CHASING THE SUN

to Build Better Mortgages

Lenders should have the freedom to work on the pieces of the loan that they want to without having to wait for others, thus reducing cycle time and increasing efficiency.

By Rob Pommier

The sun rises on the U.S. East Coast, and work begins. As the day progresses, lenders, loan originators and underwriters all work in conjunction to move borrowers from application to closing. Automated systems cut slack out of the pipeline, as software runs underwriting checks, imports data from one program into another and generates documents and compliance reports.

As the day ends, though, the work does not. A stack of disclosures stands ready to be processed, printed and delivered. The lender's software instantly sends all the files to a fulfillment center in California, which spends the next three or four hours sending the disclosures out. As their day ends, the software once again sends the files across the Pacific to a settlement services shop, which begins the work of finalizing appraisals, title and insurance needs.

By the time the sun rises on the East Coast once again, the staff of our intrepid office comes in to find their loan files a full day ahead of their competitor in the workflow.

Science Fiction? Only available to the largest banks in the country? With the availability of hosted software and business services, not anymore.

Follow-the-Sun workflow has been utilized by global companies for decades. Now, the decreasing cost of international communications and the efficiency of hosted, cloud-based software, is opening the door for lenders of all sizes to benefit. For the optimal mix of efficiency lenders can combine geographically diverse Business Processes as a Service (BPaaS) with cloud-based, data-driven software to maximize internal efficiencies and reduce the time spent preparing loans for closing.

STEP ONE: MAXIMIZE AUTOMATION WITH DATA-DRIVEN TECHNOLOGY.

To get the most out of any loan process, the first step is to ensure that internal systems are as efficient, fast and accurate as possible. The challenge in today's technology environment is that most legacy systems are built around the document, which was necessary in the pre-digital days, but creates bottlenecks as different departments wait on a document to be completed before they begin their portion.

The beauty of digital data is its readability and usability by any system. Once an application is entered into the loan origination system (LOS), all data should be instantaneously available at every step of the loan process. By relying on data over documents, lenders have the freedom to work on pieces of the loan they want without having to wait on their partners to finish, thus reducing cycle time.

By building the workflow around a central datacenter, the lender enables multiple departments to work on the loan at the same time. Data-focused origination also provides clearer transparency and more accurate risk analysis.

As soon as an application is filed, underwriters should be able to evaluate the Automated Underwriting results and apply approval decisions. Investors should be able to automatically scan for adherence to their guidelines and evaluate risk and pricing. All of this happens, while the closing department is pulling the loan documents and submitting disclosures.

The key is to use automated business rules to streamline the data entry, manual evaluations and quality checking at each step of the mortgage's journey to closing. Mortgage technology should be able to automatically evaluate data within the context of business rules, thresholds and other data to render a decision. This saves manual work on the loan and for those loans that do not meet standard criteria or have other issues that need a more nuanced decision.

legacy LOS, which dictates which third-party software it works with, lenders can now implement a "mortgage operating system" or MOS to meet their specific needs. Lenders can add and remove loan apps without affecting the functionality of the MOS and its remaining apps.

Of course, some of these apps will be developed by the MOS vendor, but a true platform-based system will enable lenders to add third-party apps at will.

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Once an automated decision is made, the system should be able to take one or more of several actions: clear the check or condition, create a new task, request or obtains more data (i.e. additional property valuation or income verification), or notify someone of the decision. Implementing a data-centric loan platform, and then combining it with BPaaS, can trim as much as 30 percent off the time and cost needed to close the loan.

Another challenge of most mortgage technology platforms is one of configuration. In an effort to reduce development costs, most platforms come packaged in pre-configured settings that must then be customized to meet the lender's specific needs. This can be costly, as a change to the LOS can also mean a change to auxiliary software to ensure a strong integration.

A more productive model is one that has become the dominant platform in personal computing technology. Since the introduction of Apple's iPhone in 2007, phones, tablets and laptops have become centers of apps, all built on a base operating system.

This philosophy works just as well in mortgage industry, since no lender has the exact same technology requirements as another. Instead of an older or

STEP TWO: RELY ON BPAAS TO MAXIMIZE EFFICIENCY.

While cloud-based SaaS services are one of the fastest growing areas of technology growth, lenders can also benefit by moving business process services to the cloud. Traditionally, lenders who wanted to utilize a third-party service for processes, such as settlement services would have to sign extensive monthly contracts and pay for a certain amount of bandwidth, regardless of whether it was used or not. BPaaS builds on the benefits of cloud-based software by providing processes and expertise through a pay-per-use model.

