# Your Voice

## Adapting the Next-Gen Model

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By **Sanjeev Malaney**

The mortgage industry is going through a technological transformation. Gone are the days of paper applications; today, 43% of mortgage shoppers start their applications online. Lenders have been racing to modernize their front-end portals to provide a digital experience for their tech-savvy customers — and those tech-savvy millennials comprised 91% of the home purchases in June 2018, according to the Ellie Mae Millennial Tracker report.

However, while lenders have made significant investments to "improve the customer experience," this hasn't fundamentally improved the end-to-end process process. Closing a loan still takes an average of 40+ days, and costs continue to rise. Some savvy lenders are now evaluating automation, which speeds up closings and drives down origination costs. Focusing on improving back-end operational efficiency will take the modern mortgage experience to the next level for both borrowers and employees.

Choosing the right solution to drive operational changes is not always straightforward, but waiting to modernize and making the wrong move can be costly. To name just a few casualties of this attitude, remember Blockbuster, Dell and, more recently, Toys 'R' Us?

Based on what we've seen with clients and industry leaders, we believe there are three main options open to lenders and homeowners alike. Here's an interesting way to think about them: When you know your home no longer meets your needs, your choices are to: build a new house, buy a different house or remodel your existing house.

So what does that mean for the next generation of mortgage platforms?

Much like a homeowner who's building a house, some lenders might have a specific vision that none of the solution providers can

So one option is to build your own solution.

You start by drawing up a blueprint, getting it approved, hiring the contractor and then building your home piece by piece and step by step. The upside is that you get what you really want — a custom solution — but it could be costly and will take longer than buying something that already exists. Still, building your own solution could be the right decision if you have the time and the resources to invest.

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Keep in mind that when you build a home, having a strong foundation is critical. In this example, the strong foundation for your mortgage loan solution would be data.

Data is at the heart of getting a mortgage. The borrowers apply for a loan by providing information about their income, credit and existing assets. The lender then uses the data collected to make a decision about the loan. When the loan closes, the lender sells or retains the loan in its portfolio. The loan data could subsequently be leveraged to drive repeat business at a later time. Many legacy systems face issues of multiple sources of data, lack of transparency, and difficulty in accessing that data for insights.

Like having a strong foundation for a house, a data-driven solution is core to building a modern technology platform because it gives you confidence in data quality that allows you to accelerate decisions, speeding up the transaction process. And you don't have to do

it alone. General contractors bring in experts like electricians to help them build components of the house. Look for solutions to help ingest data, map data for accuracy, and provide tools to make the data accessible.

The second option is buying a different house — for example, another existing home in a neighborhood with better schools. It may be easier than building your own, with faster speed to market, but with an existing house, you don't have the opportunity to customize each room. You may not like the layout of the kitchen even though you got the three bedrooms you needed.

Important factors to consider when you buy an existing solution include:
>>Length of time for implementation and configurability options
>>Smart automation capabilities to minimize mundane tasks for maximum efficiency
>>Whether it has the ability to meet requirements for compliance
>>Most important of all: Whether this single solution meets your short- and long-term business goals.

Like buying an existing home, you might just have to live with the awkward kitchen layout, but there is also a third option to consider.
That third option is to renovate.

Let's say you bought a house built in the 1950s. The kitchen is outdated, the bathroom has a pink sink, and the whole place needs a fresh coat of paint.

Renovating is like a makeover of your existing infrastructure. In my experience working closely with mortgage companies for the past 15 years, we've been building technology that leverages data to address major pain points in the end-to-end loan process. By automating up to 80% of the manual, repetitive tasks throughout the loan process, lenders are able to create an intelligent work experience that significantly increases employee productivity, drives down costs, and reduces risk without sacrificing confidence in data

accuracy — essentially remodeling your existing infrastructure. This approach can be smart and cost-effective if the goal is to see immediate gains on efficiency and ROI.

In recent years, the common theme around the "renovation" approach has been focused on the front end for a modern, fresh consumer portal. But mortgage companies with strategic long-term thinking are also examining their options more holistically to improve the end-to-end mortgage experience for both borrowers and employees… because conventional wisdom tells us if you only replace the faucet but keep the old pipes, your



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kitchen is still not functioning well.

Whether mortgage companies choose to build, buy or renovate to implement the next-generation mortgage experience will depend on their strategic objectives, their existing resources and their timeline.

Whatever approach is chosen in the end, one thing is for certain: As competition grows more fierce and the industry experiences consolidation and layoffs, now is the time to invest in the future of mortgage lending.

Those who make the decision to automate and invest in the right technology will gain a competitive advantage and will thrive. ❖

With more than 17 years as Capsilon's Founder and CEO, Sanjeev Malaney has proven himself as a visionary, a pioneer and a leader when it comes to the quest for transforming the mortgage industry. Capsilon builds intelligent tools that transform the way mortgage companies work. The Capsilon platform uses data and AI to radically improve workflows, automate manual tasks and enable smarter decision making at every step, boosting productivity across all mortgage functions. 15% of all mortgages in the U.S. touch Capsilon's platform.