Mortgage Loan Processing: Helping to Reduce Operational Risks and Gain Efficiency Through Automation

Loan originators struggle with regulatory compliance and mortgage processing cycle time.

Introduction

Mortgage lending is a highly complicated business. Managing documents through a loan process that can take 45 to 70 days, and that requires repeated interactions with third-party vendors and borrowers, can expose lenders to multiple bottlenecks and a high risk of costly errors. Loan originators can be eager to cut the mortgage processing cycle time, improve efficiency and cater to customers who increasingly demand responsive and reliable service, and they are looking for technology and systems to help them do it.

The mortgage industry's pain points and ways to address them were the subject of a recent webinar, Mortgage loan processing: Helping to reduce operational risks and gain efficiency through automation, sponsored by Canon U.S.A., Inc., and hosted by American Banker. Experts presented findings from a survey of hundreds of mortgage executives and managers that clarified industry challenges and objectives and identified trends and emerging solutions. Paving the way forward is technology that can build on existing loan origination systems to systematize and automate workflow and help streamline loan processing.

The program was moderated by Penny Crosman, editor at large for American Banker. Presentations were delivered by Dana Jackson, vice president of research for SourceMedia, which publishes American Banker; Craig Hughes, managing director of financial services consulting for CC Pace Systems, Inc.;
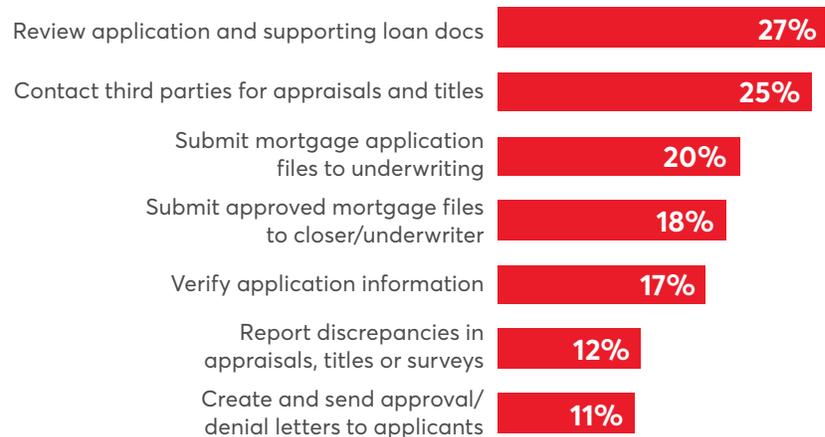
Canon

Michele Rothkin, industry marketing specialist for financial services at Canon; and Alissa DeMaio, associate marketing specialist for strategic solutions at Canon.

Pain Points, Bottlenecks and What Originators Want From Technology

The research unit of SourceMedia surveyed hundreds of mortgage lending executives and managers across the industry to get a clearer picture of the top pain points and bottlenecks in the loan processing cycle and which performance areas they have prioritized for improvement.

Responses from those surveyed showed that loan originators struggle with regulatory compliance and mortgage processing cycle time from loan requests to approvals. Many of them also have problems with tasks such as reviewing documents and verifying data, and obtaining appraisals and title reports from third parties **(see Figure 1)**.

Figure 1. Mortgage origination bottlenecks

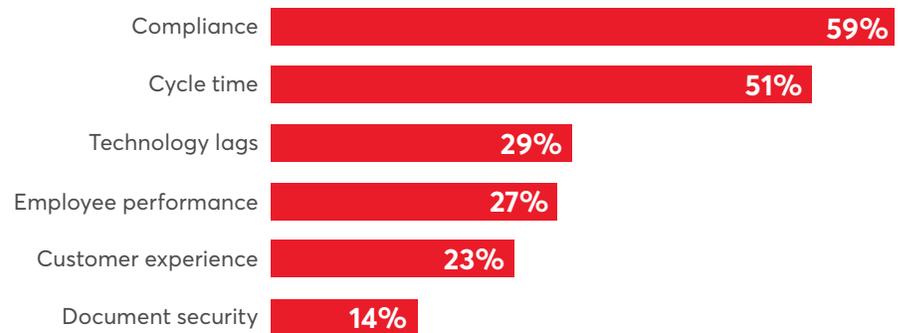| Step	Percentage
Review application and supporting loan docs	27%
Contact third parties for appraisals and titles	25%
Submit mortgage application files to underwriting	20%
Submit approved mortgage files to closer/underwriter	18%
Verify application information	17%
Report discrepancies in appraisals, titles or surveys	12%
Create and send approval/denial letters to applicants	11%

Q: For each of the following steps associated with your institution's loan processing function, how much of a bottleneck in the process are the activities performed in each step?

Source: American Banker/Canon Mortgage Lending Study, 2016

Canon

To meet customer service and operational goals, many lenders are currently in the market for new technology.

A total of 89% of respondents surveyed rank these tasks as very problematic (see Figure 1), with another 51% of respondents to the survey pointing to loan processing cycle time specifically as a significant pain point **(see Figure 2)**.

