

Eight Reasons to Automate Secondary Marketing Function

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In the U.S. mortgage market, most loans are sold to secondary-market investors during or immediately following the origination process. This structural characteristic creates a series of functional requirements for lenders which are generally described as secondary-marketing activities.

They include investor selection, loan pricing, lock desk management, pipeline risk management and committing.

These processes are complicated and resource-intensive, creating opportunities for lenders to deploy technology to improve operational efficiency, decision making and competitive viability. This article describes why lenders must automate secondary marketing functions to grow in today's hyper-competitive environment.

1 Manage expanding content seamlessly

During the financial crisis that occurred over a decade ago, the number of mortgage buyers fell precipitously. Since that time, there has been a re-

surge of investors, and today, there are more than 150 organizations actively buying loans.

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While most buyers are focused on the conforming market, buyers are increasingly adding programs that do not fit squarely into the definition of conforming conventional and governmental loans. A market for jumbo loans has re-emerged, and there is an extraordinary amount of focus on programs for mortgage loans with expanded eligibility, first-time homebuyers and low-to-moder-

ate income borrowers.

The resurgence of the non-conforming investor market is excellent news for originators because these programs provide additional opportunities to serve customers. However, managing an expanding set of content in real time with a high degree of accuracy requires automation.

2 Best execution is increasingly complex

Product eligibility and pricing have become exceptionally complex over the past decade as buyers have sought to more accurately price risk. In addition, there has been a proliferation of specialized products designed for market niches, like consumers with compromised credit or buyers looking to acquire unique properties.

This has made the first step in any best execution analysis—matching borrowers with applicable loan programs—an increasingly complicated and, therefore, error-prone activity.

To identify applicable products among a broad range of options and perform a best execution analysis in real time, an automated solution with advanced product matching capabilities is required.

3 Margin management requires extreme granularity

Managing margins in a precise, flexible and timely fashion is critical in today's highly competitive environment. Lenders must develop margin strategies that balance the need to remain sufficiently competitive with profitability goals and be ready to change margins on a moment's notice in response to changing market conditions.

Because margin strategies typically vary by geography, loan type, investor and business channel, the maintenance of margins can become quite complex. Such complexity increases the need to automate the margin management process.

4 The Lights-Out Lock Desk

The lock desk serves as a vital control point and service center for secondary marketing operations, and its efficacy can have a major impact on profitability.

Lock desk responsibilities include dealing with a myriad of changes—from switching products to price concessions—and complicated policies governing investor and other lock modifications. Additionally, staff levels must quickly adjust to unexpected volume caused by interest rate fluctuations, creating management challenges in both rising and falling rate scenarios.

Automation of the lock desk presents a huge opportunity for lenders to capture and scale efficiencies by leveraging existing staff while reducing error rates.

5 Open your business to the power of APIs

Contemporary software design is increasingly focused on enabling system-to-system interaction at the feature level. Ideally, these interactions are supported through Application Programming Interfaces, or APIs, published by technology platform operators.

For lenders, APIs open a range of new possibilities to leverage highly specific secondary marketing system capabilities. For example, specialized APIs can be used to display price data on consumer websites, support locking within a custom point-of-sale system or re-check loan eligibility at the time of underwriting.

Forward-thinking lenders can automate a wide array of key processes by using secondary marketing system APIs.

6 Immediately connect with a vetted, third-party vendor network

The digital mortgage movement has caused a proliferation in the number of specialized, point solutions available in the mortgage industry, with many aimed at improving the efficiency of loan officers or delivering greater transparency to consumers.

Because price and eligibility data are vital to the user engagement process embedded in these applications, it is essential that a lender's product eligibility and pricing

system connect seamlessly with third-party vendors.

Lenders should insist that their secondary-marketing system provider automatically connect price data and lock desk functionality to a broad network of third-party applications.

7 Boost your bottom line by moving to mandatory delivery

Selling loans for mandatory delivery provides a meaningful price advantage as compared with best efforts delivery. Of course, this potential reward does not come without risk, and any lender contemplating selling loans on a mandatory basis should carefully consider the systems and personnel required to manage this execution strategy.

Risks that stem from a mandatory execution strategy are generally measured using a risk management system and hedged through the sale of TBA securities or forward agency commitments. Hedge program effectiveness is highly dependent on predictions about which loans will close and the rate with which pipeline data is refreshed.

With a proper investment in advanced technology systems that automate the risk management process, a mandatory execution strategy can contribute materially to the bottom line.

8 Gain business intelligence with data and analytics

Like virtually all financial industries, the mortgage lending business is quickly adopting analytical tools to measure performance and gauge competitiveness. This trend is driven by the emergence of several high-quality data visualization platforms,



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system provider efforts to improve data access for customers and recognition that data science can contribute to the bottom line.

To optimize secondary-marketing operations, lenders should have real-time information on locks, change requests, lock extensions, re-locks and concessions, and should invest in tools to analyze activity at the product, branch, or loan officer level.

To calibrate pricing, lenders should ideally have access to competitive analytics that can be run for specific loan scenarios. Evaluating operational and competitive data is a strategic imperative for secondary-marketing executives, and one that requires an automated, on-demand business intelligence solution.

From content to commitment, secondary-marketing automation delivers. Secondary-marketing processes have become increasingly complex and resource-intensive,

prompting lenders to consider what changes are required to support this vital function. Pressures are growing to lower costs, improve margins, raise quality, reduce risk, and sharpen decision-making.

With the arrival of the enterprise secondary marketing technology platform, lenders can now achieve these goals by automating the entire secondary marketing process, from content to commitment.

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