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How Automation Can Simplify Mortgage Loan Boarding

This crucial first step in the mortgage servicing process needs to become more efficient and accurate. Servicers can eliminate manual data validation by adopting advanced technology. In the process, they can improve data quality, save time and money, and deliver a better customer experience.

> The average cost to service a performing loan in 2016 was $163, down from $181 in 2015, though still nearly three times higher than it was it was in 2008.

Process automation can ease and simplify loan boarding, the process of accepting new loans in a mortgage servicing department or company. It's time to replace manual data validation and data entry with an automated solution to reduce process time, cost and risk of errors. The end result is a more efficient loan business and a better experience for customers.

Streamline Servicing Costs From the Start

After eight years of climbing, the cost to service a mortgage loan finally dropped — incrementally — in 2016, and lower corporate overhead costs are one reason why. The average cost to service a performing loan in 2016 was $163, down from $181 in 2015, though still nearly three times higher than it was it was in 2008.

That's not to say loan boarding is easy: A recent survey conducted by *National Mortgage News* identified servicing executives' top three pain points as:

- Moving data from origination to servicing systems (21%)
- Archiving and auditing for compliance and customer contact (20%)
- Onboarding new loans or acquired portfolios (17%)

These findings imply that problems that arise during servicing transfers are rooted in difficulties during the initial onboarding of a loan after origination. If unmitigated, servicing transfer challenges are likely to escalate. While servicers have little, if any, sway over originators' use of automation technology, they do have the power to shift the narrative during loan boarding.

Where to Improve Loan Boarding

Mortgage servicing is still complex and unnecessarily costly, despite the continued decrease in foreclosure activity and broad implementation of the policies put in place to help distressed borrowers. In addition, manual loan boarding processes add costs, are time-consuming and increase risk.

The manual process is one significant reason that, despite the continued decrease in foreclosure activity and broad implementation of the policies put in place to help distressed borrowers, mortgage servicing is still complex and unnecessarily costly.

Automation makes it possible for you to introduce data and documents to your servicing platform faster, and with confidence — and fewer errors — to lower servicing costs from the beginning of the loan's servicing life.

Reducing loan file defects is another key area where loan boarding can be improved. A chronic, raised level of loan defects can elevate repurchase risk levels. Loan file defects occur largely from the lack of coordination between data and documents. Between the second and third quarters of 2016, loan package and legal/regulatory defects comprised the highest rate of critical defects at ~30% and ~40%, respectively.[1]

It's easy to see how this can happen: The mortgage file often is transferred to the servicer as a single-PDF binary large object file (BLOB) of 500-1,000 pages. If the data input by the loan officer and approved by the underwriter is lacking or incorrect, that will affect the servicer's position. Additionally, if the document scan is poor, it erodes the quality of the data the servicer has to work with. And without verification, the data on the original mortgage docs may not match what is input into the servicer's system.

Loan Boarding Issues Become Magnified During Servicing

After a loan file has been transferred to the servicer, the quality of the loan file's data and document images determines the information servicers use in borrower communications. At times, the data may be correct but the data fields in the origination system do not match those of the servicing system. Both document transfer and data transfer require a significant amount of pre-transfer mapping, testing and reconciliation between systems just to make sure that the information being transferred to the servicers will reliably, and usefully, fit into their systems.

When incorrect information makes its way into servicing systems, servicers deal with the brunt of consumer displeasure. Servicers also tend to pay the price for consumers' bad origination experience. Consumer complaints can be exacerbated by any extra hurdles they encounter after boarding, including (but not limited to) difficulty communicating with their servicer and low-quality or outdated information shared by the servicer with the borrower.

Complaints to the Consumer Financial Protection Bureau (CFPB) over poor communication, incorrect information and general malpractice have resulted in enforcement actions and private lawsuits for servicing missteps, which drive up costs for compliance and servicing.

One national servicing company has dealt with multiple enforcement actions in recent years, and most recently was sued by the CFPB, following a cease-and-desist for acquiring more mortgage servicing rights after an all-around failure of servicing on every front. Many of their problems could have been avoided at boarding.

In another case, the servicing arm of a global bank provided bad information to credit agencies, and sent borrowers dozens of irrelevant documents in response to requests for loss mitigation materials. Both situations might have been avoided with innovations such as automated data verification and borrower communications.

Choose the Right Solution for Each Loan Boarding Task

Automation makes it possible for you to introduce data and documents to your servicing platform faster, and with confidence — and fewer errors — to lower servicing costs from the beginning of the loan's servicing life. Add the benefits of smoother borrower communication, easier document archiving and lower chances of regulatory intervention, and the case for taking a new, less manual approach becomes even more compelling.

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[1] ARMCO: Q2-Q3 2016

The saying “trust but verify” is nowhere more true than in boarding mortgage files, where accuracy is tantamount to responsible, accurate servicing — especially if the file has come from a lender that doesn't use automated processes.

Here's exactly how advanced technologies can simplify and support key stages of the mortgage loan boarding process:

Data Extraction

Using automation to pull information from loan documents and upload it into the servicing system eliminates manual data entry processes — and errors. Intelligent content recognition (ICR), which incorporates optical character recognition (OCR) with other features such as a self-learning rules engine, can enhance data extraction for both electronic and handwritten documents. This technology not only improves accuracy, it also accelerates identification and extraction of loan file data, making quick work of the numerous pages of loan documentation that travel with a mortgage.

Document Classification and Tracking

After data has been extracted, an automated process for whole document import eliminates another manual process, while also tracking collected documents to flag anything missing. Together, these advances can effectively manage electronic mortgage documents and BLOB files — and make preparing for archiving far more efficient.

Data Verification

The saying “trust but verify” is nowhere more true than in boarding mortgage files, where accuracy is tantamount to responsible, accurate servicing — especially if the file has come from a lender that doesn't use automated processes. Verifying extracted data in the received file against what is actually on the mortgage documents is a minimum requirement before archiving those documents or entering them into a repository.

To achieve a high rate of correct data-to-doc audit and verification, servicers can use automated data comparison technology to automate data matching, in the quest to verify that the loan information coming from the originator is correct. This comparison technology helps ensure accuracy between versions of forms and flags discrepancies for prompt resolution. The comparison tool presents flagged documents side-by-side to servicing staff right on their desktop, rather than requiring them to hunt for that information.

Data Mapping

Comparison tools that complement automation software can resolve another data quality issue: data mapping. In the event the loan file data the servicer receives is already accurate, how the data is mapped from the origination system may not be an exact match, which adds a different layer of complexity for the servicer.

Automated comparison analytics can quickly identify any organizational discrepancies, and flag them for a trained servicing employee to efficiently review and solve. A comparison tool also allows servicers to notify originators of loan file errors in less time than if the servicer was dependent solely on manual review by a trained employee. Comparison analytics' integration with servicing platform makes document audit processes seamless.

Borrower Updates and Communications

Fewer errors when interacting with borrowers because of better-quality data can reduce call-center volume for statement mistakes, such as incorrect tax or escrow information, incorrect balance, and more. Automating data collection also prepares and monitors loan modification, foreclosure or bankruptcy processes, as well as servicing transfers.

Conclusion

Automation is poised to transform mortgage servicing, if mortgage servicers will only allow it. From end to end, tools can simplify workflow processes with time and cost efficiency. Trained staff can be deployed to greater effect, and can be crucial to eliminating servicing errors. Automation tools and technology can boost servicing's profit margins, and improved accuracy has great potential to repair the industry's reputation among consumers. A better way to service mortgage loans has arrived. ■

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