Figure 2. Loan Process Pain Points

Compliance	**59%**
Cycle time	**51%**
Technology lags	**29%**
Employee performance	**27%**
Customer experience	**23%**
Document security	**14%**

Source: American Banker/Canon Mortgage Lending Study, 2016

Complicating matters is the fact that, despite increasing customer demands for online loan applications and fast responses, the mortgage loan process remains paper-based to a significant degree. Many survey respondents said tasks such as document review still are done completely or mostly by hand at their companies. This reality contrasts sharply with loan originators' top priorities: improving customer service and increasing processing efficiency.

To meet their customer service and operational goals, many lenders reported they are currently in the market for new technology, with a third of survey respondents saying that they are likely or very likely to build on their existing platform with a complementary system in the next 12 months.

Heavy Compliance Burden and Sharp Focus on Customer Experience

Two big trends are emerging to compel loan originators to intensify their search for process efficiencies, the experts in the webinar agreed. The tougher regulations and stricter quality control standards that mortgage investors now demand have complicated lenders' interactions with third parties and driven them to layer on safety processes. This, in turn, is prompting lenders to seek better ways to navigate the new environment. Meanwhile, increasing competition among fintech companies is refocusing attention on the consumer — and creating a push to deliver fast, transparent service to borrowers.

Canon

Workflow technology can be leveraged to address the bottlenecks that arise between loan originators and title companies, appraisal providers and other third parties.

Tougher oversight imposed after the mortgage crisis has produced "a prolonged period of extreme caution," said CC Pace's Craig Hughes. "When in doubt, delay the closing as the ultimate step to help ensure regulatory compliance."

Outsourcing of activities has multiplied third-party relationships, and dealings with appraisal providers and title companies have become more difficult. "There are often long wait times for a small pool of qualified appraisers, and little automation in scheduling them," Hughes said. Among title companies, settlement attorneys and loan originators, the standard practice is pushing data back and forth across inconsistent platforms "until we consider the documents to be correct," he noted.

"The loan origination process is simply not automated the way that we would like it to be," Hughes said. All too often, the means to interface smoothly with third parties, such as appraisal companies and title agencies, is absent, workflow is triggered manually when documents are received and handoffs between departments are cumbersome.

"Checkers checking checkers remains the norm," Hughes said. Intelligent workflow, by contrast, is "predicated on real-time data availability between the parties and between the systems. It's critical to make sure that when you're sharing data, everybody's sharing the same data."

Correcting inefficiencies and setting up strong workflow processes can be particularly important amid the renewed focus on customer experience. "Customers want fast, consistent flows of information with security features," Hughes maintained. "They want a clear timeline so they understand what's wanted from them, what their role is."

By addressing top pain points like regulatory compliance and loan processing cycle time, and setting up systems to automate and simplify interactions with borrowers, loan originators can help make themselves competitive in one of the most important dimensions in today's marketplace.

Adding Workflow Technology to Boost Efficiency and Revenue
Complementing existing loan origination systems with workflow technology to help streamline processing tasks and interactions with borrowers and third parties, such as appraisal and title companies, can be decisive in improving

Canon

efficiency and customer satisfaction, Canon's specialists have found.

The object is to create "a systematic approach to manage the activities that are traditionally manual outside of the LOS," Rothkin said. As loan documents come in, they can be slotted into a centralized system that tracks them throughout the loan processing cycle, routes them to the right people, and issues automated notifications, reminders and alerts on pending tasks.

"Not all documents come in at once, and being able to track, sort and have version control can be really critical," DeMaio said.

Workflow technology can be leveraged to address the bottlenecks that arise between loan originators and title companies, appraisal providers and other third parties. For example, originators can set up web portals through which approved vendors must authenticate before they can upload documents that are automatically matched to active requests and integrated into the document management system.

"If we can make the requests electronically and allow those partners to respond back electronically, we can help streamline the process," Rothkin said.

Figure 3. Managing to a Reduction of Cycle Time

Online tracking of activities
• Alerts - Receive documents and review them within 24 hours

Pipeline of upcoming tasks
• Due Dates - Allows more proactive management of critical tasks
(Borrower communication & document expiration dates)

Workflow
• Documents and requests will be entered into an automated workflow queue

Source: American Banker/Canon Mortgage Lending Study, 2016

A coordinated workflow system also supports real-time analytics that can allow supervisors to identify and address problems. "Dashboards provide visual depictions of what is actually happening in the pipeline" and can be used in "assessing employee and third-party activities and performance," DeMaio said.

Canon

Technology's payback is clear, the experts concluded. Efficient workflow processes can help originators move loans to closing faster, allowing them to tap into revenue streams sooner, which can simultaneously boost borrower satisfaction and earn valuable referrals.

About the Research

In 2016, Canon commissioned SourceMedia Research to conduct two waves of an online survey among mortgage lending professionals at banks and credit unions of all sizes. The sample for these studies was drawn from American Banker's opt-in subscriber base. The initial survey was conducted among 310 respondents in March 2016, and the second wave in December had 220 respondents.

Webinar Panel

Moderator, Penny Crosman
Editor at Large, American Banker

Presenter, Dana Jackson
Vice President Research, SourceMedia

Presenter, Craig Hughes
Managing Director of Financial Services Consulting, CC Pace

Presenter, Michele Rothkin
Industry Marketing Specialist, Financial Services, Canon

Presenter, Alissa DeMaio
Associate Marketing Specialist – strategic solutions, Canon

Canon