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TOP LENDERS

Garbage In, Garbage Out

Collecting the Right Data at the Time of Application is Critical

By Jason Sorochinsky | Special to Banker & Tradesman | Mar 15, 2020 |

At some point, mortgage professionals will likely hear the term of “Garbage In, Garbage Out,” or GIGO.

Newly minted mortgage loan originators are educated about the importance of collecting the right or critical pieces of information from the borrower at or before the Real Estate Settlement Procedures Act (RESPA) is activated.

In return, the mortgage fulfillment team can render an underwriting decision quickly during the initial review period, which results in a more favorable application journey for the borrower.

In general, the mortgage industry has seen a shift in consumer behavior when it comes to online versus traditional branch or phone application methods in comparison to previous years.

However, online mortgage applications tend to have a higher fallout rate when compared to other omnichannel methods.

So, what are some ways lenders can improve the digital mortgage experience?

Fintech companies are completely reimagining this process. Major companies across the industry – such as Blue Sage Solutions, Blend, Roostify, Ellie Mae, and Floify – appear to be focusing on making the point-of-sale process easy to understand and simple to complete for borrowers, similar to the “Amazon effect.”

However, this is easier said than done.

In all scenarios, it requires technology companies to create open architecture platforms that allow application programming interface (API) or “lights out” integrations.

One–Click Data Automation

In today’s 24/7 year-round world, borrowers’ demand for real-time results from mortgage lenders is increasing.

Housing shortages in most New England cities and towns have created bidding wars. Because of this, sellers are able to accept the highest and best offers any day of the week, including Sundays.

The end result? Mortgage lenders are starting to offer self-service options for borrowers to obtain prequalification letters and preapproval letters.

Prequalification letters are generated based on the borrower’s input or the data included within the Uniform Residential Mortgage Loan Application.

The lender makes assumptions based on the information provided and issues a nonverified prequalification letter. Subject to credit, income, asset and collateral review and approval, of course.

On the flipside, preapproval letters are gaining a tremendous amount of momentum because of data automation.

Preapproval letters in most instances are generated after credit, income and assets are verified by an underwriter – which can take a few days after the initial request is received.

More mortgage lenders are starting to streamline the approval process with the help of programs offered by the Government-Sponsored Entities, such as Day 1 Certainty (Fannie Mae) and Asset and Income Modeler (Freddie Mac), which claim to dramatically shorten closing times.

To date, Fannie Mae has funded over $300 billion using Day 1 Certainty.

However, in order for mortgage lenders to take advantage of this program they must establish an ecosystem of external technology partners (FormFree, Plaid, Finicity, and Equifax) that provide verification of assets, income and collateral using automation tools.

Instant Verification Changes the Game

Instant verification of borrower assets and income will produce a unique identification number allowing the mortgage lender to know on day one, if the borrower is approved.

This process eliminates the need for mortgage lenders to collect actual paper documents that slow down the mortgage journey while providing the representations and warrants most mortgage lenders desire.

Keep in mind, services such as verification of income will not work when trying to verify income for unique situations, such as self-employed consumers or commissioned income borrowers.

Additionally, deposit-backed lending institutions also have other opportunities to improve the borrower journey.

Banks and credit unions have the ability to leverage data found on their core operating system (Fiserv, Jack Henry, and FIS).

Behind the “PIN” access will allow data found on core banking system – such as name, phone, email, date of birth, Social Security number, and account information – to automatically populate onto the mortgage application from online banking platforms.

Like the other items mentioned above, this will improve the overall experience for the borrower and improve the quality of mortgage applications because it eliminates the possibility for typos and other errors.

The mortgage industry is at the forefront of this transformational movement.

While it may take some time before technology partners are able to deliver fully developed products based on an organization’s need, the change is rapidly underway.

Mortgage lenders should continue to push the envelope when it comes to seeking and creating a competitive advantage in today’s mortgage market. If you build it, they will come.

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