ACCURATE GROUP

Appraisal.
Title.
Technology.
Compliance.

# INNOVATION BEYOND DIGITIZATION:

# BEST PRACTICES FOR MODERNIZING REAL ESTATE LENDING

accurategroup.com

Innovation is a hot topic among lenders these days. The growing market share of non-bank lenders is putting even more pressure on traditional banks and credit unions to get the digital loan process right, both for their customers and for their own competitive futures.

When J.P. Morgan Chase reported its Q1 2019 mortgage volume down to $15 billion from $18.2 billion during the same quarter in 2018, Quicken Loans CEO Jay Farner was quick to point out that Quicken Loans had “a different story” to tell during an interview on CNBC’s *Squawk Box.*

While Farner credited Quicken’s original centralized business model as one of the key differentiators that have driven its rise to become the nation’s largest home mortgage lender, he also stressed that lending is no longer a commodity business.

“More than 30,000 places can offer you a loan,” Farner said in the interview. “The service becomes the key differentiator.”

Traditional lenders are definitely thinking about technology innovation – with the goals of delivering better consumer service, enabling greater efficiencies and modernizing lending processes. At the recent CBA Live conference, 87 percent of the 94 home equity decision-makers in the innovation forum said they were either already investing in new technology or planned to in the near future.

But for the lending industry as a whole, the issue goes beyond a technology fix or pushing the loan process online. It’s about looking at lending with fresh eyes to seek innovations that will transform both the way consumers get loans and the way lenders process loans.

In this whitepaper, we’ll spotlight three key areas lenders can tap as part of their innovation strategy: Strategic Modernization, Data Security and Borrower Experience.

## Strategic Modernization

In today's market environment, mortgage lenders must seek out innovative ways to reduce costs, accelerate loan cycle times and provide a best-in-class consumer experience. And they can't wait for a complete re-design of the loan system.

Successful lenders will look for ways to make incremental process and technology changes along the way in support of a broader vision of change. For example, Fannie Mae is piloting an effort to allow waivers on the full appraisal process for some new mortgage loans, a laudable effort that will create expanded demand for bifurcated/desktop appraisals.

As part of its appraisal modernization initiative, Fannie Mae has been testing a variety of technologies and methodologies that will both manage collateral risk and make the appraisal component of the process more efficient for lenders, borrowers, appraisers and investors. Bifurcated appraisals go beyond a basic valuation. They deliver a true technology-driven appraisal that incorporates an interior inspection option, is certified to be compliant for all loan sizes and can fully replace a traditional appraisal for home equity and portfolio mortgage loans. It combines the best of both worlds – technology-driven efficiency with a licensed or certified appraiser quality review.

In addition, new mobile technologies leverage crowdsourcing to find the most qualified property inspectors for each local area and then enable the inspector to create a full property inspection report from a mobile device while on site at the property location – greatly improving both turnaround times and accuracy.

The business benefits of moving to technology-enabled appraisals are significant – including a better borrower experience, reduced costs, greater efficiency, improved productivity and greater transparency.

There are other opportunities for digitization in both the back- and front-office that mortgage lenders can leverage quickly to achieve greater efficiencies, lower costs and gain a strategic advantage. This whitepaper, "Beyond Origination: Innovative Ways to Digitize Your Mortgage Process," explores three of these areas – e-appraisals, e-closings and e-audits.

For lenders, implementing a solution that can both improve efficiency (including lowering loan costs) and make the closing process easier for borrowers seems to be a logical next step for banks and credit unions looking to improve the profitability of mortgage lending operations.

Engaging in strategic modernization initiatives across the loan process can help banks, credit union and non-bank lenders better position themselves for growth and success.

## Data Security

In the zeal toward digitization, the J.D. Power 2018 U.S. Primary Mortgage Origination Satisfaction Study℠ offers some interesting insights into what consumers really value.

Overall satisfaction with primary mortgage originators increased year over year, driven in part by increased customer utilization of digital and mobile channels. On average, customers use 3.1 different channels during the mortgage process, with phone (72%), website (69%) and email (58%) being the most commonly used channels.

Digitizing the loan process creates data security risks, though, as the new class of lenders is using third parties to transfer data between front- and back-end systems. Lenders must ensure their systems and vendors, as well as those of their partners, are equally committed to protecting lender and consumer data.

The costs and risk associated with compliance can be reduced by automating processes, capturing and storing data online and implementing strong reporting and e-audit technology.

For areas of the mortgage process that are reliant on third-party vendors, such as appraisals, lenders should proactively contact vendors to evaluate each vendor's approach to compliance, their level of commitment to providing audit support and what electronic data they can provide in the event of an audit.

For example, in the case of appraisals, a good AMC should be prepared to provide an electronic "audit kit" for all aspects of the appraisal process and appraisal data related to a lender's specific loans.

Since many audits are unexpected, lenders can lower risk and save a significant amount of time and money by going digital with compliance data and automating internal workflows associated with the audit response process.

It's just one step to consider when choosing a digitization partner, but a critical one.

## Borrower Experience

The J.D. Power survey found that although consumers have a clear preference for originating loans online, personal interaction with a representative is still a critical step.

"Technology alone is not a magic bullet in this market," said John Cabell, Financial Services Practice Lead at J.D. Power**.** "While improved digital offerings are helping mortgage originators build customer satisfaction, it is important to find the right balance between digital, self-service offerings and personal interaction with a representative."

While consumers are using digital channels more and more, just 3% of mortgage customers rely exclusively on digital self-service channels in the origination process. Though not all customers use digital channels, those who do value speed of contact. Satisfaction levels decline sharply for each day spent waiting after inquiry for contact from a lender.

The services lenders provide in support of a better borrower experience will be a key differentiator in who leads the market in both growth and customer satisfaction. Borrower service needs to be elevated from general support to a more holistic, educational approach that empowers the borrower to make the right loan choices and stay actively engaged throughout the loan lifecycle. Borrowers who feel empowered and engaged are more likely to remain long-term customers.

Technology is critical to borrower empowerment. Technologies designed to give the borrower more control throughout the loan process include digital application apps, appraisal scheduling portals, video e-closings and remote notarization. Lenders who make these tools available to borrowers will benefit from greater differentiation in a crowded market.

## Conclusion

Traditional lenders can't expect to transform their mortgage or home equity line of credit processes overnight. By focusing on near-term technology objectives that fit seamlessly and securely into a long-term vision that respects consumers and their data, they will speed loan originations, save money and satisfy customers.

## About Accurate Group

Accurate Group is a real estate technology and services leader delivering technology-driven property appraisal, title data, analytics and digital closing solutions to banks, credit unions, servicers, non-banks and capital market firms. By combining modern process automation, accurate data and innovative SaaS and mobile technologies, Accurate Group provides its clients with the best combination of speed, quality, regulatory compliance and price.

With Accurate Group, the real estate finance community and consumers benefit from market-leading solutions that enable modern digital frameworks, improve accuracy, lower costs and improve compliance across all types of real estate loans, mortgage-related assets and real estate portfolios.

Visit www.accurategroup.com.