



# Mortgage Lenders Improve the Bottom Line with Back-Office Optimizations

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According to Fannie Mae, 41% of mortgage lenders are focused on member-facing technology as the means to greater competitiveness.<sup>1</sup> While improving the member experience is a necessary priority, credit unions may be selling themselves short by failing to streamline the entire lending process.

While simple back office optimizations can lead the way toward greater profitability, only 29% of lenders are placing the need to streamline business processes as a top priority.<sup>2</sup>

## OPTIMIZE BUT KEEP MEMBER FOCUS

Homebuyers of all ages want some fairly simple digital options, such as the abil-

ity to compare rates online. Additionally, the number of individuals who complete a mortgage application digitally is on the rise in nearly every generational borrower segment.

PwC reports that the number of Gen Z borrowers using an online lender was 2.2 times higher in 2019 than it was the previous year, and Millennials increased their use of an online lender by

1.5 times year-over-year.<sup>3</sup>

Member satisfaction with digital offerings is also evidenced by J.D. Power's 2018 U.S. Primary Mortgage Origination Satisfaction Study. Satisfaction with mortgage originators jumped 10 points from the previous year due mostly to increased consumer use of digital and mobile channels.<sup>4</sup>

The J.D. Power 2019 study reported similar findings, revealing that overall satisfaction scores were 140 points higher, on average, when consumers had real-time access to the status of their loan.<sup>5</sup> Unfortunately, the wave of member happiness dried up temporarily in the second quarter of the year as a 54% increase in the number of mort-

gage originations over the previous quarter strained the existing capacity of lenders, dropping satisfaction 16 points quarter-over-quarter.<sup>6</sup>

The industry's failure to meet member expectations during periods of high activity underscores the need for credit unions to consider digital solutions that also focus on optimizing back-office functions.

It is also important to note that while 61% of respondents expect a fully digital mortgage application process, 49% of Millennials actually used a mix of channels to complete the process.<sup>7</sup> Also, 21% of Gen Xers and 30% of Baby Boomers do the same.<sup>8</sup>

Omni-channel interactions stress the need for back-office optimization. Paper or manual processes introduce opportunities for errors as information is entered from multiple touch points. According to evaluations conducted by the National Center for Biotechnology, the number of errors occurring for every 10,000 manual entries averaged 650, or 6.5%.

Credit unions can take a big hit on simple errors. According to Scott McCarthy, author at BankDirector.com, mistakes have a way of multiplying throughout the lending process. An incorrectly entered Social Security number, for example, poses risks to the organization since the member cannot be accurately vetted, but also sets the institution up for regulatory compliance issues due to inaccurate reporting.

Digital processes, on the other hand, provide a single source of truth for all data, providing visibility across the organization. In addition, data is automatically vetted for accuracy, and loan officers are alerted to missing information or errors.

Digitization can also offer more efficient workflows, stronger pipeline management, and access to a wider range of rating models to reduce risk.

## GAINING THE INSIGHTS TO DELIVER BOTTOM-LINE RESULTS

According to McKinsey, financial institutions can realize a 50% improvement in productivity and member service by automating processes, such as workflows and decision-making, as well as residual processes, like resource planning.<sup>9</sup>

But how do credit unions know when they are on track toward bottom-line results? To realize the greatest improvements in efficiency, as well as profitability, credit unions also need to incorporate data analytics into digital mortgage solutions.

The ability to measure operational processes to internal and industry standards provides a basis for comparison. It allows lenders to assess current states and plan for precise improvements. For example, access to loan conversion data, including detailed insights such as the number of loans closed by branch or officer, and the average number of days to close, make it possible for sales and operational teams to pursue efforts that improve outcomes.

Insights into member behavior also help credit unions to increase the number of members who complete the mortgage origination process. In-

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formation indicating when members abandon an application and seek in-person advice provides a roadmap toward improvement that can generate higher member satisfaction as well as an increased number of closings.

As consumers move more toward digital channels, expectations lean toward faster and more efficient processes. To attract and maintain market share, credit unions need insights to focus their efforts and keep the back-office humming. 

### More Information

- Learn more about adopting a digital mortgage experience for both members and your back office with Fusion Mortgagebot. Contact Finastra to move your mortgage operation forward.

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### Footnotes

- 1 “Mortgage Lender Sentiment Survey Special Topics Report.” Fannie Mae, Second Quarter 2019. (Web).
- 2 Ibid.
- 3 “2019 Consumer Digital Banking Survey: PwC.” PwC Digital Consumer Research, June, 2019.” (Web).
- 4 “Transitioning from the Traditional.” The MReport. Daily Dose, Nov. 8, 2018. (Web).
- 5 “Mortgage Customer Satisfaction Improves but Loan Boom Reveals Foundation Cracks, J.D. Power Finds.” J.D. Power, Nov. 14, 2019. (Web).
- 6 Ibid.
- 7 Ibid.
- 8 Ibid.
- 9 Joao Dias, et al. “Automating the Bank's Back Office.” McKinsey & Company. McKinsey Digital, 2012. (Web).