The Digital Mortgage: Getting It Off the Ground

Lenders Should Move Quickly to Deliver to Consumers Who Now Expect Transparency and Expediency in the Loan Process

By Tom Burton

Mortgage lending is in disarray. Lenders are concerned—and confused—about the digital future. So much is changing—consumers expect “more,” “easier” and “faster.” ■ Experts warn that these changes are occurring faster than you can punch a text message into your smartphone. The digital revolution has arrived, and lenders who don’t adapt will be left behind. That means loss of market share and a chunk of your members’ pocketbooks.

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How do you rate your mortgage program? Here are a few questions that can help gauge your readiness for the future:

- Do you offer loan applications online?
- Do you have a mobile app for listing current rates?
- Do you use text messaging to update borrowers on the status of their loans?

While the answer to each of these questions should be "yes," or "we're already moving in that direction," if you answered "no" you'd better be thinking about changing your processes to add these channels. It's likely your competitors are moving toward digital mortgages already.

CONSUMERS DEMAND MORE

A recent Fannie Mae "Mobile Technology and Mortgages" study notes that homebuyers in increasing numbers are going online to get a mortgage. It also notes that the appetite for mortgage shopping and applications via mobile devices is more than twice the current usage.

Despite growing demand, the fact is that mortgage lenders, including credit unions, have been slow to provide electronic channels for borrowers, let alone a complete, end-to-end digital mortgage process. Many lenders, weighted down by paper and slow response times, are failing to attract the customers they need to sustain growth and continue success.

In fact, about three in four mortgage lenders do not offer a mobile app to help consumers shop for or obtain a mortgage, the Fannie Mae study says. As reasons for not moving ahead, lenders cite IT costs, security risks and compliance issues.

Certainly these are challenges. But the cost of not making changes is far more dangerous for traditional lenders such as credit unions.

In a recent study by PwC, 84% of mortgage customers said they want an expedited process. For comparison, the study pointed out that the average duration of a mortgage from origination to closing (purchase and refi) was 50 days, while going through government channels to renew a passport averaged 35 days, getting a new Social Security card took 28 days, and getting a tax refund averaged 21 days.

And things haven't been getting better: Elli Mae's "Originations Insight Report" shows that the mortgage loan duration actually stretched to 51 days in January 2017.

Compared to other industries (and the government), the PwC study stated, today's mortgage processing is seen as "painfully slow."

"Today's consumers want transparency, ease of use, and real-time access in their financial transactions," PwC reported. "The public has grown accustomed to the paperless, automated convenience afforded to them in other financial transactions, such as credit card and auto loan origination."

FINDING A ROADMAP

Many credit-union mortgage lenders seem confused about how to address the challenges of "going digital." They are unsure how to get started, noting that there are so many pieces of the digital puzzle to fit together in order to offer a complete process.

Perhaps the best way to get started is to look at fitting one piece at a time into the larger puzzle. You need to get moving, but you don't necessarily need to move on everything at once; in fact, that could overwhelm your ability to deliver.

WORKSHOPS OFFER YOU 'COMPETITIVE ADVANTAGE'

To learn more about what the experts are saying about digital mortgages, E-closings and other mortgage "hot topics," go to the ACUMA website (acuma.org) and check out the sessions for this June's ACUMA workshops.

One thing to remember: Your loan origination system will not alone provide the "digital experience" you need. Do not expect your LOS provider to solve this puzzle—they are just one piece of it. Also keep in mind:

- You will need to consider all of the digital tools available—one at a time if your need to—and find the ones that work with the consumer-direct portal and the loan officer portal.
- Look for the ability to interact with members across all potential channels (Internet, text, email, mobile, face-to-face)—not just paper documents. Let the member choose the preferred channel.
- Get *data* to support the loan file, rather than *documents*. Using the data means you won't be swimming in paper yourself or slowed down waiting for the borrower to supply documents.

Finally, remain flexible for future growth based on your own appetite for lending.

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ELECTRONIC ADVANTAGES

The good news is that digital mortgages can reduce costs, PwC's study notes. Processing and underwriting require fewer personnel; errors decline with less manual keying; there is less paper to print and ship; better data quality improves execution (time and tailored loans).

PwC also notes that digital mortgages can improve quality control and regulatory compliance: "Lenders who adopt a digital mortgage platform can more easily automate many aspects of their quality control (QC) and compliance programs, enabling them to strengthen and streamline their processes and examination outcomes."

Tom Burton is a freelance writer and editor who worked in the credit union industry for 10 years. Prior to that, he was an editor and manager at a daily newspaper. He uses Facebook, Instagram and Twitter, and he has plenty of mobile apps on his smartphone.