Much like SaaS removes the barrier of expensive installations, BPaaS does not require a heavy upfront investment in new infrastructure, which enables fast entry into new markets and smooth setup of operations in new geographies.

For example, a lender can work with a BPaaS service to provide support for mortgage origination, enabling interaction between the many players and parties involved in the transaction. They could enhance that support with document management to streamline communications – and all of it is available on demand, in real-time.

Ultimately, BPaaS enables lenders to

have greater end-to-end flexibility and effectiveness in their operations and provides options that can dramatically improve processes without requiring a massive influx of capital.

BPaaS can be as extensive or as minimal as necessary to meet the lender's needs. Point BPaaS solutions can enhance individual parts of the process or retool the entire workflow into an effective end-to-end workflow. BPaaS is also a real consideration for lenders facing major changes, such as acquisitions or entering new states. The ability to apply the same technology standards easily across the entire enterprise makes a combination of SaaS and BPaaS a lower cost, lower risk option.

The key to any successful BPaaS solution is in selecting the right provider. BPaaS companies run the gamut from niche, specialized services to global, multi-industry services.

Lenders interested in BPaaS solutions should be able to answer the following questions before committing to a vendor:

- Does the provider have deep operations-level functional expertise in mortgage lending? Can the provider meet both the operational and compliance demands of the industry?
- Is the provider committed to continual improvement as practices evolve? The shift from document-centered lending to data-centered lending is a perfect example. Keeping up with the constantly changing regulatory environment will be critical to any lender using BPaaS.
- Is the solution stable and scalable? By entrusting processes to the cloud, the vendor must be able to prove security, redundancies and the ability to handle a lender's growth.

Lenders should also evaluate what technological support is available in addition to business process services. Most process innovations require technology solutions, such as the MOS. For instance, a lender may begin using BPaaS to underwrite loans for major investors, but by adding automated risk analysis tools, the lender can multiply the benefits of manually completing the analysis in house and relying on SaaS and BPaaS services to decrease the capital investments needed to build those capabilities.

With loan volume still struggling to reach the pre-recession levels, lenders are of course sensitive to price. The increase in high-broadband internet connections and a decrease in the cost of sending data digitally have seen an emergence of innovative pricing models that can make BPaaS and SaaS attractive to lenders of all sizes. While high transition costs used to make the utilization of external service providers prohibitive for everyone but the largest lenders, pay-as-you-go pricing models with minimal upfront infrastructure costs are opening doors for small and large lenders alike.

The drive to achieve maximum efficiency with cloud-based software and business processes is amplified by chasing the sun and utilizing geographic work shifting to ensure a true 24-hour workflow. Rather than settle for just simple replication of existing processes at a lower cost, lenders can transform their workflow with a global workload that scales volume up and down as needed.

For some lenders looking to gain a true 24-hour work cycle, utilizing international business process centers provides the largest gains in efficiency. The 12-hour difference between Asia and North America provides a perfect overlap of handing off items at the end of one business day, having BPaaS services rendered overnight, and coming back in to a loan a full work day ahead of schedule.

But chasing the sun does not have to be global. For some lenders, utilizing the three-hour difference between the East and West Coasts provides enough of a competitive edge, whether it is extending call center hours or relying on an extra half-day for processing documents, collecting payments or running compliance checks.

Just as advances in network capabilities have lowered the price of cloud-based software and services that same infrastructure makes it more affordable than ever to rely on geographic shifting of work. Even for a regional lender working in one time zone, having an on-demand center to respond to customers submitting income verification documents or answer questions about their application around the clock, provides enhanced customer service and reduces the time spent by core staff handing those tasks the following day.

And the on-demand aspect of BPaaS means that lenders are only paying for the services used, which can help keep costs affordable enough to benefit from the advantage of an extra workforce.

So, don't let the sun setting signal a stop in your loans' march to the closing table. Combine the cost and time-saving benefits of stronger automation, business process services and time-shifting to gain the edge on your competitors and accelerate the climb back to the top. ❖

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About The Author

Rob Pommier is vice president of Genpact Mortgage Services's Quantum Mortgage Operation System (MOS). The Quantum MOS helps originators and lenders to automate and streamline major elements of the loan origination process, resulting in a shorter loan lifecycle and a more transparent mortgage asset. For more information, email Rob at rob.pommier@genpact.com or visit www.quantummos.com or www.genpact.com.