

NEW-AGE PRACTICES TO ACCELERATE MORTGAGE ORIGINATION



Mortgage originators strive to achieve faster turn time with high process efficiency while trying to manage origination costs. In this report, we list a few best practices that companies adopt to retain competitive advantage and significantly expand market share.

With recent growing demand due to refinance and growing purchase volumes, the labor pool needed to serve the processing and underwriting areas is highly inadequate.

1. CHALLENGES IN MORTGAGE ORIGATION

Banking institutions as well as independent mortgage companies are battling with several challenges in loan processing and underwriting. They strive to achieve faster turn time with high process efficiency while trying to keep mortgage origination costs low.

Achieving high process efficiency means that each stage of the origination process needs to be as efficient as possible. You should also be able to avoid any substantial rework during the step-by-step work flow.

There are several interactions needed with the borrower as well as with third parties. These need to be optimized.

These challenges become more pronounced as a result of some of the following trends in the mortgage industry:

1.1 Rapid & unprecedented changes in regulations

With the Dodd-Frank Act and several other regulatory changes, companies need to be worried about a lot of things to make sure that they are compliant with regulations. Based on several estimates, of the 140 new rules which were passed as a legislation mid-2012, less than 20% have been put in force.

1.2 Underwriting and processing has already changed

With changed disclosure needs, and tightening of guidelines, loan processors and underwriters have to learn and adapt quickly to the changed underwriting requirements. To be familiar with the latest requirements, as well as the regulatory changes, recent underwriting and processing experience is needed.

1.3 Lack of qualified labor pool

After the mortgage crisis in 2008, a substantial amount of the qualified existing labor pool, especially in the underwriting space, had either gotten out of the workforce or moved to other industries, where the impact on the economy was lesser.

Currently, in some cases, hiring qualified personnel is taking 3 to 6 months.



There are several ways to implement incremental changes and achieve the desired results.



2.4 Timeliness and quick turnaround time

In the current competitive environment, customers' expectation of service levels is very high. Failing to meet expectations results in direct loss of future business. In addition, it is important that regulatory disclosures and documents be sent out within the prescribed timeliness.

3. BEST PRACTICES IN ORIGINATION & HOW SEVERAL OF OUR CUSTOMERS HAVE BENEFITTED

To achieve the goals of accuracy, timeliness, cost and efficiency in loan origination, organizations can go in for a complete redesign of the process, platform and organization structure.

However, at a practical level, there are several ways to implement incremental changes and achieve the desired results. SLK has been using several best practices to deliver value to customers in the mortgage domain. Some of them are listed below:

3.1 Maintain an updated knowledge-base for processors and underwriters

As discussed, the rapid changes in guidelines and regulations require underwriters and processors to be constantly updated about the changes in guidelines and any impact of regulation.

Across its mortgage engagements, SLK leverages a team of compliance experts, who keep track of all the regulatory changes, as they happen. Through a knowledge repository that is constantly updated, our team-members manage to stay ahead of the curve.

3.2 Maintain flexible capacity

As the economic situation changes or rates change, there is a need for flexible capacity to process and underwrite loans and meet required timelines.

SLK has a large base of mortgage professionals, which can be immediately deployed based on client forecasted requirements. Ramp downs based on reduction of volumes are equally easy. We offer several of our services on a "pay as you go" transactional pricing model.

3.3 Enhance quality processes

There is need to increase scrutiny, and check 100% of the loans to ensure their quality and accuracy.

SLK uses automation tools, enabled by a solid platform to reduce errors and rework. Reduction in paper (use of imaging and OCR solutions) creates a collaborative and less error prone environment. We use six sigma certified black-belts to improve process and produce defect-free loans.

3.4 Metrics based pipeline management

A critical aspect of smooth loan boarding, processing, underwriting and funding cycle is the ability to manage the pipeline well.

SLK uses workflow management tools to forecast changing volumes and balance the workload correctly within the various teams. We also reduce the number of touch points by communicating to all stakeholders about the current status of the loan workflow.

The above strategies have resulted in significant improvement in the quality of loans funded, in reducing cycle time, and in lowering mortgage origination cost for our customers



About SLK

SLK is a 5,000+ strong leading business process and software services provider focused on the Mortgage industry, with over 500 mortgage experts, proficient in loan boarding, processing, underwriting, closing and loan servicing. We are an ISO 9001:2008 and ISO 27001 certified company.

Our customers include small and large financial services organizations in the Mortgage & Consumer Lending, Banking, Payment Processing and Title Insurance domain.

For more information, please visit us at http://www.slkglobalbpo.com/Mortgage_lending.aspx



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