FIVE WAYS AUTOMATION IS FIXING THE MORTGAGE SERVICING INDUSTRY

Since the Great Recession in 2008, the mortgage servicing industry has struggled with two major pains: skyrocketing operational expenses and changing borrower expectations that place the onus on servicers to provide a better customer experience.

Consider the numbers. Mortgage servicing costs have increased by 181 percent and 369 percent for performing and non-performing loans, respectively. In fact, it now costs mortgage servicers almost $2,500 to service a loan from a delinquent borrower — five times more than it was 10 years ago, according to data from the Mortgage Bankers Association.

Today's tech savvier customers see traditional lending as a commodity and are far more likely to comparison shop. A survey by the National Association of Realtors reveals that while the home purchase process was once owned entirely by agents, these days only 17 percent of homebuyers begin by contacting an agent. Instead, 42 percent opt for independent online research.

The good news is, new and innovative digital services to improve the housing industry are flourishing. For example, esignatures and compliance checkers have reduced the burden of administrative duties for servicers. Digital property appraisals — made possible by the rise of public-record integration, mobile inspection apps and data analytics — now drive faster response times and increased borrower satisfaction.

Indeed, leveraging technology is one of the most effective ways to maintain and improve ongoing relationships with borrowers and lower operational costs. Here are five major ways automation technology has come to aid of mortgage servicers.

1. FASTER PROCESSING TIMES

According to research by the STRATMOR Group, quicker processes and a commitment to a timeline are likely to boost a mortgage servicer's net promoter score (NPS), which is associated with high customer satisfaction and an increased likelihood that a borrower will come back for their next loan or recommend the servicer to a friend.

With digitization and automation software, servicers can streamline traditionally lengthy and complex loan-processing workflows. For example, by putting legacy (i.e. paper) borrower solicitation packets online or in digital form allows for faster approvals; and leveraging optical character recognition (OCR) and machine learning means better fraud detection and faster processing of disorganized, non-uniform bulk imports.

2. GREATER ACCURACY

Another reason processing loan paperwork is so labor-intensive is the stricter regulatory environment that resulted post-Recession. And even with stricter regulations, manually verifying, importing and transferring data into internal systems and workflows still carries significant compliance risk.

But with software solutions, mortgage services can institute automated workflows with multiple checks and reviews to greatly reduce mistakes.

Digital checklists can even be set up to verify, classify and extract information as it's imported, as well as ensure data meets specified regulations and information is stored correctly. This validation process not only reduces the likelihood of human error, but also highlights exceptions and unexpected inputs for manual review.

3. HIGHER LEVELS OF CUSTOMER SERVICE SATISFACTION

According to Fred Reichheld, Bain & Company, a five percent increase in customer retention can return anywhere from 25 to 90 percent in profit. And more than anything, a modern mortgage company needs speed and accuracy to satisfy today's borrowers.

As an Oliver Wyman report on this new age in mortgage declared, "The winners in the current environment will be the ones that leverage technology to work both sides of the equation — consumer-facing and internal operations — to stand out from the crowd."

Digitization and automation enable faster performance and transaction times. Even small digital improvements, like allowing borrowers to link their accounts and pay stubs, can increase customer loyalty and satisfaction, ultimately leading to business growth through referrals and upsell opportunities.

4. LOWER OPERATIONAL COSTS

There are many ways lenders are reaping the rewards of software and service integrations that automate and improve workflows. Streamlining processes where possible eliminates a raft of inefficiencies and costs associated with heavy reliance on physical paperwork.

It's worth noting that more than half the cost of servicing loans goes toward personnel needed to handle the increase in business processes involving large volumes of paperwork and back-and-forth communication.

After an initial investment, technology adoption can lower operational costs. Thanks to efficiency gains from improved accuracy and faster approval times, servicers often report significantly lower overall processing-costs-per-loan — even non-performing ones.

5. INCREASED BUSINESS POTENTIAL

Ultimately, the efficiencies gained from automation and digitization — and increased customer satisfaction — yield another major benefit: It frees up employees to do more strategic and revenue-generating work. And that additional revenue can be reinvested back into the business to increase growth potential.

Now that borrowers can shop for and obtain loans on their own, mortgage servicing is evolving from a *process-centric and legalistic experience* to a more *human-oriented and personalized experience*. To stay competitive, lenders must move "beyond the loan" and add more value to borrowers to limit lost business opportunities.

Digital solutions like the OnBase enterprise information platform can make the entire loan process less cumbersome and help mortgage companies gain a deeper understanding of their customers. This fuels better business decision-making as the housing industry moves to a one-stop, end-to-end shop.

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