution suite ensures compliance and automates time-consuming processes through enhancements to a lender's existing loan origination, loan servicing and regulatory compliance systems.

For best results, the solution should be composed of different modules to help lenders address specific mortgage origination and servicing needs. The following modules could be employed individually or together.

Intelligent Content Recognition

Originators and services need intelligent content recognition (ICR) to automate loan document classification, data extraction and archiving, which can decrease labor costs, improve loan file quality and reduce risk.

The right solution provides a unique, automated approach to content capture and archiving. Text-recognition technology simplifies the time-consuming tasks of document classification, data extraction and archiving. ICR enhances lenders' paperless environments by automatically reading, classifying, indexing, archiving and/or sending all loan documents to a long-term archive repository. ICR frees staff members to work on more critical tasks, improves document integrity and quality, and maintains governance and compliance. It also reduces unnecessary risk by nearly eliminating manual entry.

Optical Character Recognition (OCR) and ICR are becoming more common in financial services today. However, new technologies in these areas are significantly more advanced than those of the past.

Advanced Analytics

Lenders and servicers need advanced analytics to help ensure loan packages are accurate, complete and saleable. The loan file may contain thousands of discrete data points, but it only takes one piece of loan data to throw the deal out of compliance. The use of analytics automates document, data quality and compliance checkpoint audits, which helps increase accuracy and efficiency while saving time and money. Analytics can also help lenders avoid data mismatches that potentially expose the originator or its clients to unnecessary and avoidable risks associated with manual data entry.

The right solution flags data mismatches early in important processes so a lender's staff can make corrections. It automates data-entry processes, eliminating keying errors from manual data entry during the onboarding process. The solution can dramatically reduce avoidable delays in operations by focusing staff on exception-only reviews. Using such a module to synchronize data across a line of business can save time and costs due to fewer errors, higher compliance rates and faster loan turn times.

Loan Tracking

Loan tracking offers a user-friendly interface to equip loan officers, operational staff and executive loan management teams with centralized storage of customer loan data to track loan portfolio content for all lending channels. The tool ensures up-to-date loan-status information, helping lenders save valuable time, money and resources.

Loan tracking categorizes and tracks all loan-related content through the entire lending process. Using such-a-ztool, lenders can automatically track required loan documents, ensure audits are complete and alert staff with automated ticklers. That allows lenders to maximize the borrower's experience with minimal effort and processing time.

Delivery Manager

Post-closing departments can easily, efficiently and cost-effectively deliver complete, compliant electronic loan packages to external organizations with a delivery manager module.

The tool delivers loan documents through an intuitive electronic delivery interface, avoiding the hassle and high costs associated with printing, stacking and physically mailing documents. And by limiting paper-based processes, lenders are choosing a green solution.

A delivery manager automatically exports and delivers electronic loan files to appropriate recipients, based on preconfigured business rules for expedited loan processing and servicing. Customizing the report each investor receives maximizes a lender's chances of success in closing each loan.

In addition, the solution provides a number of preconfigured quality checks for common lender requirements, including TRID compliance, UCD preparation and delivery, and FHA loan delivery.

For TRID compliance, a delivery manager tool should be able to automatically check more than 1,600 data fields in multiple documents using an advanced rules engine. That helps ensure TRID tolerance thresholds are not violated.

Certain systems within a complete solution can use sophisticated machine learning to improve over time. The entire platform should be tuned periodically by human technologists. They analyze loans that have passed through the system, find instances where loans hit an exception queue and make adjustments to the automation for future cases.

Benefits to Lenders

Lenders benefit from technology that ensures the data coming into loan origination systems is accurate and complete.

Benefits include:

- Confirmation that the loan file is complete and data and documents are accurate, sufficient and correctly stacked to deliver into the secondary market
- Acceleration and standardization of origination, including pre- and post-closing audits, servicing processes, reduction or elimination of errors, and reduced time and costs
- Significant reduction of regulatory compliance and investor compliance risk, which speeds the process and reduces costs
- Significant improvement in staff productivity to further reduce costs, which may lead to a reduction in staff or a reallocation of human resources
- Better customer service, resulting in higher borrower satisfaction
- More flexibility in how lenders operates their businesses, which enables institutions to easily ramp up when loan volumes rise and keep valuable employees when volumes fall

Those benefits allow lenders to take on more business with less risk and originate more quickly with higher borrower satisfaction. And they can deliver loans more effectively into the secondary market with less risk that future problems with those loans will trigger a buy-back request.

To make digital lending possible, that type of technology becomes very important. The mortgage ecosystem alone is not enough. Analytics provides lenders with confidence and assurance that they are delivering compliant loans with complete loan files to their customers.

Connect With Us

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