Process Improvement

Common Pitfalls

As we enter 2014, there are a lot of issues that mortgage lenders need to be aware of.

By Tony Garritano

We all know about the massive changes coming next month imposed by the CFPB. These changes impact lenders and servicers alike. Believe it or not, some lenders and servicers are still not ready. This is going to be a huge industry issue, and potential pitfall, to being successful in 2014.

Surely, the big takeaway for everyone is to be prepared for even more compliance hurdles in 2014, agrees Sanjeev Malaney, CEO of document workflow provider Capsilon. "Lenders have to provide indisputable audit data in order to more clearly see everything about the loan. In addition, that audit trail has to be system generated. So, you can't change a spreadsheet, essentially, and change the facts after the fact. If you think about it, lenders are looking for ways in which they now have something that the auditors can put in their hands, and it's something that lenders can observe and monitor. They want to have some defense against the compliance officers that do show up."

> Compliance aside, market shifts away from refinancing in favor of **purchase lending could also be a big pitfall** for lenders that can't transition quick enough.

Earlier this year, Capsilon enhanced its DocVelocity desktop application to substantially improve performance. Changes include an advanced printer driver, local page caching and page streaming to speed up the way mortgage documents are imaged, stored, downloaded and viewed. The updated printer driver enables users to print documents from their desktop applications with reduced file sizes, making them more efficient for uploading, downloading and storage. Intelligent page streaming downloads images only as they need to be viewed by the user, providing a visible performance improvement. Additionally, when users download a document from the cloud to their desktop, images are locally cached to increase speed when needed again.

"The second big piece for lenders to pay attention to is data integrity," noted Malaney. "There's always been a big disconnect between data and documents, so we're investing very, very heavily in providing solutions that will help close that gap in 2014. That's the biggest theme of our road map this year."

In particular, accounting automation vendors like Advantage Systems can really help lenders comply in 2014. "Our clients tell us that they are looking at the reports more closely than they may have 8-10 months ago, so they need that immediacy of data," said Brian Lynch, president of Advantage Systems. "When they can log onto the web, and they can run a P&L, and they can drill down to the transaction that's giving them some pause, that's very, very useful to them. They're not waiting for data. They're not waiting for someone to close in a month. They could see that real time data was happening in their organization, and that's been a big, big help to our clients to be able to stay on top of what issues are hitting them."

In keeping with the move to providing lenders with more real-time access, Advantage Systems launched a mobile app to support its ApprovalSoft workflow and approval management solution, which enables lenders to approve accounting transactions faster and more efficiently. The ApprovalSoft mobile app enables users to take a picture of financial documents, such as receipts, using the camera from a smartphone or tablet and eliminates the time and stress of having to do expense reports.

In addition, it allows companies to speed up the processing of accounting transactions and improve internal controls by making it easier to record and review approvals for each financial transaction. The technology maintains a history of approved transactions for audit purposes and ensures that only approved transactions are entered into the accounting system.

"Our ApprovalSoft application further streamlines lenders' internal approval processes and saves valuable time that can be dedicated towards the origination of new loans," concluded Lynch.

Compliance aside, market shifts away from refinancing in favor of purchase lending could also be a big pitfall for lenders that can't transition quick enough. Technology vendors like Mortgage Returns, however see this as an opportunity for lenders if they make the leap seamlessly to purchase lending. "A lot of the clients that we deal with are moving towards more of a centralized and controlled marketing environment, not really giving up on the creativity, but just making sure that the pieces are controlled a lot tighter," explained Jim Blatt, CEO of Mortgage Returns. "We see a lot of people moving towards this strategy. They've been on that road for a little while, but there's certainly an increasing in the pace of adoption these days."

Lenders need to ask: How do you get more purchase business, whether it's from your past customers, converting more prospects or referral partners?

To this end, Mortgage Returns has enhanced its technology and services to enable mortgage originators to maximize their ROI by marketing more effectively to their customers, prospects and referral partners.

Enhancements enable mortgage originators to do the following:

- Automatically upload new customers and prospects from the LOS directly into Mortgage Returns;
- Order direct mail straight from Mortgage Returns' new Storefront marketing solution;
- Reach Spanish-speaking customers with one-to-one direct mail and email marketing;
- Create company, branch and loan officer websites; and
- Gather valuable feedback on the mortgage company and its loan officers through a post-close email survey for borrowers and realtors.

These features are in addition to Mortgage Returns' Business Analysis Report, which was released earlier in the year and provides originators with detailed data on production statistics, marketing ROI, customer retention and loan officer performance that can be used to increase the impact of their marketing efforts.

"The new enhancements enable lenders to improve the effectiveness of their marketing programs and increase marketing ROI by capitalizing on their relationships with customers, prospects and referral partners," pointed out Blatt. "We see the projections from the MBA that refis will be down 61% over the next 12 months," pointed out Blatt. "Over the course of 2014 with purchases up some 10-15% or more, that's really been the focus. Lenders need to ask: How do you get more purchase business, whether it's from your past customers, converting more prospects or referral partners? A real focus on trying to change the mindset of their originators to be much more focused on the purchase market and making sure that their marketing is consistent with that is through automation."

Regardless of your new technology footprint, you should never forget your people. As lenders and servicers alike look to automate more in 2014 to address these and other potential pitfalls, Tucker McDermott, EVP of Fay Servicing advises industry participants to "leverage the strengths of their people. We at our company have always counted on a first and foremost focus on the talent and really making sure that the technology we provide our people really leverages their skills. We still think the mortgage business really is a people business, not only internally but externally as well. You've got to know, really, that the people you're bringing on board know your customer and borrower, and again, you've got to know your servicer. You've got to be very, very involved with every piece of the equation. Provide your people the right kind of training that is going to allow them to succeed in this environment. It's a new world that we're in, and there's a lot of ways to leverage technology to make sure these people are trained in the right ways to exist and succeed in this new world we're in. ❖

Tony Garritano is Chairman and Founder of PROGRESS in Lending. As a speaker Tony has worked hard to inform executives about how technology should be a tool used to further business objectives. For over 10 years he has worked as a journalist, researcher and speaker. He can be reached via e-mail at tony@progressinlending.com.